

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, October 25, 2011.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, October 25, 2011 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:00 p.m. and asked Ms. Sandy Bugie Patterson, 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: C. B. Akins, Sr., William C. Britton, E. Britt Brockman (chair), Sheila Brothers, William S. Farish, Jr. Micah Fielden, Oliver Keith Gannon, Carol Martin "Bill" Gatton, Billy Joe Miles, Terry Mobley, Sandy Bugie Patterson, Joe Peek, Erwin Roberts, Charles R. Sachatello, C. Frank Shoop, James W. Stuckert, Irina Voro, and Barbara Young. Jo Hern Curris and Pamela T. May were absent from the meeting. Ms. Patterson announced that a quorum was present.

Ms. Patterson said that Ms. Curris asked that the following statement be read and recorded in the Minutes: "Jo Curris reported that she is attending the 50th Anniversary and Annual Conference of Presidents of the American Association of State Colleges and Universities in Boston and will be unable to attend the University of Kentucky Board meeting on October 25, 2011."

The university administration was represented by President Eli Capilouto, 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 Hollie Swanson, and the university staff was represented by Chair of the Staff Senate Mike Adams.

Members of the various news media were also in attendance.

C. Consent Items

Dr. Brockman called attention to the four consent items on the agenda: Minutes from September 13, 2011 and Minutes from the Board retreat on October 1 and 2, 2011, PR 2 which deals with Personnel Actions, and FCR 1 which is a gift and pledge from Larry H. Spears. Mr. Stuckert moved approval of the consent items, and his motion was seconded by Ms. Brothers.

The motion carried without dissent. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes September 13, 2011
Minutes Board Retreat, October 1 and 2, 2011
PR 2 Personnel Actions
FCR 1 Larry H. Spears Gift and Pledge

D. Chair's Report

Dr. Brockman began his report by leading off with petitions to the Board. He reported that there were two petitions to address the Board, and they were received under the procedures in Governing Regulations Part II.

The first petition was found to be relevant. The petitioner was heard at the Finance Committee meeting. The subject matter of the petition was a proposal to the Board of Trustees to consider a clean energy feasibility study on campus and possible renovations to replace and retire the coal fire power plants on campus.

The other petition was not found to be relevant. The petition contained a series of questions concerning UK priorities, athletics vs. education, and the condition of the classroom buildings. The petitioner was referred to the administration at the University.

Dr. Brockman then commented about The Investiture of President Eli Capilouto. He thanked John Herbst, who was in charge of The Investiture, for the nice ceremony. He recognized Mr. Herbst in the audience and asked him to stand and be recognized. Mr. Herbst received a round of applause from the Board.

E. Special Committee for Athletics Report

Dr. Brockman thanked Mr. Mobley, who chaired the Special Committee for Athletics, and members of the Committee for their efforts and work collecting information. He asked Mr. Mobley to give the Committee's report.

Before beginning the report, Mr. Mobley made it perfectly clear that the charge to the Committee had absolutely nothing to do with past management or current management of the Athletics Department. Mr. Barnhart and his staff have done a wonderful job over the years, and the Committee's charge was a best practice going forward. Following the report, he thinks the Board will believe that the Committee was successful in carrying out its charge. He then gave his report.

Mr. Mobley reported that the Committee consists of five members of the Board of Trustees, two former chairs of the Board, a dean, a faculty member that served on the Athletic Board, and the NCAA faculty representative.

There were two different issues that the Committee wanted to address. Deputy Director of Athletics Mark Coyle was nice enough to do some research for the Committee in regard to other Southeastern Conference (SEC) schools, Atlantic Coast Conference (ACC), and UK's benchmarks involving how they were organized as far as the athletic relationship to the university and to their boards. The result of the research showed that organizations are what they are because of the history of the particular institution. Organizations have always been that way, and they are a little hesitant to change after many years as was the case in UK's situation.

There was a lot of good information showing some institutions went from having outside foundations to different types of groups; therefore, the Committee got a sense that the information was good. The Committee was interested in going forward and deciding what would serve the University, the Board of Trustees, and the Athletics Department best as far as a practice and organizational structure for the future. With that in mind, the Committee was 100 percent in agreement that the current organizational and committee structure of the Board of Trustees and the University has functioned well with the structure of the committees: Academic Affairs, Student Affairs, Investment, Finance, and University Health Care. As visible as athletics is at the University, it was obvious that there was not an Athletics Committee. Athletics is viewed by some Board members and many constituents as the front porch to the University. For a lot of different reasons, the University would be best served by having an Athletics Committee as a part of the Board of Trustees structure going forward. The Committee used the University Health Care Committee as a parallel measure because it also reaches out and has community members as a part of the committee under the Board of Trustees.

There would be five members of the Board of Trustees on the Board committee and three community members. The only difference in the University Health Care Committee and the Athletics Committee will be that the President will appoint the Board of Trustees members to the Athletics Committee. That is because of a NCAA regulation as it relates to institutional control which the University must adhere to and be in compliance. This will be the recommendation in the Governing Regulation that will be presented to the Board later in the meeting.

The recommendation brought up the question of what to do with the current Athletic Association Board of Directors that is an affiliated corporation of the University. When you take the responsibility that it has had and move it to a committee under the Board, there is very little from a responsibility point of view that the Board would be doing. Basically, the Committee is recommending that the Athletic Association Board of Directors be dissolved. This is a legal process that will take some time to do. The Committee recognized that there is power in having faculty, students, and community individuals involved; therefore, the Athletic Association Board of Directors could be an Athletic Advisory Committee just to continue getting input from the different constituencies that make up the fanbase of UK athletics.

Either President Capilouto or someone has talked to members of the Athletic Board, and they understand what is going on with the efforts of the Committee. The Committee tried to not have any secrets and to be as transparent as possible. The Committee feels very comfortable with the recommendation and is supportive of it. It looks right. It feels right. And, it is the right thing for the Board of Trustees to do as the University moves into the future.

On behalf of the Special Committee on Athletics, Mr. Mobley recommended the acceptance of his report to the Board.

Dr. Brockman asked for any discussion relative to the motion. He called for a vote to accept the report, and it passed without dissent.

F. Proposed Revision to Governing Regulation: University Athletics Committee

Dr. Brockman said that CR 1 is a proposed revision to the Governing Regulation (GR), Part II, regarding the creation of the University Athletics Committee. The recommendation is that the Board of Trustees receive the attached revision of Governing Regulation II relating to Board committees for preliminary consideration. This will be the first reading. The second and final reading will occur at the next Board meeting in December.

The proposed revision of GR, Part II, establishes a University Athletics Committee within the committee structure of the Board of Trustees and defines the Committee's responsibilities. The revision also includes housekeeping and formatting changes.

As background, in March 2011, the Chair of the Board of Trustees appointed a Special Committee of the Board to review UK Athletics with benchmark institutions and current best practices. The Committee met on October 20, 2011 and recommended that the Board of Trustees create a new Athletics Committee within the committee structure of the Board and include community advisory members. The Committee further recommended that in order to remain compliant with NCAA rules on institutional control over intercollegiate athletics, the committee membership and its chair should be appointed by the President in consultation with the Chair of the Board of Trustees. All committee members, including community advisory members, will be appointed by the President of the University.

The Committee's responsibilities will include: providing counsel to the President concerning matters or activities of the Athletics Department; reviewing the Athletics Department's annual budget and audit reports, major expenditures and acquisitions, and construction of facilities if the cost is expected to exceed \$400,000; and, providing needed information to the Board of Trustees. The Committee will be composed of five Board of Trustees members and up to three non-voting community members.

Dr. Peek asked for clarification on the ruling regarding terms. It was clarified that the initial terms would be staggered and then all terms would be for three years.

Mr. Shoop moved approval of CR 1 for the first reading. Dr. Akins seconded the motion, and it passed without dissent. (See CR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

G. President's Report

President Capilouto added his thanks to John Herbst and the really good team of people that made The Investiture a delightful event for him and he hoped for the University as well.

Before beginning his PR 1 report, he said he wanted to take a moment to highlight an important item noted in PR 2. Dr. Lois Chan, a professor of Library and Information Science, is retiring after more than 40 years of service. She has dedicated her career to making information more accessible and easier to find. Some may know her in a different role as she has served as the University Marshal since 1989 and as a member of the President's Commission on Diversity since its inception in 2001.

Dr. Chan started working at the University of Kentucky Libraries in 1966 as a serials cataloger. In 1970, she joined the faculty of what was then the College of Library Science. She has been a full professor in the School of Library and Information Science since 1980. She also has a doctorate in comparative literature from UK.

She has authored several books on classification, including authoritative references on the Dewey Decimal and Library of Congress systems, as well as dozens of articles and reports in peer-reviewed academic journals and professional publications. She also has given talks and lectures literally all over the world.

In addition to her own research, she has contributed to collaborative ventures in the field of library science, most notably the Online Computer Library Catalog's FAST project, which she has served as a consultant since 1999.

Dr. Chan has been a recipient of numerous awards throughout her academic career. In 2006, she received the American Library Association's Beta Phi Mu Award for Distinguished Service to Education in Librarianship. In 2001, she received the Excellence in Teaching Award from the UK College of Communications and Information Studies.

President Capilouto said he wanted to acknowledge this tremendous faculty member who has served with distinction in so many important roles at the University. He noted that Dr. Chan could not attend the Board meeting but asked the Board to join him in recognizing her wonderful service to the University. The Board applauded Dr. Chan for her many accomplishments.

President Capilouto reminded the Board that he highlighted some tremendous scholarly and academic achievements made by faculty and students at the last Board meeting. He said that he wanted to continue the process of spotlighting individuals at the University.

In the coming months and years, he plans to spend a great deal of time discussing the bricks and mortar of our campus and the renewal in our infrastructure that must occur if we are going to reach our promise. He does not want to ever lose sight of why we are here, and that is the faculty, students, and staff whose achievements in the classroom, the research labs, and in communities make this promise so real.

President Capilouto announced that a clinician from the medical campus and a student would be spotlighted at this Board meeting. Both are working across the Commonwealth to make Kentucky a better place.

Dr. Michael R. Dobbs is an associate professor and vice chair of neurology. He also directs the University of Kentucky's comprehensive stroke program. He is a native son, born in Somerset, Kentucky. He graduated from UK with a degree in microbiology in 1994. He also graduated from the UK College of Medicine in 1998. He is currently working on a master's degree from the Harvard School of Public Health in his spare time.

Dr. Dobbs' research and scholarly interests include process improvement of health care systems, stroke epidemiology and health care disparities, and clinical neurotoxicology. His textbook *Clinical Neurotoxicology* is becoming the standard for the field.

After completing his residency training in 2002 at UK, he spent a few years in the Air Force and has been in the College of Medicine since 2006.

He considers his most important project at UK to be the formation and direction of a statewide stroke care network. His wife, Betsy, graduated from UK in 2002 with her degree in economics and will soon complete her master's degree in library sciences.

President Capilouto then showed a video highlighting Dr. Dobbs' work. Following the video, he asked Dr. Dobbs to share some remarks about his work with the Board.

Dr. Dobbs said he was deeply honored that President Capilouto would find the simple work that he does worthy of being featured at a Board of Trustees meeting. The stroke network is really an important focus of what is being done in stroke care at UK. He said he was happy to announce that a couple of UK's stellar third-year medical students had approached him wanting research projects. These students will be working with faculty to develop their scholarly skills with network projects that will take them out into the state and increase their awareness of disease around Kentucky, which is what he thinks the College of Medicine should be doing. He told the Board that he would be happy to talk with them about his work. The Board gave Dr. Dobbs a round of applause.

President Capilouto introduced Mary Burchett, who is currently a fourth-year medical student in the UK College of Medicine. A native of Winchester, she graduated Phi Beta Kappa from Centre College with a Bachelor of Science in Biochemistry and Molecular Biology.

As a medical student, she has been selected twice to participate in the Professional Student Mentored Research Fellowship, and she also completed the Academic Health Careers Fellowship. In addition, she was elected to the Alpha Omega Alpha honorary society during her third year of medical school.

Mary has served on the LCME Steering Committee to prepare the College of Medicine for re-accreditation, and she is an active member of the Implementation Committee, working to

restructure the first and second year medical curriculum into an integrated, system-based approach.

The future Dr. Burchett is currently a lecturer in two courses in the College of Medicine, in which she teaches the methods and results from her research opportunities at UK.

Mary's research is more than a passing interest to her. When she was five, she was diagnosed with Marfan's syndrome by doctors at Johns Hopkins Hospital. She was 6 feet tall at age 11.

Because of her competitive nature, she was playing softball at Lexington Catholic High School in seventh grade. However, her doctors warned her that this could seriously impact her health in the future. So instead of sports, Mary put her energies into awareness about her disorder. She spoke to over 120 medical professionals in Kentucky during her junior year of high school for a Girl Scout project.

At the UK College of Medicine, she has worked on a Marfan's syndrome-based research project that was recently accepted for publication with Dr. Steven Estus, identifying alternative splicing in fibrillin, which is the connective protein created by the FBN1 gene that causes her disorder. In fibrillin splicing, she was looking at how isoforms were expressed in different organs and at different ages, which had never been done before.

Through her work, she made a connection to the College of Medicine's Senior Associate Dean for Research and Gill Foundation Chair in Preventive Cardiology Alan Daugherty. Dr. Daugherty invited Mary to attend the International Marfan's syndrome conference in Warrenton, Virginia last year, and this was a dream come true for this enthusiastic student and researcher.

Most recently, as a research fellow in the lab, she received a McKusick Fellowship, the largest research grant available from the National Marfan Foundation.

All of the positive developments in UK funding and faculty support have only served to bolster her commitment to serve her fellow Kentuckians. Mary made the following statement: "I would love to practice medicine in Kentucky. My goal is to provide patient care, to continue my research, and to increase awareness through the experiences of my childhood. And, I wouldn't have been able to unite all of those interests without the University of Kentucky."

President Capilouto invited Ms. Burchett to tell the Board more about her research.

Ms. Burchett thanked President Capilouto, Chair Brockman, and members of the Board for inviting her to be with them. She said most of the accolades were things that she was driven to do because she was looking for answers when she was a young child. She was trying to find a doctor who would take care of her. She felt like she was very fortunate because at the age of five she had a chest deformity that needed operative repair. When her father knew that the repair of the surgery required knowledge of whether she had Marfan's syndrome or not, he continued to press. He asked questions. He took her to multiple specialists. And finally at John Hopkins, she received the diagnosis.

She realized that she was fortunate because her father was a family physician. He was willing to make extra effort that led to open heart surgery for her at the age of 20. She had her aorta replaced so she did not have a life-threatening illness, which is what happens to many people with Marfan's syndrome.

When she came to UK, she did not know exactly what she wanted to do, but she knew that she wanted to do something for the people in Kentucky who had Marfan's syndrome. She said that she had been given an abundance of opportunities at the University of Kentucky. With the two years of professional mentored research, as well as an academic health career scholarship, she has learned all about academic medicine. She even had a mentor, Dr. Steven Estus, who sat down with her and asked what she wanted to do. She informed him that she had studied biochemistry and molecular biology and Marfan's syndrome at NIH and the clinical aspects. She wanted to combine the two, and Dr. Estus suggested that they look at splicing. Dr. Estus found the funding and the avenue of training for her so that she could do this and have an article published.

Not only did Dr. Estus send her to conferences, he invited her cardiologist Dr. Harry "Hal" Dietz from Johns Hopkins to give a lecture to the College of Medicine at UK. Dr. Dietz gave a lecture to her professors, fellow classmates, and members of the Central Kentucky Marfan Network Group, which is a local network group that she founded while she was in undergraduate school.

Dr. Dietz stayed late to talk to the Kentuckians and the Marfan Network Group. One family had driven from Pikeville, Kentucky. Their 11 year old son had been diagnosed with Marfan syndrome. He had lost his father to Marfan's syndrome within the last year. Dr. Dietz informed the family that their son's medicine should probably be doubled to prevent further complications. This made her so grateful to the University of Kentucky because Dr. Daugherty had expanded his research to try to find a cure for her disease and is trying to help Kentuckians who already have the disease.

Ms. Burchett concluded her remarks by saying that she has received a world-class education at UK, and she is very excited to continue this work as a physician in the future. The Board gave Mary a round of applause.

President Capilouto thanked Dr. Dobbs and Ms. Burchett. He reiterated his remarks in his investiture speech: "This place is truly remarkable."

H. Naming of University Building (PR 3)

President Capilouto said that PR 3 is a recommendation that the Board of Trustees approve renaming the North Hall residence building the "David P. Roselle Hall" in honor of the University of Kentucky's ninth president.

The Advisory Committee on Naming University Property has reviewed the request and found it to be in compliance with university policy AR 9:5. There were two letters of recommendation for this action. He recommended approval of the name designation.

Dr. Roselle is the only past president, except for the immediate past president, who does not have a building named in his honor. He served as the university's ninth president from 1987 to December 1989. His announced goal was to achieve national recognition for the University with respect to the quality of its graduates, its scholarship, and research. He left to become president of the University of Delaware. He is now retired.

Mr. Mobley moved that PR 3 be approved. Mr. Stuckert seconded the motion, and it carried without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

I. Academic Affairs Committee Report

Dr. Gannon, chair of the Academic Affairs Committee, reported that the Academic Affairs Committee met that morning. The meeting was in two phases: business and related informational update.

Dr. Gannon reported that the Committee plans to have informational updates on four or five topics this year. He has worked with Dr. Hollie Swanson, chair of the Senate Council, to put together a list of appropriate topics for the Committee.

He said that Distance Learning and Technology in the Classroom is the first informational topic. The Committee had a presentation by Dr. Jeannine Blackwell, Dean of the Graduate School, Mr. Vince Kellen, Chief Information Officer, and Dr. Mark Kornbluh, Dean of the College of Arts and Sciences. The presentation was very informative, and the Committee had a very good discussion with a lot of interaction about this topic. The Committee learned that distance learning is strongest in the Graduate School with about 13 percent of all courses being taught by distance learning while about 1 percent of undergraduate courses are utilized through distance learning.

J. Academic Degree Recommendation (AACR 1)

Dr. Gannon said that AACR 1 is the recommendation that the Board of Trustees approve the establishment of a Master of Music with a major in Music Therapy degree in the College of Fine Arts, effective in the spring 2012 semester. On behalf of Academic Affairs Committee, he recommended the adoption of AACR 1. AACR 1 passed without dissent. (See AACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Finance Committee Report

Mr. Stuckert, chair of the Finance Committee, said that Mr. Patrick Johnson spoke on behalf of the student group regarding consideration of a clean energy feasibility study on

campus. This was a result of his petition to address the Board that Dr. Brockman mentioned at the beginning of the meeting.

He said that FCR 1 was a consent item, which was approved at the beginning of the meeting. In FCR 1, Mr. Larry Spears made a commitment of \$1 million for an Endowed Chair in Pharmacogenetics in the College of Pharmacy. The fact that there are a lot of individuals that wish to donate to the University of Kentucky is beyond admirable. He thanked Vice President for Development Mike Richey for his leadership and also expressed appreciation to Mr. Mobley for his leadership in the past.

L. Request to Merge the Child Psychiatry Professorship with the Dr. Laurie L. Humphries Endowed Chair in Child Psychiatry (FCR 2)

Mr. Stuckert said that FCR 2 is the request to merge the Child Psychiatry Professorship with the Dr. Laurie L. Humphries Endowed Chair in Child Psychiatry. This is the merger of two chairs, and the combined endowment would have a current market value of \$1,614,423.80. On behalf of the Finance Committee, he moved that FCR 2 be approved. Having no opposition, FCR 2 passed without dissent. (See FCR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. Renaming of Professorship in Otolaryngology to the Richard C. Haydon III, MD Chair in Otolaryngology FCR 3

Mr. Stuckert said that FCR 3 is a request to rename the Professorship in Otolaryngology to the Richard C. Haydon III, MD Chair in Otolaryngology in the College of Medicine. Dr. Haydon passed away in November 2010. He was an associate professor in the Division of Otolaryngology from 1990 until his death. This recognizes his many years of service to the department. On behalf of the Committee, Mr. Stuckert moved that FCR 3 be approved. FCR 3 passed without dissent. (See FCR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. Renaming of the Spinal Cord and Brain Injury Chair No. 4 to the William R. Markesbery, MD Chair in Neurotrauma Research (FCR 4)

Mr. Stuckert said that FCR 4 is a recommendation that the Board approve a request to rename the Spinal Cord and Brain Injury Chair No. 4 to the William R. Markesbery, MD Chair in Neurotrauma Research. The board members of the Kentucky Spinal Cord and Head Injury Research Trust wish to memorialize Dr. William R. Markesbery and celebrate his many contributions to the advancement of research in spinal cord and brain injury through his longtime service as a board member of the Kentucky Spinal Cord and Head Injury Research Trust. The original gift for the chair was accepted by the Board of Trustees on March 2, 1999 and approved for a Research Challenge Trust Fund match. On behalf of the Finance Committee, he recommended that FCR 4 be adopted. FCR 4 was adopted without dissent. (See FCR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

O. Acceptance of Audit Report and the Report on Internal Control for the University of Kentucky for 2010-11 (FCR 5)

Mr. Stuckert said that FCR 5 is the acceptance of the Audit Report and the Report on Internal Control for the University of Kentucky for 2010-11. The Audit Subcommittee met that morning and went through all the basics. On behalf of the Finance Committee, he moved approval of FCR 5.

Ms. Brothers asked how many years had UK received a clean audit report, and Vice President for Financial Operations Angie Martin replied that she was not aware of UK receiving an unqualified opinion at any time. Mr. Stuckert concurred with Ms. Martin's reply.

Hearing no opposition, FCR 5 passed without dissent. (See FCR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

P. Renovate Parking Structure #3 - Hospital

Mr. Stuckert said that FCR 6 involves the renovation of parking structure #3 at the hospital. It will cost an expected \$1.24 million, well within the \$3.5 million authorized for the "Renovate Parking Structure #3 – Hospital" that was authorized by the 2010 Legislature, and will be funded by the UK HealthCare Enterprise. On behalf of the Finance Committee, he recommended the adoption of FCR 6, and it passed without dissent. (See FCR 6 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. 2011-12 Budget Revisions (FCR 7)

Mr. Stuckert said that FCR 7 involves the 2011-12 budget revisions. The dollar amount of that budget revision is \$2.8 million, which is 1/10 of 1 percent of the approximate \$2.7 billion. Fundamentally, it was a shift of funds found in the College of Fine Arts and moved over to another entity and another department. On behalf of the Finance Committee, he moved adoption of FCR 7. FCR 7 passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

R. Approval of Leases (FCR 8)

Mr. Stuckert said that FCR 8 involves the approval of leases. The recommendation is that the Executive Vice President for Finance and Administration be authorized to negotiate and execute a lease renewal between the University of Kentucky (College of Arts and Sciences) and FCPII of Fort Worth, Texas for some space located at 1020 Export Street in Lexington. The lease is effective December 1, 2011 until June 30, 2015 for the use of approximately 25,009 square feet at \$4.90 a square foot per annum. The annual cost of this is \$122,544. It will probably be a maximum of a two-year lease, and like all UK leases, it will have a 30-day exit capability. On behalf of the Finance Committee, he moved the adoption of FCR 8. FCR 8 passed without dissent. (See FCR 8 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

S. Investment Committee Report

Mr. Gatton, chair of the Investment Committee, reported that the Committee met that morning to review performance results and conduct other business. The Endowment had an estimated net market value of \$796.2 million as of September 30, 2011. For the three months ended September 30th, the Endowment pool lost an estimated 9.1 percent, underperforming the policy benchmark return of -8.1 percent. The policy benchmark is a weighted average of various market index returns that are representative of the University's target asset allocation. The three-month underperformance against the policy benchmark is due mainly to underperformance by the fixed income managers.

The Investment Committee went into closed session to hear a presentation from the finalist in the absolute return manager search. Subsequently, the Committee authorized the Executive Vice President for Finance and Administration, or his designee, to enter into contract negotiations with the new manager. A new manager is needed in order to replace an existing manager which is being terminated effective December 30th. All new managers are hired as a result of a Request for Proposals process under the supervision of the University's Purchasing Division.

T. Student Affairs Committee Report

Ms. Patterson reported that the Committee had a full house at its meeting that morning. Melanie Matson, Director of the Violence Intervention and Prevention Center, spoke to the Committee. She gave an overview of the services provided, part of which is intervention and safe space for victims (students, staff, and faculty). They also provide help in finding appropriate services for these people. It is a wonderful program.

A 2004 safety study showed that 35.6 percent of female students were victims. A 2007 study found a slight reduction in those numbers. But, there was an increase in victims seeking help, an increase in campus safety, and an increase in the awareness of power based personal violence, so the program is working.

Green Dot is a campus climate for a safe environment. They are creating active bystander training on campus, an increase in health assistance, and things like this. It is a terrific program.

Students reporting incidents have increased at UK. It is above the national average. This is good news. It means the students are more knowledgeable about reporting incidences, and they are working with the program.

Mr. Fielden presented information about the Tally Cats program. They partnered with the Martin Luther King Cultural Center to get more students to attend programs on diversity.

There is a veteran student program that created a position in SGA to represent the returning veterans who are on campus.

A Wildcat Interest Group sponsored a gubernatorial debate on campus on October 22. There were 250 students in attendance for the debate.

Dorneshia Thomas, who is the president of Catalyst, spoke to the Committee about the Martin Luther King, Jr. memorial dedication in Washington, DC. Catalyst is a student organization to assist in the process diversity and social justice issues on campus. There were seven students, one faculty member, and two staff members who attended the dedication. Maya Bentley and Ronald Harrison, who are scholarship winners, also attended the dedication and had a phenomenal experience. Ms. Thomas closed with saying the dedication showed how far the university, state, and country have come.

Ms. Patterson concluded her report by expressing appreciation to Dr. Brockman, President Capilouto, and other Board members who attended the Committee meeting.

U. University Health Care Committee Report

Ms. Young reported that the Committee met Monday afternoon. The Committee had one action item and a presentation by Dr. Dobbs. Dr. Dobbs gave a great presentation, and the University is very fortunate to have him. She then presented the action item.

V. Approval of Creation and Funding of a UK/Norton HealthCare Joint Corporation for Quality and Research Collaboration (UHCCR 1)

Ms. Young said that UHCCR 1 recommends that the Board approve the leadership of UK HealthCare to collaborate with Norton Healthcare in jointly incorporating and funding a new not-for-profit corporation for the purposes of improving the quality of health care delivered across Kentucky, beginning with stroke and cerebrovascular disease. UK and Norton Healthcare will each have a 50 percent membership in the new entity. This Quality Collaborative Board of Directors of the Corporation will approve all operating and capital budgets.

UK HealthCare and Norton Healthcare signed a Memorandum of Agreement on November 8, 2010 to collaborate on improving access to and the quality of care for Kentuckians close to their homes while making sure that patients with complex medical issues receive the care they need without having to leave the state. This Memorandum of Agreement has since been extended and, pursuant thereto, an analysis conducted of health care needs of Kentucky that could be served better through collaboration between UK and Norton.

A white paper providing more information about this project is attached as Exhibit A. Additional projects are in development for joint research and similar initiatives directed toward other diseases, such as cardiovascular disease, cancer, and women's health. In order to commence operations, both UK and Norton each will contribute \$250,000 to the Corporation. The proposed Articles of Incorporation and Bylaws of the Corporation are attached as Exhibits B and C, respectively.

On behalf of the University Health Care Committee, Ms. Young moved to accept UHCCR 1, and it passed without dissent. (See UHCCR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

W. University Health Care Committee Report Continued

Ms. Young reported that Sergio Melgar presented the August financial review. Discharges for the month of August were 93.8 per day, which were 0.3 discharges per day greater than the budget of 93.5. The hospital experienced high volume in August posting an operating income of \$2.4 million for the month. Comparing the balance sheet at August fiscal year 2012 and fiscal year 2011, cash has decreased \$80.9 million and has remained the same as the July 31, 2011 balance. Cash continues to be used to fund the remainder of Phase 1A of the Patient Care Facility project.

September continues the trend of July and August with high volume and discharges and an operating income of \$2.1 million. Year-to-date income from operations for the first quarter is 6.6 million. Management continues to monitor the level of FTEs, watching to see if the high volume continues and where the optimal level of FTEs will settle.

Bad debt is still a concern, and there will be studies to see what is driving it with the hope that it can be managed.

In summation, the first quarter will end up in good shape, setting the system on a path to achieve a \$22 million revenue goal in fiscal year 2012.

Dr. Richard Lofgren and Dr. Michael Dobbs reported on the UK HealthCare and Norton Collaborative Stroke Affiliate Network, looking at its current state and future opportunities. The Committee voted to approve the creation and funding of the UK Norton Healthcare Joint Corporation for Quality and Research Collaboration.

Dr. Lofgren presented the August 2012 signature performance matrix. He also announced that the hospital will invite consultants from the University Health System Consortium (UHC) to conduct an audit of the hospital's current clinical performance processes to assure that UK's HealthCare's methods are state-of-the-art.

Dr. Kevin Nelson presented for approval the current list of privileges and credentials for Chandler and Good Samaritan hospitals. The Committee made a motion, and all privileges and credentials were approved.

Following the meeting, the Committee and interested Board members took a tour of the new operating rooms, PACU, and Central Sterile.

X. Item for Board Discussion

Dr. Brockman reminded the Board of their retreat discussion about changing the way Board meetings are held by putting a special item for discussion on the agenda. For this meeting, he asked President Capilouto to give follow-up remarks on the Board retreat.

Y. President Eli Capilouto's Follow-up Remarks on the Board Retreat

President Capilouto thanked Chair Brockman and members of the Board for the opportunity to provide a follow-up on the retreat. At the conclusion of the Board retreat, which had been approximately three weeks ago, he sensed that there was an urgency to move forward on some bold undertakings.

President Capilouto thanked Dr. Hollie Swanson, chair of the University Review Committee, and her fellow faculty, administrators, and staff for their work on the report which she presented at the retreat. He provided a PowerPoint presentation and gave the following remarks about the undertakings.

After two days of examination that included the University Review Committee report, a facility assessment concluded with a walking tour of some grounds and buildings on campus and a report on external factors. The conclusion was that the trustees want the administration to move forward with a focus on undergraduate experience, housing, academic facilities, and research space.

Since the retreat, we have begun work to enhance the academic experience at UK. We have initiated financial planning. We have developed an RFP for a housing partner. We have created a campus land capacity model, and we have continued our work on more detailed plans for facilities. The most important words on the slide are “we have” at the top. I salute all of those in administration and the Provost Office who worked tirelessly for the past three weeks to move the University forward.

With academic enhancement, Provost Subbaswamy is working to enhance the honors opportunities at UK. This past weekend there were prospective Singletary Award recipients on campus, and they were enthusiastic about more opportunities and honors experiences. We are going to review and increase our scholarship availability. Our academic advising has been advanced over the last few years, and we want to continue that. We want to enhance those interactions with faculty and students and provide through capstone opportunities the ability to work with world-class researchers in the sciences and the arts.

In terms of preliminary financial planning, we looked over the next decade and factored in those particular variables that we think are important in macro planning. In terms of the sources of funds, we make assumptions about the state revenue, the number of students that are associated with tuition and fees, philanthropy, F&A recovery (the overhead expense recovery from grants when you talk about conducting research), and private partners relating to our housing. If we were to borrow, the debt proceeds and internal reallocations achieved through efficiencies would fund the facilities.

On the costs side, one imagines increased scholarships and personnel adjustments. If you were to add students for instance, what would that do to your personnel costs and overtime, factoring in the realities and goals of the fringe benefits associated with personnel and also merit increases.

With the intentional focus on our instructional programming to further improve it, there would be some costs there. There would be costs involving capital, construction, and operating and maintenance of new and existing facilities. We also considered that we would take down some facilities that are past their useful periods for our campus. Other costs include the assignable square footage that would be covered within each year and the other operating expenses.

In our financial planning, we wanted to keep at the forefront other considerations, such as student affordability and the pressures that each one of these variables would put on student affordability, and our debt capacity as a university.

As I have told members of the legislature, we want to make sure that we follow the rule book. So, we took into account the state statutes and regulations that would apply to these considerations.

Our basic conclusion is that an aggressive building program is achievable at UK. And yes, it is dependent on these factors: greater and more intentional philanthropy, innovative partnerships, smart growth of our student body, continuing investments by the Commonwealth, and improving efficiencies. We believe with forethought and commitment, we will be able to achieve our ambitious goals.

In terms of factors for setting our capital priorities for new space on campus, the first one is the impact on quality of undergraduate education. We looked carefully at the utilization of our buildings, the capability they currently have, renovation cost, and so forth. We also looked at their age and condition because we want to think in terms of modern learning for the future. We considered the availability of funds from all the different sources.

We must also look at the impact that construction would have on revenue generation alternatives through research and development funds, our tuition and fees, and so forth.

Another factor is program growth and entrepreneurship. I found as I visited the campus that we have many ideas about how we can meet our commitment to students to provide a quality education working with partners in an imaginative way. So, we want to be able to tap that creative vein that we have here at UK in planning for our future.

In terms of our building program, we want to open in fall 2013 a new undergraduate residence hall that would house 600 students. Its focus would be to contain honors and innovative learning programs, so we can add the living and learning environment that we desire for our students.

As we go out with a RFP from 2013 to 2021, we want to work on expanding our residence halls up to 9,000 modern beds. Currently, we have 5,500 but only about 500 are quality beds. We would be able to do the replacement and expansion in a measured way over time.

The academic, research, and student support facilities we looked at were \$400 to \$500 million in total investment. In terms of this planning phase, we did not consider self-financed projects such as those that would go under UK HealthCare or Athletics. That would be for future consideration.

We want to issue the RFP (Request for Proposal) tomorrow. We want to identify a private partner who has the financial capacity and strength demonstrated over time and the experience to help us, as a strong partner, undertake this building program. The request for Phase 1 will be the occupancy of 600 beds by fall 2013, and again, this is modern living and learning space, something that our students and their families most desire.

President Capilouto recognized Bob Wiseman, Vice President for Facilities, and asked him to review the campus land capacity assessment.

Mr. Wiseman reported that the campus master planner, Ayres Saint Gross, was asked to look at the campus and see if 9,000 beds would fit on campus. He reviewed the chart displayed, explaining the various pieces and locations on the chart. He explained that the five-story buildings would be more on the interior of campus, and the four-story buildings would be on the perimeters of campus. The campus can accommodate up to 9,000 beds, and the administration will be working with a potential developer to come up with the plan illustrated in the chart.

He noted that this plan would require dining facilities and student amenities phases, and the University has the capacity on land. It will not be necessary for the buildings to be built high; therefore, smaller buildings for a community within the residence halls can be built.

President Capilouto then continued his remarks, talking about the next immediate steps.

We want to have conversations with our stakeholders: students who will be partners in this plan for the future, the faculty, the neighborhoods, and our donors. We have already begun those discussions.

The RFP that will be issued is going to evaluate the public/private partnerships compared to university-financed projects, so there is a range of roles that could be played here. Through this process, we will be able to assess what would be optimal for the University of Kentucky.

The other scenarios that we must develop with more specificity over the next 60 days are looking at the combination of funding sources that we could have for projects within this macro plan, especially when it gets to some of our academic and student support buildings. We need to look carefully at the sequencing of projects in the immediate future and the partnerships and financial capacities we have.

As part of this, it is going to be incumbent upon us (as we did several years ago before we undertook the hospital expansion project) to conduct a serious debt capacity study to make sure that we fully understand our undertaking and our appetite for this.

There were other priorities mentioned at the Board retreat that remain on the forefront of our activities, and they are important to us. One is to develop a financial system of accountability. To me, this means an integrated and transparent budgeting system that links revenues to productivity and quality and assigns costs according to the way a unit could consume the resources.

Next, and most importantly on our campus, is our human capital, both at the faculty and staff level, and how we evaluate and award one another and assess one another in our units, and how we develop our talent to even a greater level.

Diversity and inclusion was mentioned frequently at the retreat. We have made great strides in the past few years, and we must always remain committed to even higher goals. We will be working with J. J. Jackson, Vice President for Institutional Diversity, and many others because this cuts across our entire campus.

Through this process, I hope that we become a learning organization, and through the dialogue we have, we learn from each other and develop this sort of culture. The recent fire simulation on campus, which was as close to the real thing as you can get, was a test about the culture of the organization. We found degrees for improvement, and we are already addressing those. I hope that this process and this dialogue will reinforce that culture.

President Capilouto concluded his remarks by sharing the following key dates for deadlines:

October 2011	Issue RFP for housing
December 2011	Board approve first housing project
January 2012	General Assembly convenes

President Capilouto reminded the Board of his comments at his recent Investiture: “We cannot be timid, and we cannot be afraid to take the first steps. We are taking the first steps. There are many more we are going to have to take together, but I’m excited and confident that we can achieve these ambitious goals that I have presented to you today.”

Dr. Brockman applauded President Capilouto for sticking with the game plan that came out of the Board retreat. President Capilouto has a sense of the Board’s urgency, and he is to be commended for what he has done so far. Dr. Brockman asked if anyone had any comments for President Capilouto.

Mr. Stuckert complimented President Capilouto, his staff, and top management. To come this far in three and a half weeks is amazing and impressive. He wished President Capilouto great success in duplicating that every three and half weeks.

President Capilouto reiterated that the key word is “we.” There were many involved in the process. He said he would not name anyone because he might forget someone. He expressed appreciation to those who were involved and assisted with the plan and said it is going to take that kind of involvement to move the plan forward, too.

Dr. Voro said that even though the University is not measured by the project, she remembers the Board had a short discussion during the retreat on that. She wanted everybody to know that she thinks the Board did not spend enough time on this. She thinks it would be really nice if the University only focused on the *U.S. News and World Report* and the *Forbes Magazine*. It would be more productive and would make more sense.

On a little bit of a different note, she remembered somewhat during the retreat that she asked the question: How can we address issues of accountability and transparency at UK? She believes this is the Board’s chance. As faculty trustee, in the view of the events of the past month, in view of the attempts to impose Big Brother control --

Dr. Brockman interrupted Dr. Voro and said he would allow her to read her statement in the new business. He asked if there were any other questions relative to the conversations with President Capilouto and his presentation.

Mr. Shoop said that he is excited about the 9,000 beds for students. He added that if President Capilouto can accomplish what he has presented to the Board in three weeks, he is real excited about what the Board can do in a year. Mr. Shoop said that the Board is excited about working with President Capilouto.

Mr. Gatton agreed with Frank and said he, too, is excited that the University has President Capilouto because President Capilouto does not believe that “no” is a word in the English language. President Capilouto thinks that “yes” is the only word. Mr. Gatton said that he believed that President Capilouto will get everything done because he has a lot of vision to get a lot of things started.

Mr. Fielden commented on behalf of the students: “Dr. Capilouto, I would like to say thank you for the students. I know that future generations of University of Kentucky students will appreciate this very much as you concentrate on our undergraduate experience, and you are improving our facilities. The work you are doing is not going unnoticed. We appreciate the tireless effort of you and your staff.”

Ms. Brothers said that she would jump on the bandwagon. She said, “I think this is phenomenal. I wasn’t quite sure what to expect in terms of a report back to the board, but I certainly wasn’t expecting something this quick, this specific, and this succinct. Bravo! Wonderful!”

Ms. Young made the following comment: “I just want to thank you for being so open with information with all of us on this and keeping us kind of in the pipeline so we know exactly where we are headed. I know we will get information that will be pertinent throughout the process, and that is just very exciting.”

President Capilouto thanked everyone for their comments, and he received a round of applause from the Board.

Z. Other Business

Dr. Brockman reminded the Board of the reception following the meeting. He asked Ms. Brothers if she wanted to say any remarks regarding the reception.

Ms. Brothers said that everyone was welcome to attend the reception. It is a wonderful opportunity for staff, faculty, and students to be able to interact with Board members. It is called the Stakes Reception for a reason. It is all the stake holders here at the university: students, staff, faculty, and Board members. Upon adjournment, she encouraged the Board members to enjoy some conversation.

Dr. Brockman recognized Dr. Voro for her comments.

Dr. Voro continued her remarks that she had begun earlier: “Mr. Chair as faculty trustee, in view of the events of the past month, in view of the attempts to impose Big Brother control, the likes of which I haven’t seen since the time of the Soviet Union, I propose the following:

That the Board retains its own legal counsel, completely independent from President Capilouto and his subordinates, including general counsel Barbara Jones.

That the Board establishes an ethics and good governance committee to devise measures and recommendations that would lead to a more trusting relationship among the Board members and within the ranks of the entire institution.

The sense of alienation of rank-and-file employees from the university managerial and governing structure is more palpable than ever, as the document containing faculty views testifies it and I sent it to all of you on Sunday.

Most importantly, the committee would ensure that the Big-Brother-type interferences into the work of this trustee, or any trustee, would never happen again.

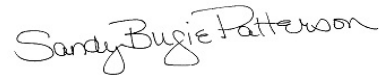
Finally, I propose that, for reasons you personally know, Mr. Chairman, you temporarily recuse yourself from chairing the Board during discussions into this matter, and let Vice Chair Pam May conduct business.

Thank you.”

AA. Meeting Adjourned

Hearing no suggestions for additional matters, Dr. Brockman asked for a motion to adjourn. Mr. Stuckert made the motion, and the meeting ended at 2:18 p.m.

Respectfully submitted,



Sandy Bugie Patterson
Secretary, Board of Trustees

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