

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Tuesday, March 19, 2013

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, March 19, 2013 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. Chair Brockman asked Trustee Sheila Brothers, 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., Stephen Bilas, William C. Britton, E. Britt Brockman, Sheila Brothers, Jo Hern Curris, Williams S. Farish, Jr., Oliver Keith Gannon, Carol Martin “Bill” Gatton, Kelly Sullivan Holland, Pamela T. May, Terry Mobley, Charles Sachatello, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson, and Barbara Young. Mark Bryant and Billy Joe Miles were absent from the meeting. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Interim Provost Tim Tracy, Vice President for Health Affairs Michael Karpf, Vice President for Finance and Administration Eric Monday and General Counsel William Thro.

The University faculty was represented by Chair of the University Senate Council Lee Blonder, and the University staff was represented by Chair of the Staff Senate Mike Adams.

Guests and members of the news media were also in attendance.

C. Consent Items

Chair Brockman began by reporting that there had been no requests since the last meeting to speak or appear before the Board.

Chair Brockman called attention to the nine consent items on the agenda. The items included the minutes, with a revision, for the Board of Trustees meeting on January 29, 2013, PR 2 which deals with personnel actions, AACR 1, candidates for degree December 2012, and six FCR’s. The six FCR’s include FCR 1, Donald L. Jacobs, Sr., gift and pledge; FCR 2, Don L. Jacobs, Sr., pledge to the Gatton College of Business and Economics Capital Campaign; FCR 3, Geoffrey H. Rosenberger Pledge; FCR 4, Haymaker Foundation, Inc., Gift; FCR 5, Howard L. Lewis Pledge; and FCR 6, William E. Seale Family Foundation Pledge.

Trustee Stuckert moved approval of the consent items. Trustee Akins seconded the motion and it passed without dissent. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes, January 29, 2013
PR 2 Personnel Actions
AACR 1 Candidate for Degree: December 2012
FCR 1 Don L. Jacobs, Sr. Gift and Pledge
FCR 2 Don L. Jacobs, Sr. Pledge to the Gatton College of Business and Economics
Capital Campaign
FCR 3 Geoffrey H. Rosenberger Pledge
FCR 4 Haymaker Foundation, Inc. Gift
FCR 5 Howard L. Lewis Pledge
FCR 6 William E. Seale Family Foundation Pledge

Trustee Brothers asked Trustee Stuckert to repeat for the entire Board his remarks made during the Finance Committee meeting earlier that morning. Trustee Stuckert reiterated his appreciation to the administration and staff for the outstanding preparation of the meeting materials.

D. Proposed Revision to Governing Regulation: Board of Trustees Committee Structure (CR 1)

Chair Brockman reported that CR 1 is the proposed revision to the Governing Regulations regarding the Board of Trustees committee structure. The recommendation was received for preliminary consideration as CR 1 on January 29, 2013. The revision is intended to streamline operations through consolidation, name change and new procedures. The revisions will take effect on July 1, 2013. Reviewed and approved by the Executive Committee and vetted by the proper channels, the revisions to the committees are as follows:

- Consolidate Academic Affairs and Student Affairs;
- Consolidate University Relations and Human Resources;
- Change the name of the Audit Subcommittee to Audit and Compliance;
- Committee reports shall be posted on line within 72 hours after the conclusion of Committee meetings; and
- Athletics and Health Care shall provide a brief update at each Board meeting if the committee has met.

Chair Brockman opened the floor for discussion. Trustee Voro requested that the Board postpone the vote on the revision. She continued that she had presented a proposal to the Executive Committee for the establishment of an additional standing committee on “good governance, accountability and ethics.” She stated that there were some language revisions that could be made and she was against the consolidation of the University Relations Committee and the Human Resources Committee. Trustee Voro made a motion to table the revision.

Chair Brockman asked for a second. Hearing none, the motion died for lack of a second. Trustee Stuckert moved the question regarding CR 1 and it passed with 17 affirmative votes and

one no vote from Trustee Voro. (See CR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

F. President's Report (PR 1)

President Capilouto began his report by recognizing the acceptance of the generous gifts to support the renovation of the College of Business and Economics. In recent visits with these donors, he learned about their passion for UK; the giving back and paying forward because of what UK and the community gave to them. These donors want future generations to face the challenges and have the experiences and opportunities for growth that were presented to them.

President Capilouto was pleased to report that the annual report released by the National Merit Scholarship Corporation ranks the University of Kentucky 11th out of 123 public universities. With 71 National Merit/National Achievement Scholars, UK ranked 30th among public and private universities combined for the fall 2012 first year class. President Capilouto complimented the Enrollment Management team, led by Associate Provost Don Witt, for their outstanding efforts.

Other noteworthy accomplishments include the success of the revitalized and expanded UK Honors Program. With a revised curriculum, the program experienced a record number of applicants. With the opening of Central Hall I and II in August and 450 of the 601 beds dedicated to the Honors Program, this provides yet another way for students to create friendships and form a lasting community.

President Capilouto recognized the UK Cheerleading Squad for their runner-up finish in their bid for a 20th national championship. Head Coach Jomo Thompson and senior member Stephanie Johnson thanked President Capilouto and the Board of Trustees for their recognition and support. President Capilouto also recognized the UK Dance Team for their excellent year. The Dance Team placed eighth in the Pom competition and sixth in the Hip-Hop division. Head Coach Dawn Walters and senior Brittany Fiel thanked President Capilouto and the Board of Trustees for their recognition and support.

President Capilouto introduced Vice President for Research, Dr. Jim Tracy, to announce and introduce the 2013-14 University Research Professors. The University Research Professorships were recommended by the University Senate in 1976, and the first awards were given in March of 1977, awarded by the Board of Trustees. The University of Kentucky Research Foundation provides a cash award, which currently is \$40,000 per year. Since 1977, the University has awarded over 130 professorships. The candidates are nominated by their peers, with a peer review selection committee that reviews the nominations and selects the nominees.

The first recipient was Professor Bernhard Hennig. He received his Ph.D. in nutrition from Iowa State University and has been a UK faculty member since 1984. A professor of Nutrition and Toxicology in the College of Agriculture, he also serves as the editor—in—chief of the Journal of Nutritional Biochemistry and is the director of UK's National Institute for

Environmental Health Sciences Superfund Research Program. His primary research focus is studying the links between nutrition and cardiovascular disease.

The second recipient was Professor Mark Lovell. He received his Ph.D. from the University of Kentucky and has been a faculty member in the Department of Chemistry and the Sanders-Brown Center on Aging since 1994. He is currently the Jack and Linda Gill Professor of Chemistry in the Sanders-Brown Center. Professor Lovell's research is directed toward improving the understanding of the causes, progression and treatment of Alzheimer's disease.

The third recipient was Professor Zhongwei Shen. He received his Ph.D. from the University of Chicago and has been a faculty member in the Department of Mathematics since 1995. He is an internationally recognized expert in several interrelated areas of mathematics, primarily in the areas of partial differential equations, mathematical physics and harmonics analysis.

The final recipient was Professor Wolfgang Korsch, who received his Ph.D. from the University of Marburg in Germany. A faculty member in the Department of Physics and Astronomy since 1996, Professor Korsch is an internationally recognized expert in the field of fundamental experimental nuclear and particle physics.

Professors Hennig, Lovell, and Shen were grateful for their award and the opportunity to share with the Board of Trustees the nature of their current research projects. Due to a previous research presentation commitment, Professor Korsch was not in attendance.

G. Honorary Degrees (PR 3)

President Capilouto introduced PR 3, the recommendation for Honorary Degree Recipients. It asked that the Board of Trustees approved the awarding of the Honorary Doctor of Humanities to Deborah A. P. Hersman, Honorary Doctor of Science to Robert Milton Huffaker, and Honorary Doctor of Humanities to Jamal L. Mashburn.

Chair Brockman asked for a motion for approval of PR 3. Trustee May so moved and it was seconded by Trustee Akins. The motion passed without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

H. University Research Professorships (PR 4)

President Capilouto stated that PR 4 approved the naming of the professors introduced earlier as University Research Professors for 2013-2014.

Chair Brockman asked for a motion for approval of PR 4. Trustee Mobley so moved and it was seconded by Trustee Curris. The motion passed without dissent. (See PR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

I. Executive Committee Report

Chair Brockman stated that the Executive Committee met this morning and entertained two items. The Executive Committee heard Trustee Voro give a presentation on her proposal for good governance, accountability and ethics. She proposed this as a separate committee of the Board of Trustees. She also proposed the creation of an office of faculty ombudsman to report to the above-proposed committee. Chair Brockman continued that to accommodate and recognize the validity of Trustee Voro's concerns, the Executive Committee is considering adding language to GR II E.2.a., titled Duties of the Executive Committee. It would read that the Executive Committee would serve in an advisory capacity to the President on issues of administrative structure and process and institutional compliance and accountability.

Chair Brockman said that the Executive Committee will continue their discussion on this proposal and will invite Trustee Voro to the May meeting.

J. Presidential Evaluation (ECR1)

Chair Brockman stated that the Executive Committee approved a timeline for the proposed presidential search and recommended approval of ECR 1. It states that the Board of Trustees authorize the Chairman of the Board of Trustees to enter into a negotiation with Dr. David Hardesty to serve as the facilitator for President Capilouto's 2012-2013 evaluation and approve the attached preliminary list of interview survey questions as part of the 2012-2013 Presidential Evaluation.

Trustee Voro voiced some reservations regarding the questionnaire, hoping that the questions would be more specific, with accompanying metrics. Chair Brockman explained the proposed questions were preliminary and it would be vetted through the various constituency groups, the University Senate Council, Staff Senate and Student Government Association. These bodies would review and make recommendations to the Executive Committee by the May meeting. At that time, after due consideration, it will be voted upon as the final list of questions.

Chair Brockman asked for the vote on ECR 1 and it passed with one abstention, Trustee Voro. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Academic Affairs Committee Report

Trustee Gannon, chair of the Academic Affairs Committee, reported that the committee met this morning and had two business items. The committee also discussed the upcoming consolidation of the Academic Affairs and the Student Affairs committees and began the conversation of committee topics and meeting agendas for next year.

Trustee Gannon stated that AACR 1 was part of the Consent agenda, a Candidate for Degree, December 2012.

L. Change of Organizational Structure of the Center on Trauma and Children (AACR 2)

Trustee Gannon stated AACR 2 was related to the change of organizational structure for the Center on Trauma and Children. The recommendation is the Board of Trustees approve the transfer of administrative oversight for the Center on Trauma and Children from the College of Social Work to the College of Medicine effective immediately. Interim Provost Tim Tracy briefed the committee in detail regarding the change.

On behalf of Academic Affairs Committee, Trustee Gannon asked for approval of AACR 2 and it passed without dissent. (See AACR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. University Athletics Committee Report

Trustee Akins, chair of the University Athletics Committee, stated that the committee began with a few words from President Capilouto, who shared a video featuring Kastine Evans, the UK women's basketball player who was voted to the SEC Community Service Team. Her nonprofit organization, *Shooting at Success*, which launched in January of 2013, provides children from low-income families an outlet after school to help them create strong character and inspire them to achieve academically, in extracurricular activities, and in life.

Director Barnhart updated the Committee on UK Athletics' accomplishments from December 2012 to present day. Featured highlights include:

- 46 student athletes earned a place on the 2012 Fall Sports Southeastern Conference Academic Honor Roll;
- Women's basketball team has earned a number two seed in the NCAA Division I Women's Basketball Championship;
- First-year tennis coach Cedric Kauffmann is in a tie for the SEC lead with a four-to-one mark in conference play and a 16-6 overall record; and
- April 13 marks the grand opening of the new softball stadium and the Spring Blue/White football game in Commonwealth Stadium.

Trustee Akins stated the committee had two items of business. The committee reviewed and endorsed FCR 9 to expand and renovate Commonwealth Stadium and Nutter Training Center.

The committee then considered the financial statements of the Department of Intercollegiate Athletics. Ms. Angie Martin, Treasurer, reviewed the interim financial statements of the department for the six months that ended December 31, 2012. The statements included the balance sheet, the statement on revenue and expenses, and the change in net assets. The committee accepted the interim financial statements as presented. Ms. Martin also reviewed a chart from the American Institutes of Research's 2012 Delta Cost Project. The organization provides data and tools to assist higher education administrators and policy makers. The chart

detailed athletic budget revenues from all sources, both generated revenues or subsidized. Based on the size of the institution's athletic budget, the Division I universities (public universities) were divided into quartiles. The University of Kentucky's data reflects zero support from the state and the institution and very little support from mandatory student fees. The University ranks as one of the lowest among public universities in student fees.

Trustee Akins stated that a report from UK Athletics on the treatment of concussions and some of the duties of the medical staff will also be distributed via hard copy to members of the committee and to the Board of Trustees.

N. Financial Committee Report

Trustee Stuckert reviewed the consent item pledges and gifts (FCR 1 through FCR 6) and offered additional thanks to Don Jacobs, Sr. Geoff Rosenberger, Tim Haymaker and the Haymaker Foundation, Howard Lewis, and William E. Seale and the William E. Seale Foundation, for their generous gifts to the UK HealthCare Patient Care Facility, the Markey Cancer Center and the Gatton College of Business and Economics Capital Campaign.

O. Renovate/Expand Gatton College (FCR 7)

Trustee Stuckert stated that FCR 7 recommends for approval the initiation of the Renovate/Expand Gatton College capital project. Originally built in 1963, the building underwent a three-story expansion in 1991. This project will renovate 146,000 gross square feet and expand the facility by 72,000 gross square feet. The \$65 million project, including design and authorized by the 2013 Kentucky General Assembly, will be initially funded with \$25 million of gifts and \$40 million of agency bonds. The University's Debt Committee has determined that this project is consistent with the University's Debt Policy.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 7. Chair Brockman stated that although it was implicit that though FCR 7 came through a committee, a second exists, he would like to take the liberty to second the motion on the Board's behalf. The motion passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

P. Academic Science Building (FCR 8)

Trustee Stuckert stated that FCR 8 recommends for approval the initiation of the Academic Science Building capital project. The existing Chemistry-Physics building, constructed in 1963, is the one of the largest and most heavily utilized buildings (2nd highest usage) on the University campus. Currently planned to be constructed at the Donovan Hall location, the 263,000 gross square feet building will cost \$100 million and will be funded with agency bonds. The project was authorized by the 2013 Kentucky General Assembly. Through a unique and collaborative partnership, the UK Department of Intercollegiate Athletics will fund 65 percent of the annual debt service. The University's Debt Committee has determined that this project is consistent with the University's Debt Policy.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 8. Chair Brockman, in honor of the historical commitment and precedence that this item presents from the UK Athletic Department, seconded the motion on behalf of the entire Board of Trustees. The motion passed without dissent. (See FCR 8 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. Expand and Renovate Commonwealth Stadium and Nutter Training Center (FCR 9)

Trustee Stuckert stated that FCR 9 was the expansion and the renovation of the Commonwealth Stadium and the Nutter Training Center in the amount of \$110 million. This expansion/renovation will involve new multipurpose recruiting rooms, 16 to 20 private suites, new home team facilities, approximately 2,000 new club seats, new press facilities, new full-service kitchen, and a new team store. It also includes upgrades to the Nutter Center. The \$110 million project was authorized by the 2013 Kentucky General Assembly and will be funded with agency bonds. The annual debt service will be paid from with new revenues from suites, club seating, and expanded Southeastern Conference revenues. The University's Debt Committee has determined that this project is consistent with the University's Debt Policy.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 9. Chair Brockman opened the floor for discussion. Trustee Voro offered that she was concerned there would be sufficient revenue to pay for all projects. In her opinion, Commonwealth Stadium was the least necessary, but the most expensive. With no further discussion, Chair Brockman called for the vote and it passed with 17 affirmative votes and one no vote from Trustee Voro. (See FCR 9 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Trustee Shoop offered his appreciation for the leadership of President Capilouto and Director Barnhart. The contributions of the UK Athletics Department might be unprecedented in college sports. He also offered his appreciation to Governor Beshear and the Kentucky legislators for their support. He was appreciative of the efforts by members of the Board of Trustees and the collaborative work performed by UK and other Kentucky colleges and universities during the 2013 Kentucky General Assembly.

R. Upgrade/Relocated Pediatric Critical Care Unit (FCR 10)

Trustee Stuckert stated that FCR 10 was the upgrade/relocation of the Pediatric Critical Care Unit. The FCR was reviewed and recommended for approval by the University Health Care Committee. The estimated scope of \$6 million will be paid by private funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 10 and it passed without dissent. (See FCR 10 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

S. Capital Construction Report (FCR 11)

Trustee Stuckert stated that FCR 11 was the Capital Construction Report. Vice President for Facilities Bob Wiseman updated the committee on the details of the quarterly report.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 11 and it passed without dissent. (See FCR 11 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

T. Approval of Collaboration Agreement for the Use and Management of Eden Shale Farm (FCR 12)

Trustee Stuckert stated that FCR 12 authorizes the Executive Vice President for Finance and Administration (EVPFA) to enter into a collaboration agreement for the use and management of the Eden Shale Farm. EVPFA Eric Monday shared with the committee that the cost of the operation has become cost prohibitive, in part due to the farm's lack of proximity to Lexington and the increasing cost associated with said farm's agricultural research projects. By entering into a collaborative agreement with the nonprofit Kentucky Beef Network Association (KBN), KBN assumes the majority of operational and financial responsibility and the College of Agriculture and other University personnel will be allowed to continue collaborative activities.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 12 and it passed without dissent. (See FCR 12 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

U. Proposed 2013-14 Tuition and Mandatory Fee Schedule (FCR 13)

Trustee Stuckert stated that FCR 13 recommends that the Board approve the proposed 2013-14 tuition and mandatory fees schedule and authorize the President to submit the schedule to the Council on Postsecondary Education. The tuition and mandatory fees schedule reflects a three percent increase for resident students and a six percent increase for most non-resident students.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 13. Chair Brockman opened the floor for discussion. Trustee Gatton inquired about the ratio of applicants to acceptances and comparison tuition costs for some of the professional schools. Interim Provost Tracy reported that applicant pools for the College of Pharmacy were strong and UK's out-of-state tuition was near the top of range. Law school applications are down across the country.

With no further discussion, Chair Brockman posed the question and the motion passed with 17 affirmative votes and one abstention from Trustee Voro. (See FCR 13 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

V. Proposed 2013-14 Room and Board Rates (FCR 14)

Trustee Stuckert stated that FCR 14 was the recommendation that the Board of Trustees adopt the proposed 2013-14 room and board rates. The proposed housing rates reflect a three percent increase for traditional residence halls and for graduate and family apartments. The proposed housing rates for the premium residence halls and Greek housing reflect increases of four percent and no increase, respectively.

Trustee Stuckert continued that the proposed dining rates reflect a three percent increase for four of the five optional plans. No increase is proposed for the optional 21-meal plan. For the minimum plan, a new seven-meal per week plan will replace the five-meal per week plan. The increase in the number of meals is considered to be a better value for our students and more comparable to other universities. All students living in the residence halls are required to purchase a dining plan.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 14. Chair Brockman opened the floor for discussion. Trustee Gatton inquired if the rates were based on semesters and Trustee Stuckert confirmed the rates were per semester.

With no further discussion, Chair Brockman posed the question and the motion passed with 17 affirmative votes and one abstention from Trustee Voro. (See FCR 14 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

W. Acceptance of the Interim Financial Report for the University of Kentucky for the Six Months ended December 31, 2012 (FCR 15)

Trustee Stuckert stated that FCR 15 concerns itself with the acceptance of the Interim Financial Report for the University of Kentucky for the six months ended December 31, 2012.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 15 and it passed without dissent. (See FCR 15 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

X. Patent Assignment Report (FCR 16)

Trustee Stuckert stated that FCR 16 concerns itself with the Patent Assignment Report. Vice President for Research Jim Tracy detailed the report for the Finance committee earlier in the day.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 16. Chair Brockman opened the floor for discussion. Trustee Gatton inquired about the allocation of patent revenues. Dr. Jim Tracy stated that forty percent goes to the inventors, twenty percent to the inventors' department or departments, twenty percent to the colleges or college of the inventors,

and twenty percent remains with the University Research Foundation. This allocation is fairly standard across universities.

With no further discussion, Chair Brockman posed the question and the motion passed without dissent. (See FCR 16 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Y. Audit Subcommittee Report

Trustee Britton, chair of the Audit Subcommittee, reported that committee met and had no action items. The committee had a discussion with Ms. Mary McKinley, a partner in BKD. The committee discussed the scope and timing of the June 30, 2013 audits. The completed audit is expected by October 1st for presentation at our October meeting.

The Committee discussed the charter revision for the Audit Subcommittee and hoped to have a reading at the next meeting. There was a report from Joe Reed, Director of Internal Audit, with an update on current and ongoing audits and staffing needs.

Z. Investment Committee Report

Trustee Gatton, chair of the Investment Committee, stated that the Investment Committee met yesterday to review performance results and conduct other business. The Endowment had a net market value of \$955.9 million as of February 28, 2013. For the eight months ended February 28th, the Endowment pool has returned 10.0% due to strong equity market returns during the period. The Endowment pool outperformed the policy benchmark during the eight month period by 124 basis points. This was due to strong performance by the fixed income, absolute return and real return managers.

Trustee Gatton continued that the investment consultant, R.V. Kuhns & Associates, provided an update on the University's fixed income allocation to review the potential impact of rising interest rates on the portfolio. The University's fixed income managers, PIMCO and Reams, have reduced the duration of their portfolios in order to mitigate interest rate risk. The effective duration of UK's fixed income portfolio at January 31, 2013 was 3.2 years versus the benchmark duration of 5.2 years. The lower duration indicates UK's portfolio's value is less sensitive to interest rate changes relative to the benchmark. The benchmark for the fixed income asset class is the Barclays US Aggregate Bond Index, which is a common intermediate-term fixed income strategy used by institutional investors. Approximately 60% of UK's fixed income allocation is managed using a core-plus strategy indexed to the Barclays Aggregate, and the remaining 40% is managed in unconstrained and low duration strategies in order to enhance fixed income returns and manage interest rate risk. R.V. Kuhns and investment staff are currently considering decreasing the overall fixed income allocation due to the extremely low return environment. Additionally being considered is an increase to the unconstrained strategy, with a corresponding decrease to the core-plus strategy, which would allow the managers to maximize returns relative to the benchmark and shorten duration further if necessary to protect the portfolio from a possible rise in interest rates.

The Investment Committee reviewed results of the 2012 NACUBO-Commonfund Study of Endowments released in late January. UK's endowment value of \$900.2 million ranked 83rd, or in the top ten percent, of the 843 public and private institutions that reported endowment values as of June 30, 2012. The average return of participating institutions in the survey was -0.3% for the year ended June 30, 2012, however UK earned -0.8% during the period mainly due to a higher than average allocation to the non-US equity asset class, which performed poorly during the fiscal year due to the European debt crisis. The non-US equity markets significantly rebounded during the last half of 2012, contributing to the strong 2013 fiscal year-to-date performance previously noted.

AA. Student Affairs Committee Report

Trustee May, chair of the Student Affairs Committee, stated the committee welcomed Logan Sparks, the chair of the DanceBlue Public Relations Group. Ms. Sparks shared a video of DanceBlue in motion, from set-up to the final presentation of the numbers. Trustee May shared that the final scene of the children in front, some who are apparently in ongoing cancer treatment, holding up signs saying "For the Kids." was incredibly touching. DanceBlue raised over \$1.1 million this year, and with an additional \$500,000 endowment from a member of the previous year's audience. The benefactor had been so moved by the effort, she felt compelled to give. There are also DanceBlue events held across the country by UK Alumni. From game watches and fund raisers, these alumni are funneling money back into DanceBlue.

Trustee May next introduced SACR 1, a recommendation that the Board of Trustees accept the University of Kentucky Creed. She continued that nine months ago President Capilouto challenged the Student Government President to explore the development of either a student creed or university creed. President Bilas accepted the responsibility and a 17-member committee was formed and the creed was written.

On behalf of the Student Affairs Committee, Trustee May moved approval of SACR 1. She also asked as a point of personal privilege that for at the conclusion of the Board of Trustees meeting, as a group, the Board of Trustees read the creed in unison for the first time.

Chair Brockman opened the floor for discussion. Trustee Sachatello offered that with such limited publicity on such good works, the University should consider distributing the Kentucky Kernel on a statewide basis.

With no further discussion, Chair Brockman posed the question and the motion passed without dissent. (See SACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Trustee May thanked President Capilouto for bringing forward the concept of a university creed. Chair Brockman thanked President Bilas for his leadership. President Bilas reiterated the team effort that included students, faculty, staff, administration, alumni, trustees and members of UK Athletics.

BB. University Health Care Committee Report

Trustee Young, chair of the University Health Care Committee reported that there were two action items in the meeting yesterday. The first concerned FCR 10, which was reviewed and approval recommended to the Finance Committee. This involved the upgrade and relocation for the pediatric critical care unit.

CC. Approval of Creation and Funding of “Beyond Blue Corporation” for Development and Coordination of Health Care Programs Conducted Outside of Kentucky (UHCCR 1)

Trustee Young stated that UHCCR 1 recommends that the Board of Trustees authorize the President and Executive Vice President for Health Affairs to incorporate and fund a new not-for-profit corporation (“Beyond Blue”) to coordinate and develop operational activities of the University of Kentucky for its health care programs conducted outside of the Commonwealth of Kentucky, while supporting its mission of teaching, research, and service. A Board of Directors comprised exclusively of senior University officers will govern Beyond Blue.

The background is the University is increasingly performing operational activities of the health care program outside of Kentucky. For example, the recent agreement to provide transplant services and other specialty medical services to public employees in West Virginia necessitates the University faculty and staff perform some pre-op and post-op activities in West Virginia, even though the actual surgery takes place in Kentucky. Beyond Blue will provide a utility mechanism to allow the University to coordinate its out-of-state activities related to health care programs without compromising the University's sovereign immunity or subjecting the University to regulation by other states. The role of Beyond Blue is similar to that of UK Norton Healthcare Joint Corporation, which the Board of Trustees authorized at its October 25, 2011, meeting. However, unlike that entity, UK will control Beyond Blue in all respects.

On behalf of the University Health Care Committee, Trustee Young moved adoption of UHCCR 1. Chair Brockman opened the floor for discussion. Trustee Brothers asked the definition of the “senior University officers”. Trustee Young indicated it was the Board of Directors, listed in the attached Articles of Incorporation.

With no further discussion, Chair Brockman posed the question and the motion passed with 17 affirmative votes and one no vote from Trustee Voro. (See UHCCR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Trustee Young continued that Murray Clark, Interim Chief Financial Officer, reviewed the January financials. In summary, January was a very positive month. Inpatient and outpatient activity remained high and the case mix index, length of stay and payer mix remained positive. Specifically, discharges for January were slightly below budget, but above budget YTD and just short of being 1000 discharges above last year. The occupancy rate continues to run very high resulting in an increasing number of patients being held in the Emergency Department (ED) and

other units while awaiting a patient bed. As a result, a number of patients have been diverted to other hospitals. Strategies are being developed to deal with this shortage of beds, including reopening some semi-private rooms and shifting patients to Good Samaritan Hospital. Average length of stay and Case Mix Index (CMI) adjusted length of stay are both below budget and prior year. Observation cases and short stay cases remain below budget and last year which is positive. Emergency Department cases exceeded budget by 8% continuing a year- long trend. This increased activity has come at a time when more admitted patients are also being held in the ED. Operating cases were slightly below budget for the month but remains 1.2% above budget. The case mix index is 1% above the YTD budget and 2% higher than last year. Outpatient cases are just below budget for the month and the year but ahead of last year by 3.5%. The increase in discharges is across all medical services. Net revenue for January was very positive, driven by a positive case mix, length of stay and payer mix. Outpatient net revenue also continues to be positive compared to budget and prior year. Overall increased revenue and lower expenses for the year have produced a much better than anticipated income from operations, amounting to over \$53 million YTD or a 9.6% operating margin. On the balance sheet, cash and cash equivalents reflect an increase in funds being held in the plant fund for facilities projects and capital equipment. Non-operating revenues for the period were strong as a result of a much higher than anticipated investment income of \$19.3 million this year. Current liabilities were down in total for the period due to the lowering of the cash advance from the University which stands at \$26.2 million for January, reduced payables/accrued expenses and change to the current portion of long term debt and leases.

Preliminary February financials indicate continued high in-patient and outpatient volume, and the case mix index and length of stay are within budget. The payer mix will not be as favorable as in previous months.

The takeaway from the financial presentation was threefold. First, UK HealthCare is exceptionally busy, exceeding expectations to the point that some patients are being diverted to other hospitals due to lack of beds. Secondly, due to hard work at the state level by Mark Birdwhistell and also a classification change in Medicare receivables, \$67 million dollars in Federal and State monies owed to UK HealthCare have been received. Thirdly, as a result of these two developments the internal loan from the University to UK HealthCare has been reduced to \$26 million dollars at the end of January and will be \$0 at the end of February. This zero balance may flex upward slightly in the future but will remain manageable. All of the above positive financial information could not come at a better time because Chandler and Good Samaritan Hospitals are out of beds and as a result, conversation has begun among our leaders about how best to expand into the unfinished areas of the Patient Care Facility (PCF).

Dr. Bernard Boulanger, Chief Medical Officer presented the report on Quality. Dr. Boulanger reported that quality and safety initiatives continue to improve, reaching the defined maximum performance in the areas of mortality, effectiveness and length of stay. The domains of safety and patient centeredness are also moving in the right direction and updated University HealthCare Consortium reports indicate that UK HealthCare benchmarks strongly against UK's academic medical center peers. UK HealthCare now is placed in the top 20 in its mortality

observed to expected ratio. UK HealthCare has introduced a Quality Website that presents open, candid and timely quality and safety data on line.

Dr. Colleen Swartz presented an enterprise capacity update. Her report highlighted the dramatic rise in the daily hospital census from 400 in 2006 to 605 in the first quarter of 2013. She highlighted the increase in Chandler Hospital adult transfers and the recent inability of UK HealthCare to take some of these patients due to a lack of available beds. This capacity issue has also led to patients being boarded in the ED until beds do become available.

Dr. Steven Strup presented for approval the current list of privileges and credentials. The committee made a motion and voted to approve the privileges and credential as presented.

DD. University Relations Committee Report

Trustee Curris, chair of the University Relations Committee, stated that the Committee heard from Tom Godell, general manager of WUKY radio station. He updated the committee on the mission, vision, and future of radio station.

Mr. Godell became general manager of WUKY nine years ago and since that time has obtained federal grants to replace and relocate the station's transmitter and antenna, upgrade master control, and install an emergency generator. Additionally, under his leadership, WUKY launched its HD multitasking service and has expanded its news department. WUKY recently began providing a comprehensive web news service via WUKY.org that now attracts over 100,000 visitors annually. Mr. Godell has also created the "UK Perspectives" series to showcase the University's most exciting achievements, and he currently is producing a national radio broadcast devoted to Frank X Walker's (newly appointed 2013-14 Kentucky Poet Laureate) new book, *Turn Me Loose: The Unghosting of Medgar Evers*.

Trustee Curris continued that WUKY is no longer just a "radio station". It is a multimedia center that includes web site, streaming, on-demand, mobile apps for the iPhone and podcasting. Over 100,000 visitors view viewed the web site in the last 12 months. The station has 11 full-time employees and eight part-time employees.

Trustee Curris reported that UK President McVey began this radio concept in the 1930's, and it was considered the first in the United States. It began as WBKY AM, broadcasting from Beattyville, KY. In 1941, it became the first FM station in the country, and in 1944 the station moved to McVey Hall on the UK campus, where it remains today. In 1989, the station changed its call letters to WUKY. The typical listener is age 35 to 64, upper income, with two degrees or more. WUKY has a listening base of 46,000 in the Lexington/Danville area, approximately a 45-mile radius. The NPR News, National Public Radio, is the core award-winning local news. The schedule also includes Rock and Roots Music. Local productions include the UK Perspectives and Natasha's Concerts and a new program that Mr. Godell just introduced recently called "Meeting with the Mayor." With no budget for marketing, WUKY uses its many outlets to create awareness for the station, including involvement with groups such as Commerce Lexington and the Kentucky Chamber of Commerce. The station also has hourly station

identifications of the University of Kentucky.

Trustee Curris continued that there is extensive campus news and sports coverage, campus collaborations, for example, live jazz performances, and Singletary concert sponsorships. The funding for WUKY is approximately \$1.5 million, with 34 percent from the University, 27 percent from members, 24 percent is underwritten, and 11 percent in federal grants.

In conclusion Trustee Curris stated that the station is hoping to expand its local news to become a prime source of news for a growing community. As the current facility is outdated, an immediate wish-list includes satellite dish relocation, bandwidth for streaming and web site, and improved broadcast coverage.

A strategic plan and a pledge report were distributed.

Trustee Curris updated the Board of Trustees on the impact of Sequestration (United States federal budget spending plan) on the funding to the Veterans Resource Center. The Veterans Administration programs have been exempted, but there may be difficulties with tuition assistance to Reserve, National Guard and ROTC programs. At this time, UK's invitation to apply for additional personnel assistance from the Veterans Administration has been protected.

Trustee Curris pointed out the addition to the January 29, 2013 minutes regarding research dollars and the Department of Defense research with the University of Kentucky. Though reductions might be possible, extended relationships with Fort Knox and Fort Campbell may still be favorable for research collaborations.

EE. Item for Board Discussion – Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) Reaffirmation Process

Vice President for Institutional Research, Planning, and Effectiveness Heidi Anderson updated the Board on the progress of the Reaffirmation Process. As a recap, SACSCOC expects every institution to have a commitment to enhance student learning, enhance the quality of its educational and service programs, engage in continuous improvement and comply with SACSCOC's 97 standards.

The University of Kentucky is at the end of phase two of a five phase process. Last November, the off-site committee reviewed the Compliance Certification Report. This report is the institution's self-study demonstrating compliance with standards. The SACSCOC onsite visit in April will review the Quality Enhancement Plan (QEP) and areas noted by the off-site review committee. The QEP is expected to focus on the enhancement of student learning or the environment of student learning. The QEP team, led by co-chairs Dr. Deanna Sellnow and Dr. Diane Snow, came up with the idea "Presentation U." UK's QEP will focus on enhancing the multimodal communication skills of UK's students, their visual, oral and digital communication skills, but more importantly in the upper division of the courses, junior and senior levels.

The Board viewed the student produced “Presentation U” video. At the conclusion, there was a round of applause.

Dr. Anderson concluded that the final report from SACSCOC will arrive in December 2013.

FF. Other Business

Chair Brockman announced the updated Board of Trustees meeting dates for Fall 2013 and the first half of 2014. They are as follows:

Fall 2013 Board of Trustees Meeting Schedule (Revised)

Monday/Tuesday - September 9 & 10, 2013

Friday/Saturday - October 25 & 26, 2013 Retreat

Monday/Tuesday - December 16 & 17, 2013

2014 Schedule for Board of Trustees Meetings

Thursday/Friday - January 30 & 31, 2014

Monday/Tuesday - March 31 & April 1, 2014

Thursday/Friday - May 8 & 9, 2014

Monday/Tuesday - June 9 & 10, 2014

Thursday/Friday - September 4 & 5, 2014

With no new business, Chair Brockman asked Trustee May to lead the Board of Trustees in reciting the University Creed. Trustee May asked President Bilas to do the honors. Led by Student Government Association President Stephen Bilas, the Board of Trustees recited the following:

The University of Kentucky Creed

As a Wildcat,

I promise to strive for academic excellence and freedom by promoting an environment of creativity and discovery.

I promise to pursue all endeavors with integrity and compete with honesty.

I promise to embrace diversity and inclusion and to respect the dignity and humanity of others.

I promise to contribute to my University and community through leadership and service.

I promise to fulfill my commitments and remain accountable to others.

We believe in the University of Kentucky and will forever honor our Alma Mater.

GG. Meeting Adjourned

Hearing no further business, Chair Brockman declared the meeting adjourned at 3:06 p.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

(CR 1, PR 1, 2, 3 and 4, ECR 1, AACR 1 and 2, FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16, SACR 1, UHCCR 1 are official parts of the Minutes of the meeting)