

# ECR 1

Office of the President  
September 14, 2018

Members, Board of Trustees:

RATIFICATION OF EXECUTIVE COMMITTEE APPROVAL OF CREATION AND  
FUNDING OF AN AFFILIATED ENTITY AND PARTICIPATION IN  
AMBULATORY SURGERY CENTER

Recommendation: that the Board of Trustees ratify the following actions taken by the Executive Committee on behalf of the Board of Trustees of the University of Kentucky at the Committee's special meeting on August 23, 2018:

(A) the Committee's approval of the formation of a new affiliated entity wholly owned by the University of Kentucky, to participate in various business transactions for the purpose of improving the quality and accessibility of health care delivered in central Kentucky;

(B) the Committee's approval of the transfer of funds from UK HealthCare to the new affiliated entity, in the amount of \$1,200,295, to permit the new affiliated entity to purchase a 51 percent membership interest in Surgery Center of Lexington, LLC, which in turn owns a majority interest in an ambulatory surgery center partnership with other Lexington community physicians; and

(C) the Committee's authorization of the Executive Vice President for Health Affairs or his designee to execute the documents necessary or required by law to be recorded to effect the transactions described above, including but not limited to a Membership Interest Purchase Agreement and a Third Amended and Restated Operating Agreement of Surgery Center of Lexington, LLC.

Background: UK HealthCare ("UKHC") and Surgical Care Affiliates ("SCA") engaged in discussions concerning a joint venture to own and operate an ambulatory surgery center ("ASC") in Lexington, KY. SCA currently owns and operates an ASC joint venture with community physicians; with this action, UKHC has purchased the controlling interest in that ASC. UKHC purchased the 51 percent interest for the sum of \$1,200,295, which is fair market value as determined by an experienced third party health care appraiser. This action is the first step in initiating UKHC's strategy to expand its ambulatory care to better serve and provide quality healthcare services to the citizens of the Commonwealth of Kentucky in lower cost settings. It also creates needed additional surgical capacity for UKHC surgeons and provides additional revenue to fund UKHC's mission. SCA is an experienced ambulatory surgery center operator and will continue to manage the ASC on behalf of the joint venture.

In this instance, the Executive Committee acting on behalf of the Board, believed it was in the best interests of the University to take the actions described above. Accordingly, the Executive Committee held a special meeting on August 23, 2018 and took the actions described above.

Governing Regulation II.E.2.a(2) authorizes the Executive Committee of the Board to exercise oversight of the financial and business interests of the University and possess the same powers as the Board of Trustees during periods between meetings of the full Board of Trustees.

KRS 164.190 and Governing Regulation II.E.2.a(4) requires the Executive Committee to submit to the Board of Trustees at each meeting, for the latter's consideration and approval, a complete record of the proceedings of the Executive Committee. The Executive Committee thus submits this ECR 1.

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Action taken:  Approved    Disapproved    Other \_\_\_\_\_