

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Friday, December 9, 2014

The Board of Trustees of the University of Kentucky met at 1:00 p.m. on Friday, December 9, 2014 in the Board Room on the 18th floor of Patterson Office Tower.

A. Meeting Opened

Dr. O. Keith Gannon, chair of the Board of Trustees, called the meeting to order at 1:03 p.m. Chair Gannon 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., James H. Booth, William C. Britton, E. Britt Brockman, Sheila Brothers, Mark P. Bryant, Angela L. Edwards, William S. Farish, Jr., Oliver Keith Gannon, Carol Martin (Bill) Gatton, Cammie Grant, Robert Grossman, David V. Hawpe, Kelly Sullivan Holland, Jake Ingram, Terry Mobley, James W. Stuckert, John Wilson, Robert Vance and Barbara Young. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Christine Riordan, Executive Vice President for Health Affairs Michael Karpf, Executive 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 Andrew Hippisley, and the University staff was represented by Chair of the Staff Senate Michael Adams.

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

C. Consent Items

Chair Gannon called attention to the six consent items on the agenda. The items were the minutes for the Board of Trustees Retreat on October 17-18, 2014 and the Board of Trustees meeting on October 18, 2014; PR 2, Personnel Actions; FCR 1, Carl F. Pollard and C. F. Pollard Foundation, Inc. Gift and Charitable Grant; FCR 2, The Bill Gatton Foundation Pledge; and FCR 3, William E. Seale Family Foundation Pledge.

Trustee Stuckert moved approval of the consent items. Trustee Mobley seconded the motion. Chair Gannon called for the vote and it passed with 19 affirmative votes and one abstention from Trustee Bill Gatton. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes, Board of Trustees Retreat, October 17-18, 2014
Minutes, Board of Trustees Meeting, October 18, 2014

PR 2 Personnel Actions

FCR 1 Carl F. Pollard and C.F. Pollard Foundation, Inc. Gift and Charitable Grant

FCR 2 The Bill Gatton Foundation Pledge

FCR 3 William E. Seale Family Foundation Pledge

D. Chair's Report

Chair Gannon reported that there had been no petitions to address the Board since the last Board of Trustees meeting.

E. Alternative Meeting Site (CR 1)

Chair Gannon stated that CR 1 was the recommendation that the Board approve Hazard, KY as an alternate meeting site for the February 18-19, 2015 Board of Trustees meeting and associated committee meetings.

Chair Gannon continued that during its October 2014 Retreat, the Board of Trustees discussed the possibility of alternate sites for future Board of Trustee meetings. Members of the Board are interested in seeing the connections and programs the University has across the state. KRS 164.170 states that all meetings shall be held on the campus of the University unless otherwise specified by a majority vote of the Board of Trustees.

Trustee Gatton moved approval of CR 1 and it was seconded by Trustee Bryant. Trustee Stuckert asked for confirmation of the dates listed. Trustee Grossman moved that CR 1 be amended with the correct dates of February 19 & 20, 2015. Trustee Stuckert seconded the motion to amend and it passed without dissent.

Chair Gannon asked for the vote for the amended CR 1 and it passed without dissent.

F. Executive Committee Report

Chair Gannon stated that the Executive Committee heard a report from Trustee Brockman, Chair of the Presidential Compensation Review Committee. The Committee was appointed at the October 18, 2014 meeting with a request to benchmark University of Kentucky presidential compensation against that of chief executives at institutions of similar size, scope and complexity. The Committee was asked to report their findings along with a list of "points to consider" at the December Board meeting.

Chair Gannon continued that the Board historically has requested formal assessments of chief executive compensation every four to six years. The last formal presidential compensation review was conducted in 2009. These regular assessments are designed to guarantee that the Board is fulfilling its foremost responsibility of ensuring that the University of Kentucky remains competitive in its ability to retain and attract a chief executive that has the talent, vision and skill to lead UK to its highest potential. The timing was also critical as the Executive Committee is about to begin the comprehensive presidential evaluation process.

With assistance from the President's Office, the Office of Legal Counsel and Human Resources, compensation data of institutions in five distinct peer groups were collected and reviewed. These peer groups were: UK benchmark institutions; Southeastern Conference universities; peer eight institutions (institutions containing a full range of academic, health and professional programs on one campus); 40 state flagship universities; and Kentucky's state institutions. The committee met in early November to assess and review the data. On behalf of the committee, Trustee Brockman reported three observations.

First, a large percentage of the data sets were incomplete. The committee concluded that under-reporting made direct comparisons impossible and will lead to artificial inflation of UK's relative position. Second, the unavailability of complete data sets makes accurate conclusions and quantitative comparisons difficult to achieve. Third, a professional consultant with expertise in this area would be very valuable toward achieving quantitative comparisons and assessing competitive market factors.

Chair Gannon thanked the Committee, the President's Office, the Office of Legal Counsel and the Human Resources Department. He stated that the information and guidance lays an excellent foundation for the work that the Executive Committee will undertake later this year.

G. President's Report (PR 1)

President Capilouto began by mentioning that since the October retreat, progress has been made on the strategic priorities set by the Board of Trustees and earnest conversations have been held across campus about how UK can expand and enhance its research enterprise.

President Capilouto shared that at the Fifth Annual Kentucky Entrepreneurs Hall of Fame induction ceremony in November in Louisville, three individuals who were inducted into the Hall of Fame have strong UK ties. They were Trustee Jim Booth, CEO of Booth Energy Group; Chris Sullivan, UK alumnus and member of the Gatton College Alumni Hall of Fame, co-founder and former CEO of the Outback Steakhouse restaurant company; and John Williams, Sr., also a UK alumnus and member of the Gatton College Alumni Hall of Fame. Mr. Williams is the founder and chairman of Computer Services, Inc., which provides customers with integrated and streamlined technology solutions. A fourth individual, Nate Morris, co-founder of Morris Industries in Lexington, was honored as an emerging entrepreneur. Mr. Morris is also the co-founder of Rubicon Global, North America's leading provider of sustainable waste and recycling services. He was recently named to Fortune Magazine's 40 under 40, and is a member of the Dean's Advisory Council at the Gatton College.

President Capilouto recognized and thanked Bill Schweri, former UK Federal Relations Director, for his over 42 years of outstanding and loyal service. As the office serves as a liaison between the University's administration, colleges and faculty and the executive and legislative branches of the federal government, President Capilouto praised Mr. Schweri's mastery at building and maintaining relationships with politicians, academics, students and business leaders. Mr. Schweri received a round of applause.

President Capilouto introduced and welcomed Eric King, UK's new Federal Relations Director. Mr. King most recently served as Director of Government and Community Affairs at the Kentucky Association of Electric Cooperatives and Utility Supply. He also served as Legislative Assistant on then Senate Minority and Republican Leader Mitch McConnell's senior staff.

President Capilouto recognized and thanked Ben Crutcher, past Associate Vice President of Auxiliary Services for his over 38 years of outstanding and loyal service. For many years he led CBMI, the College Business Management Institute, one of the longest-running leadership programs for university/college business unit staff around the country. He was also instrumental during campus move-ins, interacting with staff volunteers, parents and new students. Mr. Crutcher received a round of applause.

President Capilouto introduced Sarah Nikirk. Among many other duties, Ms. Nikirk also plays an integral role orchestrating move-in and welcoming students, and will serve as Interim Associate Vice President of Auxiliary Services.

President Capilouto recognized and congratulated Provost Christine Riordan as she has accepted the offer to become President of Adelphi University. Adelphi University is one of New York state's oldest private, co-educational institutions. As a nationally ranked, doctoral research institution with 8,000 students, Adelphi has an ambitious vision to be the region's leading private university.

President Capilouto thanked Provost Riordan for her leadership over the past 18 months, playing a pivotal role in doubling the number of students participating in the Live and Learn Programs, recruiting some outstanding new deans and her work with Associate Provost for Enrollment Management Don Witt and UK's enrollment management team in recruiting the largest, most academically accomplished and diverse first-year class in UK's history.

President Capilouto congratulated and introduced Army ROTC cadet Dahlia d'Arge from Paris, Kentucky on her selection as a 2015 Marshall Scholar. The prestigious financial award provides for two years of graduate study in the United Kingdom.

Ms. d'Arge thanked the Board of Trustees and President Capilouto for the University's support. She thanked the Army ROTC program, Department of History and Dr. Pat Whitlow (Office of External Scholarships) for their assistance and encouragement.

President Capilouto congratulated and introduced Grace Trimble on becoming one of two finalists as a Rhodes Scholar. Ms. Trimble, a recently awarded Truman Scholar, majoring in political science and a member of the tennis team, thanked the Board of Trustees, President Capilouto, and the Office of External Scholarships for their support.

President Capilouto congratulated Luke Glaser, the second Rhodes Scholar finalist. Mr. Glaser, a teacher in Hazard, Kentucky with the Teach for America program, was unable to attend the meeting. President Capilouto read a few excerpts from a letter Mr. Glaser wrote to the Board. In particular Mr. Glaser wrote:

“When the other Rhodes competitors learned that UK had not one, but two Rhodes finalists, it raised some eyebrows. They were discovering what we have known for a long time—this university is a place of brilliance, a place of omnipresent potential; and it is a destination for those who wish to make their mark on the world.”

H. Academic and Student Affairs Report

Trustee Angela Edwards, chair of the Academic and Student Affairs Committee, stated that the committee met that morning.

Trustee Edwards reported that President Jake Ingram provided reports to the Committee on two programs, Cats Cab and the Live Safe Program. Vice President for Student Affairs Robert Mock provided an update on the Health and Safety Task Force and the Implementation Committee, including the recent focus on Title IX issues, most notably sexual harassment and sexual assault.

I. Candidates for Degrees: December 2014 (ASACR 1)

Trustee Edwards stated that ASACR 1 was the recommendation that the President be authorized to confer upon each individual, the degree to which he or she is entitled; upon certification by the University Registrar that the individual(s) have satisfactorily completed all requirements for the degree for which application has been made and as approved by the elected faculty of the University Senate and the Academic and Student Affairs Committee of the Board of Trustees.

On behalf of the Academic and Student Affairs Committee, Trustee Edwards asked for approval of ASACR 1 and it passed without dissent. (See ASACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

J. Candidate for Degree: May 2014 (ASACR 2)

Trustee Edwards stated that ASACR 2 was the recommendation that the President be authorized to rescind the double major degree and confer dual degrees upon the identified individual upon certification by the University Registrar that the individual has satisfactorily completed all requirements for the degrees for which application has been made and as approved by the elected faculty of the University Senate and the Academic and Student Affairs Committee of the Board of Trustees.

The student graduated in May 2014 with a single degree with a double major. Prior to graduation, the advisor did not point out the difference between a double major and dual degrees. The student thought he was on the path for dual degrees, based on the number of credits he had completed, as well as an assumption that a “double major” meant “dual degrees.”

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

K. Candidate for Degree: August 2014 (ASACR 3)

Trustee Edwards stated that ASACR 3 was the recommendation that the President be authorized to confer upon the individual whose name appears, the degree to which he is entitled upon certification by the University Registrar that he has satisfactorily completed all requirements for the degree for which application has been made and as approved by the elected faculty of the University Senate and the Academic and Student Affairs Committee of the Board of Trustees. Due to an administrative error, the name was not previously submitted.

On behalf of the Academic and Student Affairs Committee, Trustee Edwards asked for approval of ASACR 3 and it passed without dissent. (See ASACR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

L. Academic Degree Recommendation: College of Arts and Sciences (Bachelor of Arts/Bachelor of Science in Modern and Classical Languages, Literatures and Cultures) (ASACR 4)

Trustee Edwards stated that ASACR 4 was the recommendation that the Board of Trustees approve the establishment of a Bachelor of Arts/Bachelor of Science with a major in Modern and Classical Languages, Literatures and Cultures degree in the Department of Modern and Classical Languages, Literatures and Cultures, in the College of Arts and Sciences, effective January 1, 2015.

The proposed major is designed to advance undergraduate student proficiency in and understanding of the linguistic structure of world languages and to introduce students to critical and theoretical approaches to an array of cultural products (e.g., art, film, folklore, literatures, music, mythology, pop culture, religion, and theatre). The major is designed to demonstrate the breadth and depth of the discipline and the connections among peoples, regardless of the language they speak or their national citizenship. The program has the approval of the appropriate councils and the University Senate and has completed the 45 day review process of the Council on Postsecondary Education. The Provost of the University supports this recommendation

On behalf of the Academic and Student Affairs Committee, Trustee Edwards asked for approval of ASACR 4 and it passed without dissent. (See ASACR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. Change in Name and Organizational Structure of the Graduate Center for Toxicology (ASACR 5)

Trustee Edwards stated that ASACR 5 was the recommendation that the Board of Trustees approve the change in the name and organizational structure of the Graduate Center for Toxicology to the Department of Toxicology and Cancer Biology, in the College of Medicine, effective January 1, 2015.

The proposal to broaden the current Graduate Center for Toxicology into a new Department of Toxicology and Cancer Biology is based on the desire and need to take advantage of the unique education and research strengths of the faculty in the Center. A key academic goal is to provide a single department with a strong research environment for homing new faculty recruitments with research foci in cancer and environmental disease. A second key goal is the development of an integrated and strong educational program in toxicology and cancer biology that can serve as a platform for education of undergraduate, professional and graduate students, together with training of postdoctoral fellows/scholars and clinicians.

On behalf of the Academic and Student Affairs Committee, Trustee Edwards asked for approval of ASACR 5 and it passed without dissent. (See ASACR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported the University Athletics Committee met that morning.

Deputy Athletics Director DeWayne Peevy gave a report of fall and winter sports. Items of note included that though the football program finished one win short of bowl eligibility, the program made significant strides in Coach Stoop's second year. Looking ahead, the program is sustaining momentum on the recruiting trail, currently ranked No. 25 in the Rivals.com class of 2015 rankings after last year's record finish of No. 17. UK football has been awarded a Thursday night game for next season. UK will host Auburn on October 15, 2015 and a working group has already begun meeting to plan for the event and capitalize on the national spotlight offered by playing the game.

The women's soccer team reached the Sweet 16 for the first time in school history, finishing 2014 with a record of 16-7-1 under head coach Jon Lipsitz. Senior Arin Gilliland, the most decorated player in program history, capped her career by receiving the SEC Defensive Player of the Year award and being named an All-American for the third straight season.

Trustee Akins continued that the volleyball team reached the NCAA Tournament for the 10th season in a row, a school record, before falling to Ohio State in the second round. Men's soccer saw its season end in the first round of the NCAA Tournament, but not before one of its most successful seasons ever. Coach Johan Cedergren was named Conference USA Coach of the Year. Junior goalkeeper Callum Irving was named C-USA Player of the Year and Defensive Player of the Year, in addition to winning the Golden Glove Award. The cross country team concluded the fall at the NCAA Southeast Regionals. The men finished ninth and the women No. 12. Men's and women's golf concluded successful fall seasons.

In winter sports, the men's basketball team is unbeaten and ranked No. 1 in the country. Women's basketball is now No. 8 in the Associated Press poll after solid wins over top ranked teams, including a comeback win over Louisville. The rifle team, 7-1 and ranked in a tie for fourth, will return to action in January. The men's and women's swimming and diving teams have competed in six meets so far this season.

Off the field, baseball alumnus and Lexington businessman Jim Host was honored by the National Football Foundation as the recipient of its award for Outstanding Contribution to Amateur Football. The football team earned an Honorable Mention American Football Coaches Association (AFCA) Academic Achievement Award based on the program's graduation rate. Football senior Max Godby was one of 11 Football Bowl Subdivision (FBS) players named to the Allstate AFCA Good Works Team. Football junior Landon Foster was named Academic All-America.

Trustee Akins continued that Junior Bria Goss has been nominated for the Women's Basketball Coaches Association Allstate Good Works Team in recognition of her commitment to community service. Women's soccer senior Stuart Pope was named an Academic All-American for the second consecutive season. Women's basketball has been selected to host three NCAA Tournament Regionals in Rupp Arena starting in 2016. John Cropp Stadium, home of the University of Kentucky softball team, was named collegiate softball's Field of the Year by the Sports Turf Management Association. Kentucky's sports turf director Marcus Dean was named the Winfrey P. Bunton II Man of the Year by the Kentucky Turfgrass Council. The award was established to recognize an individual in the turf industry who has made significant contributions to the profession.

Trustee Akins reported that Sandy Bell updated the committee on the UK student-athletes' most recent federal graduation rates and graduation success rates. The NCAA Graduation Success Rate (GSR), a four-year composite for the freshman classes of 2004-05 through 2007-08, was 81 percent. That was up two points from last year and continued UK's trend of having broken or tied the mark every year. This figure means that 81 percent of the student-athletes who entered UK as members of these freshman classes either graduated or transferred from the University in good academic standing. She also informed the committee of ways in which the Department educates, communicates and monitors its student-athletes and other groups to facilitate rules compliance in the academic area.

In business items, the Committee considered and accepted as presented the 2013-14 Audited Financial Statements and the Independent Auditors' Report on Financial Statements and Supplementary Information for the Department of Intercollegiate Athletics. Treasurer Susan Krauss reviewed the management's discussion and analysis of the statements of net position. This included assets, liabilities and operating revenues and expenses.

Trustee Akins concluded that Ms. Krauss also reviewed the interim financial statements of the Department for the three months ended September 30, 2014. The information included the statement of net position, the statement on revenue and expenses, and the change in net position. The Committee accepted the quarterly financial statements as presented.

O. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, reviewed for the Board the consent items, FCR 1 through FCR 3, which were vetted in detail earlier at the Finance Committee Meeting. He thanked C. F. Pollard, Bill Gatton and William Seale for their generosity to the University.

P. Establishment of the Arboretum Operating Quasi-Endowment (FCR 4)

Trustee Stuckert stated that FCR 4 was the recommendation that the Board of Trustees approve the establishment of The Arboretum Operating Quasi-Endowment to provide support for the University of Kentucky-Lexington-Fayette County Arboretum.

The Arboretum Operating Quasi-Endowment will provide perpetual support for general operating expenses, upkeep and maintenance, equipment purchases, salaries and supplies.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 4 and it passed without dissent. (See FCR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. Establishment of the Food Connection at the University of Kentucky Quasi-Endowment Fund (FCR 5)

Trustee Stuckert stated that FCR 5 requested that the Board of Trustees approve the establishment of The Food Connection at the University of Kentucky Quasi-Endowment Fund in the Office of the Executive Vice President for Finance and Administration with an initial transfer of \$1,000,000.

The quasi-endowment will be funded through monies received from the University of Kentucky's dining partner, Aramark Holdings Corporation ("Aramark"). Spending distributions from the endowed fund shall support the newly established Food Connection at the University of Kentucky Program ("Program"), created as a public-private partnership between the University and Aramark to focus on local food production and promotion. The endowed fund will provide support for student internships, fellowships and travel related to the Program and other support deemed necessary and desirable to aid in student success related to the Program.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 5 and it passed without dissent. (See FCR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

R. Establishment of the University of Kentucky Corporate Partner Scholarship Quasi-Endowment Fund (FCR 6)

Trustee Stuckert stated that FCR 6 was the recommendation that the Board of Trustees approve the establishment of the University of Kentucky Corporate Partner Scholarship Quasi-Endowment Fund in the Office of the Executive Vice President for Finance and Administration and to be administered by the Office of Academic Scholarships with an initial transfer of \$1,000,000.

The quasi-endowment will be funded initially with monies received by the University of Kentucky's dining services partner, Aramark Holdings Corporation. The annual spending distributions from the endowed fund will support one or more scholarships annually, to be determined by a scholarship committee appointed by the Executive Vice President for Finance

and Administration and Provost, to students who have demonstrated potential for academic success.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 6 and it passed without dissent. (See FCR 6 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

S. Establishment of the Undergraduate Research Office (UGR) / National Conference on Undergraduate Research (NCR) Quasi-Endowment Fund. (FCR 7)

Trustee Stuckert stated that FCR 7 was the recommendation that the Board of Trustees approve the establishment of the Undergraduate Research Office (UGR) / National Conference on Undergraduate Research (NCR) Quasi-Endowment Fund in the Undergraduate Research Office with an initial transfer of \$200,000.

The quasi-endowment will be funded initially with monies received from hosting the National Conference on Undergraduate Research (NCR) at the University of Kentucky on April 3 – 5, 2014. The annual spending distributions from the endowment will be used at the discretion of the Director of the Office of Undergraduate Research, subject to the approval of the Associate Provost for Undergraduate Education, to support research practices by University of Kentucky undergraduate students.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 7 and it passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

T. Acceptance of 2013-14 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Supplementary Information (FCR 8)

Trustee Stuckert stated that FCR 8 was the recommendation that the Board of Trustees accept the University of Kentucky Audited Financial Statements for the Fiscal Year ended June 30, 2014, and the Independent Auditor's Report on Financial Statements and Supplementary Information.

Trustee Stuckert stated that both items were also discussed in depth at the Audit and Compliance Subcommittee meeting, with a presentation by BKD LLP, Certified Public Accountants.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 8 and it passed without dissent. (See FCR 8 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

U. Acceptance of Interim Financial Report for the Three Months Ended September 30, 2014 (FCR 9)

Trustee Stuckert stated that FCR 9 was the recommendation that the Board of Trustees accept the University of Kentucky consolidated financial report for the three months ended September 30, 2014.

Trustee Stuckert offered that this financial report was vetted thoroughly in the morning Finance Committee meeting.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 9 and it passed without dissent. (See FCR 9 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

V. Repair/Upgrade/Improve Building Shell Systems Capital Project (2015 Parking Garage Maintenance and Restoration) (FCR 10)

Trustee Stuckert stated that FCR 13 recommended that the Board of Trustees approve the initiation of the Repair/Upgrade/Improve Building Shell Systems Capital Project (2015 Parking Garage Maintenance and Restoration). This project will cover the recommended maintenance and repairs for the University's eight parking structures during 2015.

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.)

W. Remote Site Fiber Infrastructure Capital Project (FCR 11)

Trustee Stuckert stated that FCR 11 was the recommendation that the Board of Trustees approve the initiation of the Remote Site Fiber Infrastructure Capital Project.

Trustee Stuckert explained that the Kentucky Regional Optical Network (KyRON) is a collaborative effort of the Council on Postsecondary Education (CPE), the University of Kentucky and the University of Louisville (UofL). The primary purpose of KyRON is to promote, develop and provide advanced fiber-optic network infrastructure and services to all public universities in Kentucky. The connected universities, starting with UK and UofL, will be able to use the networks for "Big Data" research collaborations with other leading research universities and federal agencies in the United States. The networks also will facilitate the flow of medical "Big Data" supporting UK's healthcare mission. In close collaboration with the CPE, the networks are being designed so that all Kentucky universities will be able to take advantage of the high-speed circuits.

This project was authorized by the 2014 Session of the Kentucky General Assembly. The scope of this project is \$1,600,000 and will be funded with agency funds.

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.)

X. Renovate/Expand Student Center Capital Project (FCR 12)

Trustee Stuckert stated that FCR 12 was the recommendation that the Board of Trustees approve the initiation of the Renovate/Expand Student Center Capital Project and declare official intent to reimburse the capital expenditures from a future debt obligation.

Trustee Stuckert explained that the U.S. Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that the borrower make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt if the issuer intends to reimburse itself from the tax-exempt debt proceeds.

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.)

Y. Approval of the 2013-14 Endowment Match Program Annual Report (FCR 13)

Trustee Stuckert stated that FCR 13 was the recommendation that the Board of Trustees accept the following 2013-14 Endowment Match Program Annual Report.

Trustee Stuckert explained that the Endowment Match Program, also known as ‘Bucks for Brains’, is one of several programs created as part of the Research Challenge Trust Fund. Pursuant to the Council on Postsecondary Education’s Endowment Match Program Request and Reporting Procedures, the Board of Trustees must review and approve an annual report on UK’s participation in the program.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 13 and it passed without dissent. (See FCR 13 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Z. Capital Construction Report (FCR 14)

Trustee Stuckert stated that FCR 14 was the recommendation that the Board of Trustees accept the capital construction report for the three months ending September 30, 2014. This report refers only to projects that had activity within this quarter. Mary Vosevich, Vice President for Facilities Management provided details at Finance Committee meeting.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 14 and it passed without dissent. (See FCR 14 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

AA. Patent Assignment Report (FCR 15)

Trustee Stuckert stated that FCR 15 was the recommendation that the Board of Trustees accept the patent assignment report for the period July 1 – September 30, 2014. Interim Vice President for Research Lisa Cassis reviewed the report at the Finance Committee meeting.

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

BB. Investment Committee Report

Trustee Carol Martin “Bill” Gatton, chair of the Investment Committee, reported that the committee met on Thursday, December 9, 2014 to review performance results and conduct other business.

The Endowment pool had a market value of \$1,200,000,000 as of October 31, 2014. For the four months ended October 31, 2014, the Endowment pool lost -1.65 percent, in line with the policy benchmark return of -1.67 percent. The loss for the period was due to the downturn in the international equity markets.

CC. Appointment of Trustees to the Board of Directors of the University of Kentucky Mining Engineering Foundation, Inc. (NCR 1)

Trustee Bill Farish, chair of the Nominating Committee, stated that NCR 1 was the recommendation that the Board of Trustees approve the appointment of Mr. James H. Booth and Dr. John F. Wilson as Trustee members to the University of Kentucky Mining Engineering Foundation, Inc. Board of Directors for two-year terms ending September 30, 2016.

Trustee Farish stated that the bylaws of the Foundation require the Board of Trustees approve the appointments by the Board of Directors.

On behalf of the Nominating Committee, Trustee Farish moved approval of NCR 1 and it passed without dissent. (See NCR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

DD. Appointment of Trustee to the Board of Directors of the University of Kentucky Research Foundation (NCR 2)

Trustee Farish stated that NCR 2 was the recommendation that the Board of Trustees approve the reappointment of Mr. William C. Britton as a Trustee member to the University of Kentucky Research Foundation (UKRF) Board of Directors for a term ending September 30, 2017.

Trustee Farish stated that the bylaws of the Foundation require the Board of Trustees to approve appointments to the Board of Directors.

On behalf of the Nominating Committee, Trustee Farish moved approval of NCR 2 and it passed without dissent. (See NCR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

EE. University Health Care Committee Report

Trustee Barbara Young, chair of the University Health Care Committee Report, reported that the committee met on Thursday, September 4, 2014.

Trustee Young stated that Murray Clark, chief financial officer, presented the year-to-date financial and statistical review. The statistical report indicated that inpatient discharges for the year were strong and well above budget, compared to both budget and the prior year and 144 discharges above budget for the month of October. Children's discharges continue to lag budget, but in a positive trend are 85 discharges above the prior year. The Case Mix Index (CMI) has increased and continued attention will be focused on reducing the Length of Stay (LOS). An increase in patient days as compared to budget is driven almost equally by the overall increase in volume and the LOS per case. Outpatient activity for the first four months of the fiscal year continued to be positive and above budget and prior year. Full Time Equivalents (FTEs) per adjusted bed are below budget, but in line with prior year. However FTEs have increased to support overall activity and efforts are ongoing to move the FTE numbers closer to benchmark in all areas.

Due to Medicaid expansions patient/charity cases have continued to drop from 12.3 percent of discharges last year to 2.2 percent of discharges this year. The impact of the changes from patient/charity to Medicaid is a major driver in the increase in net revenue. The income statement shows net revenues for the year have exceeded expectations driven by volume, case mix, outliers and the Medicaid expansion program. Fixed expenses are lower than budget for the year to date. While expenses will vary against budget throughout the year, expenses should stay in line with the budget overall. Total income from operations for the month of October was \$26,200,000 with an operating margin of 22.3 percent and \$92,500,000 for year-to-date. Non-operating revenues (expenses) are at variance to budget by \$12,600,000 caused primarily by the under realization of investment income of \$9,800,000 and a \$5,500,000 one-time charge of interest as a result of the refinancing of a portion of our debt. This one-time charge will be offset by interest savings from the refinancing over the remaining life of the bonds.

On the balance sheet, cash totals \$140,400,000 and includes \$135,200,000 in unrestricted funds which includes \$10,000,000 in Eastern State Hospital advance payments and \$5,200,000 in restricted plant funds. Overall liabilities have decreased by \$17,700,000 since June 30, 2014. The major changes in liabilities include changes in payables, debt amount outstanding and deferred inflows of resources. The financial median analysis indicates total day's cash on hand has increased to 134.85 days and the operating margin and earnings before interest, depreciation and amortization (EBIDA) have exceeded targets. Debt to capitalization has improved slightly since year end and cash-to-debt has improved, but may decline in the future when capital acquisitions are made in facilities and equipment. Overall the financials are very strong. Total assets have increased and total liabilities have declined.

Trustee Young stated that the Strategic Planning Update 2015-2020 was presented by Dr. Karpf and Jim Zembrod. They reviewed the goals of the current UK HealthCare strategic plan which focused on establishing UK as a top regional academic referral medical center serving Kentucky. Over the last five years UK HealthCare has worked to provide a broad range of

advanced subspecialty care and has collaborated closely with community providers. In this way UK HealthCare has matured into a well-integrated health delivery system and has become a clinical destination for Kentucky and beyond. An integral component of this strategic plan is the support it has given to the research and teaching missions of the University. However, due to the changing healthcare landscape for academic medical centers, the current strategic plan must be refined to work in today's market. In January a financial, clinical and strategic planning retreat will be held to look at where UK HealthCare needs to go in the next five years. Questions include: where to focus; who will get us there; which channels will best expand our reach and how can we accelerate progress through innovation and accessibility; how do we optimize profitability and fund programs; how do we add and capture value; and how do we deliver? The January retreat will focus on presenting a financial planning and scenario analysis which will provide direction regarding the ability to commit to the fit up of additional phases of Chandler Pavilion A and other capital needs. In June, it is expected that the final report will be presented to the Board.

Trustee Young reported that Dr. John Gurley and Dr. Hasan Reda reported on the structural heart and valve program at the Gill Heart Institute. They described the innovative, percutaneous heart procedures taking place at UK, which is now, along with a handful of other advanced cardiac centers, uniquely positioned to handle such cutting edge care.

Trustee Young stated that Dr. Andrew Bernard presented for approval the current list of privileges and credentials for Chandler and Good Samaritan Hospitals. The Committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

Trustee Young concluded that she had met with Chief Compliance Officer Brett Short and reviewed the current compliance reports, including a regulatory and enforcement update and new issues that have arisen in the last few months. Any issues that have come to the attention of the compliance office have been dealt with in a professional and cooperative manner. It was also reported that the audit of last year is close to being complete.

FF. Other Business

Secretary Brothers stated she thought was always fitting to recognize excellence whenever it occurs, particularly in areas where UK has struggled in the past. In October 2014, the Kentucky Commission on Human Rights inducted 40 individuals into the Kentucky Civil Rights Hall of Fame. In addition to Trustee Akins' wife Rosalyn Akins, UK staff member Chester Grundy was also inducted.

Secretary Brothers continued that while a student at UK in the late 1960's, Mr. Grundy was active in the civil rights movement and helped establish the Black Student Union at UK. Before graduating, he lobbied college leaders for more black history courses, more diversity in staff and administration and a more welcoming atmosphere for all students of color. After graduation he remained at UK and was eventually appointed the Director of the Office of Minority Student Affairs as well as the Director of the Martin Luther King, Jr. Cultural Center on campus. During his tenure he established the Spotlight Jazz Series, bringing jazz legends to UK

and also arranged for renowned black luminaries to speak on campus. Among those were Muhammad Ali, Coretta Scott King, Archbishop Desmond Tutu, Maya Angelou, Spike Lee, Alex Haley, Nikki Giovanni, Ossie Davis and Ruby Dee and the Boys Choir of Harlem. Outside the University, he co-founded the Roots and Heritage Festival in Lexington, as well as the Martin Luther King Jr. celebration in Lexington.

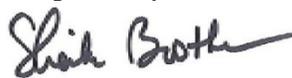
Secretary Brothers also reminded the Board of the Stakes Reception immediately following the conclusion of meeting and encouraged everyone to attend.

President Ingram noted that Rhodes Scholar finalist Luke Glaser was a teacher in Hazard, Kentucky and asked that he be invited to the February 2015 Trustee meeting, scheduled to take place in Hazard, KY.

GG. Meeting Adjourned

Hearing no further business, Chair Gannon asked for a motion to adjourn the meeting. Trustee Mobley moved the meeting adjourn and it was seconded by Trustee Stuckert. The meeting adjourned at 2:30 p.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

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