

Minutes of the Meeting of the Board of Trustees  
University of Kentucky  
Tuesday, December 13, 2016

The Board of Trustees of the University of Kentucky met on Tuesday, December 13, 2016, in the Board Room on the 18<sup>th</sup> floor of Patterson Office Tower.

A. Meeting Opened

E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:06 p.m. Chair Brockman asked Trustee Kelly Holland, 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., Jennifer Y. Barber, Claude A. “Skip” Berry, III, Lee X. Blonder, James H. Booth, William C. Britton, E. Britt Brockman, Mark P. Bryant, Michael A. Christian, Kelly Knight Craft, Angela L. Edwards, Cammie DeShields Grant, Robert Grossman, David V. Hawpe, Kelly Sullivan Holland, David Melanson, Rowan Reid, C. Frank Shoop, Robert Vance, and Barbara Young. Trustee Carol Martin “Bill” Gatton was not in attendance.

Secretary Holland announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Tim Tracy, 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, Katherine McCormick, and the University staff was represented by Chair of the Staff Senate, Troy Martin.

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

C. Chairs Report and Consent Items

Chair Brockman reported that there had been no petitions to address the Board since the last Board of Trustees meeting and called attention to the consent items on the agenda. The items were as follows:

Minutes	Board of Trustees Retreat, October 20-21, 2016
Minutes	Board of Trustees Meeting, October 21, 2016
PR 2	Personnel Actions
ASACR 1	Candidates for Degrees: December 2016
ASACR 2	Candidates for <i>In Memoriam</i> Degree: December 2016
ASACR 3	Change in Name of an Educational Unit: College of Medicine
FCR 1	Gift in Kind from William R. Frazer

- FCR 2 Establishment of the Abby Marlatt Dietetics and Human Nutrition Community Outreach Fund (Quasi-Endowment)
- FCR 3 Acceptance of 2015-16 Audited Financial Statements and the Independent Auditor's Report on Financial Statement and Supplementary Information
- FCR 4 Acceptance of Interim Financial Report for the Three Months Ended September 30, 2016
- FCR 5 Academic Year 2016-17 Mandatory Fees Reallocation
- FCR 6 Proposed 2017-18 Room Rates for University-Constructed Housing
- FCR 7 Fiscal Year 2016-17 Budget Revisions
- FCR 8 Approval to Revise Method of Disposal (Harry L. Crisp Education Center)
- FCR 9 Transfer of Real Property Received by Bequest from the Estate of Maquies Bentley
- FCR 10 Repair/Upgrade/Improve Civil Site Infrastructure Capital Project (University Court)
- FCR 11 Approval to Acquire/Renovate The University Inn
- FCR 12 Renovate/Improve UK HealthCare Facilities Capital Project (Simulation Center)
- FCR 13 Capital Construction Report
- FCR 14 Patent Report

Hearing no requests to remove items from the Consent Agenda, Chair Brockman asked for a motion for approval. Trustee Berry moved approval of the Consent Agenda. Trustee Britton seconded it and the Consent Agenda passed without dissent, with one abstention from Trustee Grossman pertaining to FCR 6. (See consent items on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

D. President's Report (PR 1)

President Capilouto reported that during the week of December 5, 2016, he was in Washington D.C. with a group of faculty and representatives from University of Kentucky. During this time he had the opportunity to meet the project manager of the restoration of The Capitol Building, Mr. Eugene Pool, Jr.

President Capilouto continued:

“And if you have been to Washington over the last few years, you've noticed that scaffolding around the building. It's now been removed, and as you walk around The Capitol during the day - I think Tim (Provost Tracy) would agree with me too - if you look up at that dome, it has a certain gleam to it now that changes throughout the day. It reflects light in a different way and means so much.

Mr. Pool attended the reception we had for everybody who came from UK. All of the staffers and many elected representatives of the federal delegation typically have this at night. I got the opportunity to talk at length with Mr. Pool. But, let me step back and tell you also about the dome. It rises 288 feet and at the pinnacle of that dome is the 19-foot Statue of Freedom. It was designed by

American sculptor Thomas Crawford, during the 1855 expansion of the Capitol building. 1855, who is in charge of that and who commissioned Crawford to do that statue? Does anybody know? It is a Kentuckian. Secretary of War, first president of the Confederacy, Jefferson Davis. He was the Senator from Mississippi at the time. He commissioned Crawford to design the bronze statue. In the Visitors' Center, in The Capitol building, they have a replica and one can see it up close. It features a woman in a classical dress, holding a sword and a shield. She is wearing a peculiar helmet, which I always looked at and thought, that is the oddest helmet or head gear.”

President Capilouto continued:

“I looked into that statue and I learned that the original design by Crawford was for the woman to wear a liberty cap. It was a knit cap provided to free slaves in the ancient Roman Empire. It was adopted as a symbol of freedom during the American and French Revolution. Although all of the features of that original statue design are there, the cap is not. Because Secretary Davis, as you all know, a slaveholder, objected to the cap, stating, ‘Its history renders inappropriate to a people who were born free and should not be enslaved.’ Now, in his objection, Secretary Davis was not talking about Phillip Reed. He was the African American slave who helped cast the bronze freedom statue. He would not live to know about it, but he certainly wasn't talking about Eugene Pool, Jr., and his ancestors, who are also African American.

Now, ironically, Eugene, who supervised this entire project, and told me he spent months just going over the historical architectural designs before they ever started, led this project. I am happy to say, and you will be proud to know, that Eugene is an alumnus of the University of Kentucky, our College of Design. He is so full of optimism and energy.

I asked him, ‘what stands out in your mind that you uncovered during this renovation?’ He thought for a moment and then he told me, ‘I found this picture of a young child inside the statue, and I often thought about it and what it would mean.’ He didn't really uncover the history of the picture. He told me it reminds him about our past and our present and what that child may have gone through in the context of his time. I asked Eugene, ‘What did you do with the picture?’ He said he returned it to the same place within the statue. I would like to think it serves as an inadvisable reminder of the high responsibility we have for, perhaps, the most vulnerable among us, our children.

As we toured the offices and talked about closing health disparities in Kentucky, I often used a data point that certainly bothers me. It is the 40,000 children in Eastern Kentucky now who are being raised by somebody other than their parent, and that we have too many people dying every hour because of opioid addiction.

That Statue of Freedom presides over the nation's highest liberty of bodies, as our lawmakers, who we met with, contemplate and continually refine - and I think you will admit - the unfinished work of our democratic experiment. We share in that work at the University of Kentucky through the values of education and inquiry that we pass on to a generation of students set to graduate this Friday, who will further ennoble the work of discovery that scholars engage in across this campus, that seek to make this world a much better place.”

President Capilouto stated that the initial purpose of the trip was the annual opportunity to connect with the congressional delegation and staff that support and advocate for the University of Kentucky and the Commonwealth. He thanked Federal Relations Director Eric King, the 38 faculty investigators, and a leadership team consisting of Provost Tim Tracy, Vice President for Research Lisa Cassis, Vice President for University Relations Tom Harris, and College of Medicine Dean Robert DiPaola for making the trip. The group broke into teams for visits to elected officials that allowed for conversations around UK’s multi-disciplinary work confronting the issues of the day.

An additional objective for the visit culminated in the passage of the 21<sup>st</sup> Century Cures Act. The 21st Century Cures Act will provide over \$6,000,000,000 dollars in funds to support biomedical research and speed the discovery of new treatments. The University also received good news, a \$20,000,000 renewal of our Clinical Translational Science Award, championed by Senator McConnell and Congressman Rogers. This award will further enable UK’s researchers and clinicians to find ways to accelerate the journey from discovery to a community solution.

President Capilouto recognized and thanked Linda Machan for her years of service to UK and to him and Dr. Mary Lynne Capilouto. Ms. Machan will retire in February 2017 after serving as President Capilouto’s Executive Assistant since July 2011. He praised her kindness, her masterful and respectful way of serving all constituencies across campus and community, and her trustworthiness. Ms. Machan received a standing ovation.

E. Appointment/Reappointment to Board of Directors of the University of Kentucky Center on Aging Foundation, Inc. (PR 3)

President Capilouto stated that PR 3 was the recommendation that the Board of Trustees, per the Foundation by-laws:

- Appoint Mr. Ron Borkowski, Ms. Amber Lakin, Ms. Deirdre Lyons, Mr. Greg Mullins, and Ms. Gale Reece for three-year terms ending December 31, 2019 (which may be renewed for two additional three-year terms);
- Reappoint Mr. Dennis Pike for a three-year term ending December 31, 2019 (which may be renewed for one additional three-year term);
- Reappoint Mr. John Y. Brown, III, Mr. Norwood “Buddy” Cowgill, Mr. Steve Matherly, and Mr. Jonathan Vaughn for three-year terms ending December 31, 2019; and

- Reappoint Ms. Pat Freibert, Ms. Charlotte Neal, and Dr. Jacqueline Noonan for three-year terms ending December 31, 2019 (as individuals appointed prior to 2005, they may have an unlimited number of renewals, as members of the Board of Directors of the University of Kentucky Center on Aging Foundation, Inc.).

Trustee Britton moved approval of PR 3. Secretary Holland seconded the motion and it passed without dissent. (See PR 3 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

F. Naming of University Building: Biological-Pharmaceutical Building (PR 4)

President Capilouto stated that it was an honor and pleasure to recommend to the Board of Trustees the approval of the official re-naming of the Biological-Pharmaceutical Building, located at 789 South Limestone Street, Lexington, Kentucky, the *Lee T. Todd, Jr. Building*, in honor of the University of Kentucky's 11th president.

President Capilouto commented that Dr. Todd worked hard to secure funding for this building, and it was fitting that it be the cornerstone building of the new health disparities building project.

Trustee Melanson moved approval of PR 4. Trustee Barber seconded the motion and Chair Brockman opened the floor for discussion. Trustee Melanson offered that as someone who worked for President Todd for seven years, and then worked in the Biological-Pharmaceutical building for five years, he was proud to be a part of this recommendation and stated it was a great addition to the southern end of campus and a fitting tribute to Dr. Todd.

Chair Brockman called for the vote and it passed without dissent. (See PR 4 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

G. Naming of University Property: John H. Dicken, Jr., Plaza (PR 5)

President Capilouto stated that PR 5 was the recommendation that the Board of Trustees approve the official naming of the outdoor plaza, on the north side of the Gatton College of Business and Economics Building, as the *John H. Dicken Jr. Plaza*.

Mr. Dicken is a native of Lexington and earned his bachelor's degree at the Gatton College of Business and Economics. His contributions total \$2,000,000 toward the Gatton College capital campaign and his most recent gift was of special significance as it was the final gift received towards the \$65,000,000 philanthropy-only funded renovation of the Gatton building.

Trustee Bryant moved approval of PR 5. Trustee Vance seconded the motion and it passed without dissent. (See PR 5 on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under agenda.)

## H. University Athletics Committee Report

Vice Chair C.B. Akins, Sr., chair of the University Athletics Committee, stated that the University Athletics Committee had met earlier in the day. Deputy Athletics Director, DeWayne Peevy, gave a report of fall and winter sports. Items of note included the football team making its return to a bowl game later this month. The Wildcats accepted a bid to the Taxslayer Bowl, formerly known as the Gator Bowl, and will make their first bowl appearance since the 2010 season. This is the first time that UK has participated in this particular bowl, and with this appearance, all 14 SEC schools will have taken part in this bowl. The Cats will play Georgia Tech, on December 31, 2016, at 11:00 a.m., in Jacksonville, Florida.

In other UK Athletics highlights, the volleyball team made its 12<sup>th</sup> straight NCAA tournament appearance and advanced to the second round before falling to the No. 8 national seed, Washington. Men's soccer earned a national seed in the NCAA Tournament for the first time in program history. In the second round, the Wildcats fell to perennial power Creighton.

Following the women's soccer season, Ian Carry was tapped as head coach. Coach Carry has been an assistant at Kentucky since 2013, coaching UK's goalkeepers. His hiring is crucial to the recruiting classes he has been instrumental in signing.

Men's basketball is off to another strong start. The Wildcats ascended to the top spot in both polls before losing to UCLA on December 3, 2016. The team remains in the Top 10.

Women's basketball is in the midst of a grueling December schedule. The Wildcats are ranked in the top 20 of both polls and already have two wins over top 15 opponents.

Off the field, the Kentucky football team opened the Joe Craft Football Training Facility this past summer. In front of the building, is located a statue honoring the four players who broke the color barrier in SEC football, Nate Northington, Greg Page, Wilbur Hackett, and Houston Hogg. The statue was unveiled at a special ceremony in September.

After receiving Board of Trustees' approval to move forward with construction, UK Athletics unveiled designs of a new baseball stadium that will open in the fall of 2018. Construction is expected to begin in February 2017.

The Committee considered the 2015-16 Audited Financial Statements and the Independent Auditor's Report on Financial Statements Supplemental Information for the Department of Intercollegiate Athletics, which is a component of FCR 11. The Committee accepted the statements and report, as presented.

Also for the Committee's consideration was an Interim Financial Report of the Department of Intercollegiate Athletics, presented by Melissa Gleason, Senior Associate Athletics Director for Finance. The Interim Financial Statements of the Department were for the three months, ending September 30, 2016. The information included the statement of net position, the statement on revenue and expenses, and the change in net position. The Financial Statements will be included

in the Finance Committee's report. The Committee accepted the quarterly Financial Statements, as presented.

In closing, Vice Chair Akins was pleased to report that UK student-athletes broke the school record for graduation rate in the annual NCAA report issued in November. Showing remarkable consistency, UK has improved or tied the school record for student-athlete graduation rate every year since the NCAA began tracking that statistic in 2005.

#### I. Audit and Compliance Committee Report

Trustee Skip Berry, chair of the Audit and Compliance Committee, stated that the Committee had met earlier in the day. There were reports provided from both internal and external auditors and one action item.

The internal audit report included an update on the 2016 consolidated Financial Statements, presented by BKD. The University had a clean audit for an overall unqualified opinion. However, an exception was noted with the Office of Student Financial Aid. Representatives from Enrollment Management, the Office of the Treasurer, and Internal Audit, reviewed with the Committee a multidisciplinary action plan designed to detect and avert future exceptions.

The FY 2016 activity report for Internal Audit was reviewed. Last year's highlights included infrastructure improvements, continuing student engagement focus, workshop facilitations, and 71 completed assignments.

University of Kentucky Internal Audit (UKIA) staff presented to the Committee a Comply Line summary for FY 2016. They discussed how data from the hotline is categorized, reviewed, and trended.

ACC 1, Proposed Internal Audit Fiscal Year 2016-17 Work Plan for the third quarter was presented and approved by the Committee. With the addition of one auditor, UK Internal Audit should complete this plan and any additional carry-forwards from the second quarter work plan. Any delays in audit completion were due to additional testing and/or scope expansions because of found internal control weaknesses.

#### J. Finance Committee Report

Trustee Bill Britton, chair of the Finance Committee, stated that the Committee had met, discussed, and approved 14 FCRs. Dr. Eric Monday, Executive Vice President for Finance and Administration provided an update to the Committee on the progress of the Jersey Street mixed-use parking development.

#### K. Academic and Student Affairs Committee Report

Trustee Angela Edwards, chair of the Academic and Student Affairs Committee, stated there were three consent items, two of which were the Candidates for Degrees for Commencement

later this week. The Committee heard two presentations. The first from Dr. Jeff Clymer, Chair of the Department of English, on the research productivity in the Department of English and the second from Interim Dean of Students, Mr. Nick Kehrwald, who discussed the Academic and Behavioral Alerts Program.

#### L. Investment Committee Report

Trustee Mark Bryant, chair of the Investment Committee, reported that the Committee had met on Monday, December 12, 2016 to review performance results and conduct other business. The Endowment Pool had a market value of \$1,250,000,000 as of October 31, 2016. For the four-month period ending October 31, 2016, the Endowment Pool generated an estimated return of two percent, compared to a return of 1.6 percent for the market-based policy benchmark. Several asset classes contributed to Endowment Pool performance during the period, with non-US equity and hedged equity exposure serving as primary drivers.

Trustee Bryant continued that the Committee approved a revised Endowment Investment Policy. Key updates include revised asset allocation targets and an alternative search process for selection of investment managers and the endowment portfolio. The asset allocation changes are being made to improve the risk/return profile of the portfolio and to seek strategies with higher return prospects, including private equity, credit, and real asset strategies.

The new search process authorizes investment staff to select investment managers through an alternative due diligence process, in collaboration with the endowment investment consultant developed to increase efficiency and return potential.

#### M. University Health Care Committee Report

Trustee Robert Vance, chair of the University Health Care Committee, stated that the Committee met on Monday, December 12, 2016, at the Charles T. Wethington Building. Trustee Vance gave the Committee a quick update on his meeting with Brett Short, UK HealthCare Chief Compliance Officer, regarding compliance reports and audits in the first and second quarter of the calendar year.

Trustee Vance reported that Dr. Mark Evers, Director of the Markey Cancer Center, provided an update to the Committee on the Center's recent accomplishments and its future goals and plans towards designation as an NCI Comprehensive Cancer Center. Dr. Jonathan Feddock, Department of Internal Medicine, provided an update to the Committee on innovative treatments for gynecological cancer cases.

Trustee Vance stated that Dr. Bo Cofield, UK HealthCare Vice President and Chief Clinical Operations Officer, provided an update on UK's performance in the 2016 Quality and Accountability study that is performed annually by Vizient. This study measures and ranks more than 100 academic medical centers. UK received a ranking of 21st, which is a significant improvement from its ranking of 40th the previous year.

Craig Collins, UK Healthcare Vice President/Chief Financial Officer, provided an update on the enterprise fiscal year-to-date and October operating results. Operating income is 10.92%, which is within budget targets. Discharges are below plan year-to-date. Patient days, case mix index, and average length of stay are greater than budget. Operational leaders are engaging more teams to help meet the budget assumptions upcoming in the next quarter.

Trustee Vance reported the Committee had a good discussion on the importance of the steps UK HealthCare is taking in regards to controlling all expenses with emphasis on personnel expenses and the impact of federal health care reform on UK HealthCare.

Dr. Karpf updated the Committee on the appointments/re-appointments on the Board of Directors of the University of Kentucky Center of Aging Foundation. The Committee reviewed and approved UHCC 1, UK HealthCare FY 2017 Quality, Safety, & Patient Experience Plan. The Committee reviewed and recommended approval to the Finance Committee, FCR 11, Approval to Acquire/Renovate The University Inn, and FCR 12, Renovate/Improve UK HealthCare Facilities Capital Project (Simulation Center). Lastly, the Committee approved the list of privileges and credentials presented.

N. Item for Discussion – Intellectual Property

Mr. Ian McClure, Director, Office of Technology Commercialization, provided a presentation to the Board regarding the Office of Technology Commercialization.

Mr. McClure began at UK in October 2016 and comes to UK from a background in law, intellectual property licensing, and investment banking. Mr. McClure brings knowledge of the motivations and incentives of companies interested in start-up companies or licensing opportunities.

Mr. McClure began by stating that, as one would expect, as research dollars invested increase, invention disclosures increase, as do patent filings. Part of the responsibility of the Office of Technology Commercialization is to be pro-active in helping research/researchers market their ideas. He believes there is great potential at UK to increase the amount of invention disclosures, patent activity, licenses, and revenue. As the new mission states, the office will “facilitate the commercialization of UK innovations and discoveries for the benefit of the University community, the Commonwealth of Kentucky, and global society.”

Specific capabilities Mr. McClure hopes to develop for the Office are evaluation capabilities, review of patent literature, and building patent landscape information around invention disclosures. This will provide for the creation of better patents and patent strategies, better data analysis and market research, and actual pitch technology marketing on a proactive level.

Other areas of investment in the Office include website content updates with video tutorials to assist faculty/staff with understanding the invention-reporting process, additional outreach communication in the form of a newsletter, and a new invention management system that will allow researchers to view the progress of their invention disclosures in real time.

Also under construction is a searchable technology database that will allow external parties or industry to inventory the University's research available for licensing, patent history, and technology offerings that a partner could develop and/or implement for public use.

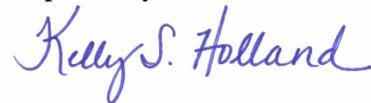
Mr. McClure continued that the Office would offer a Fellows Program. Students hired would receive experiential learning and training, becoming team members doing market research. Also underway are student- and faculty-oriented education programs looking at patent law, economic theory, and why intellectual property is important to the research enterprise.

Trustee Britton asked about the collaborative efforts of UK's colleges and departments (College of Law and Gatton College of Business, for example) and how these real life projects might be good teaching moments for UK's students. Mr. McClure shared the development of programs (UK Excel and UK Pitch) that will allow UK faculty and staff to advise and help entrepreneurs through the process.

O. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 2:11 p.m.

Respectfully submitted,



Kelly Sullivan Holland  
Secretary, Board of Trustees

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