

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, February 25, 2003.

The Board of Trustees of the University of Kentucky met at 10:00 a.m.
(Lexington time) on Tuesday, February 25, 2003 in the Board Room on the 18th Floor of
Patterson Office Tower.

A. Meeting Opened

Mr. Steven Reed, Chairperson, called the meeting to order at 10:04 a.m., and Dr.
Elissa Plattner gave the invocation.

B. Oath of Office

Paul Van Booven, General Counsel, administered the Oath of Office to the
following new member:

Davy Jones, elected by the faculty to fulfill the term of Claire Pomeroy, for a term
ending June 30, 2004.

C. Roll Call

The following members of the Board of Trustees answered the call of the roll:
Mr. Paul W. Chellgren, Ms. Marianne Smith Edge, Dr. Davy Jones, Professor Michael
Kennedy, Ms. Pamela R. May, Dr. Elissa Plattner, Mr. Steven S. Reed (Chairperson), Mr.
C. Frank Shoop, Ms. Marian Moore Sims, Ms. Myra Leigh Tobin, Ms. JoEtta Y.
Wickliffe, Mr. Billy B. Wilcoxson, Mr. Russ Williams, Ms. Elaine A. Wilson, and Ms.
Barbara S. Young. Absent from the meeting were Dr. Robert P. Meriwether, Mr. Billy
Joe Miles, Ms. Alice Stevens Sparks, and Dr. W. Grady Stumbo. The University
administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel,
Acting Senior Vice President Jack C. Blanton, Senior Vice President and Chancellor of
the Medical Center James W. Holsinger, Jr., Vice President for Research Wendy
Baldwin, and General Counsel Paul C. Van Booven.

Members of the various news media were also in attendance. A quorum being
present, the Chairperson declared the meeting officially open for the conduct of business
at 10:08 a.m.

D. Introduction of New Student Government Association President

President Todd introduced the new Student Government Association President,
Mary Katherine Thompson. He explained that Ms. Thompson is not a member of the
Board of Trustees at this time and that a special election would be held for the student
Trustee. He thanked Ms. Thompson for making an adjustment in her schedule so that she
could attend the Board meeting. Ms. Thompson received a round of applause.

E. Consent Agenda

Mr. Reed asked if anyone wished to have any of the items under the consent agenda removed. He entertained a motion for approval of the following consent items on the agenda:

Approval of Minutes – December 10, 2002
Amendment August 13, 2002 Minutes
PR 2 - Personnel Actions
AACR 1 - Candidates for Degrees – Community College System

Mr. Shoop moved approval. His motion, seconded by Ms. Smith Edge, carried without dissent. (See PR 2 and AACR 1 at the end of the Minutes.)

F. President's Report to the Board of Trustees (PR 1)

Before beginning with the items in PR 1, President Todd mentioned the recent articles in the newspapers about tuition. He explained that the administration would not know the University's tuition situation until they know what the University's budget situation is. He reminded the Board of the previous 5.5% increase that had been announced and approved by the Board. As the State Senate works through their situation, it may be necessary for the Board of Trustees to have a special meeting to announce what the University of Kentucky's real tuition increase will be pending the Senate budget.

President Todd reported that the "Bucks for Brains" program made it into the State House budget with full support of \$120 million. It is also getting good support in the State Senate. He noted that they are adding some flexible language about the possibility of using some of that money for research facilities if the University chooses to do so. The University would still have to match the money. That language has been written but still has not been approved by the State Senate or the State House.

President Todd reported that he had a tremendously exciting meeting with some of the honor students of Kentucky in Northern Kentucky as well as some students from other states. These are students that are showing an interest in coming to the University, and they attend these meetings with their parents, which is extremely helpful. He said that he had met with the Registrar, Don Witt, and Mr. Witt had informed him that there were 402 attendees last year versus 664 this year. That is great news because these are the kinds of students that the University wants to attract.

One mantra that he has been stating in Frankfort lately with respect to the challenge that House Bill 1 brought about is that they want the University to educate 80,000 more students by the year 2020. Now, they are not funding the University to do that. The University has not had a funding increase for student population since 1998. This only covers 37% of the cost of each student that comes to the University of Kentucky and pays full tuition. State appropriations have to cover the other 63%. So, in a way the University loses by volume. The staff is still proceeding vigorously with recruitment because it is finding an outstanding class of students out there.

President Todd informed the Board of the upcoming Merit Weekends on campus. He reported that there are currently 100 additional reservations over this time last year for these weekend events. He invited the Board members to attend the Merit Weekends and interact with the students and parents.

President Todd then called attention to the following items in PR 1:

1. The University of Kentucky received official word of its reaffirmation of accreditation by the Southern Association of Colleges and Schools Commission on Colleges in December. President Todd thanked John Piccoro and the teams that helped with the process. He also thanked Alice Sparks in particular for representing the Board.
2. The University of Kentucky ranks among top 15 for new National Merit Scholars. The University moved up from the 21st position to 15th in the country among public universities. That again shows the University's recruiting efforts.
3. Scientist Magazine ranks UK among the top 10 for postdoctoral scholars. The University is getting some publicity on that, as well as several others, and this is important to the University.
4. College of Health Sciences opens \$33.5 million building. President Todd recommended that the Board tour the beautiful facility if they had not already done so. It is probably the top health sciences facility in the country.
5. UK partners with LG&E Energy on \$8 million coal-ash recycling project. This item illustrates some of the impact and partnerships of the University. UK will use \$4 million in funds from the U.S. Department of Energy to develop the facility and try to remove the amount of by-products from the coal burning that goes into landfills and converts those to cement projects. These are the kind of things that UK needs to be doing to help the State of Kentucky.
6. A reception was held for Senate Majority Leader Dan Kelly who received the National Reading Recovery Award. The Collaborative Center for Literacy Development is on campus, and that was a very significant recognition for his support of adult literacy.
7. Markey Cancer Center study finds reduced risk from many ovarian cysts. This study is Dr. John R. van Nagell's project that does a lot of good for the State of Kentucky.

8. UK Women's Choir performed at Carnegie Hall in New York. President Todd noted that Trustee Tobin attended the performance and asked her for comments. Ms. Tobin said the Choir was excellent and very well received. She said the University has every reason to be proud.
9. UK opened the new state-of-the-art Bernard M. Johnson Student Recreation Center. President Todd noted that this facility is a major improvement. He said that the students stepped up and agreed to pass a fee some time ago, and the building is now completed. He suggested that the Board members tour the new facility and see the various activities taking place.

President Todd encouraged the Board to peruse the other outstanding information about the faculty and staff achievements in PR 1.

President Todd referred back to page 3 of PR 2 on the consent agenda and said that he would like to recognize some people in the audience. Professor Mark Summers from the College of Arts and Sciences has been appointed to the Thomas D. Clark Professorship in American History to be effective March 1, 2003. He asked Professor Summers to stand and be recognized, following which he received a round of applause. President Todd expressed congratulations to Professor Summers and recognized Mrs. Summers who was also in the audience.

President Todd recognized Dr. Thomas Clark for whom the professorship is named and his wife, Loretta, and they received a round of applause. He asked Dr. Clark to make some remarks about this recognition for Professor Summers.

Dr. Clark said that he had a formal 75 years of connection with the University. This professorship stabilizes a very solid program in history in a department that has earned its pay every day that he has known it since 1928. He said that he is happy that this endowed chair will go marching on, not only in the area of research and writing, but most important of all, in the accomplishments, actions and its leadership in the classroom. He said that he appreciates what the Board has done, and he also appreciates what the donors have done to make this professorship possible. He said that this is one of his happiest moments. Dr. Clark received another round of applause.

President Todd thanked Dr. Clark for all the things he has done for the University during the time he served the University and also since his retirement. He also thanked him for the way he has served the State of Kentucky. He said Dr. Clark has kept everyone's conscience focused on the things that they need to do in the state. He wished Dr. Clark good luck in continuing to try to prod everyone's conscience to continue to move education forward because he thinks the foot has slipped a bit this session in Frankfort. President Todd said that he knows Dr. Clark's thoughts on that subject, and he appreciates every time Dr. Clark speaks on the subject matter. Again, he thanked Dr. and

Mrs. Clark and David Hamilton of the History Department and congratulated Professor Summers.

President Todd called attention to another item in PR 2 on the consent agenda. Terry Allen, who has been the Assistant Vice President of Affirmative Action, has been promoted to Associate Vice President for Employment Equity. He noted that Nancy Ray, former Associate Vice President for Employment Equity, took early retirement.

President Todd also called attention to Susan Krauss who has moved from Assistant Controller in the Office of Controller and Treasurer to Director of Investment and Endowment Services. He said that Ms. Krauss was at the Investment Committee meeting on Monday and did a fine job.

G. Appointment of Chief of Staff to the President (PR 3)

President Todd said that he was pleased to recommend that the Board of Trustees approve the appointment of Dr. Phyllis P. Nash as Chief of Staff for the President effective February 25, 2003. President Todd said that he certainly needed this position. He called attention to the background section and indicated that her duties will probably grow. He said that he is extremely pleased with the reaction to her selection. He recommended that Dr. Nash be appointed Chief of Staff to the President. Mr. Reed entertained a motion. Ms. Wilson so moved. Mr. Williams seconded the motion.

Dr. Jones said that he has known Dr. Nash for the last decade that she has been at the University, and he thinks the University will be extraordinarily well served and blessed to have her in the position.

Mr. Reed asked for any questions or discussion. The motion then carried without dissent. Dr. Nash was asked to stand and be recognized, following which she received a round of applause. (See PR 3 at the end of the Minutes.)

H. Appointment of Dean of the Carol Martin Gatton College of Business and Economics (PR 4)

President Todd recommended that the Board of Trustees approve the appointment of Dr. Devanthan Sudharshan as Dean of the Carol Martin Gatton College of Business and Economics effective July 1, 2003. He noted that Dr. Sudharshan's credentials were in the background information. He said that Dr. Sudharshan had gone through the selection process, and he was extremely pleased to make the recommendation. Ms. Smith Edge moved approval of PR 4. The motion, seconded by Mr. Chellgren, carried without dissent. (See PR 4 at the end of the Minutes.) President Todd asked Provost Nietzel to introduce the new dean.

Provost Nietzel thanked President Todd and said that he appreciated the opportunity to address two matters for the Board. One is to briefly acknowledge publicly the gratitude that he has and the institution has to Richard Furst for his service as Dean of

the Gatton College for the past 22 years. Dean Furst is the senior member of the dean corps with respect to length of service. Under his leadership, the Gatton College made terrific strides and has strengthened both its undergraduate and graduate programs and its facilities. Dick has done a wonderful job in terms of the endowment of the school, and his leadership will be missed on behalf of the Gatton College. He said that he wished Dean Furst could be there, but he is traveling to Naples, Florida to meet some alumni. Dean Furst's resignation will be effective June 30th. He will return to the faculty in the Gatton College at that time.

Provost Nietzel said the second matter is the opportunity to introduce to the Board Dr. Devanthan Sudharshan who will be the new dean of the Gatton College on July 1st. He said that he is particularly pleased that Dr. Sudharshan could be at the meeting. His wife, Nalini, accompanied him to Lexington, but is not at the meeting. Provost Nietzel briefly reviewed Dr. Sudharshan's credentials. He said that Dr. Sudharshan received his undergraduate degree from the Indian Institute of Technology in 1974. He trained as an engineer. He received his Ph.D. in business administration from the University of Pittsburgh in 1982, after which he joined the faculty at the University of Illinois and has been on the ranks of the faculty at the University of Illinois ever since that time. He was most recently the Associate Dean for Planning in their College of Business and Economics and has been active as the coordinator of the marketing area. He is the person who really reinvigorated/redirected and greatly improved a range of business administration programs at the University of Illinois.

Provost Nietzel reported that there was a very vigorous national search. The search committee interviewed a number of candidates and brought three candidates to campus for lengthy interviews with the faculty and the staff of the Gatton College, as well as administrators at the University. He said that he has seldom seen such a level of consensus with respect to the invitation that was made to Dr. Sudharshan to be the new Dean of the Gatton College. It was really gratifying to see how well he performed here and how extraordinarily well everyone received him. He said he took great pleasure in presenting Dr. Sudharshan. He asked Dr. Sudharshan to make a few comments to the Board.

Dr. Sudharshan said he was honored, humbled, and delighted to be at the meeting. The Gatton College has had terrific leadership from Richard Furst, and it is going to be hard to follow him. The Gatton College has built a strong foundation for scholarship, teaching, and service based on its strengths of its administrative leadership, faculty, staff and students. With the support of the excellent University leadership, he said he was enthusiastically looking forward to pursuing the mission of the college through a renewed commitment to discovery based learning and contributing to developing the future captains of industry for the state of Kentucky, the United States and the world at large. He said that he would do his best, with the support from the University leadership including this august body, to carry out and fulfill the trust that is being placed in him. He thanked the Board, and the Board gave him a round of applause.

President Todd added that the Naples, Florida event that Dean Furst will be attending that evening should have 300 alumni in attendance. He said that Dean Furst and Terry Mobley were already down there as forward scouts to work the fertile ground.

I. Changes in the Articles of Incorporation and By-laws of the University of Kentucky Equine Research Foundation, Inc. (PR 5)

President Todd said that PR 5 is a change in the Articles of Incorporation and By-laws of the University of Kentucky Equine Research Foundation. He recommended that the Board approve the attached amendment to Article I of the Articles of Incorporation and Article I of the By-laws of the Equine Research Foundation. He explained that it basically inserts the name Gluck to make it clear. Most people refer to the Gluck Center, but it is not officially in the name. Ms. Sims moved approval of PR 5. Mr. Chellgren seconded the motion, and it carried without dissent. (See PR 5 at the end of the Minutes.)

J. Appointment/Reappointment of Board of Directors University of Kentucky Gluck Equine Research Foundation, Inc. (PR 6)

President Todd recommended that the Board approve the appointment of Debbie Oxley, Bill Casner, and Stacey Bearse, and the reappointment of Ina Brown Bond, Lucy Young Boutin, Reiley McDonald and Don Robinson to the Board of Directors of the University of Kentucky Gluck Equine Research Foundation for four-year terms that will end December 14, 2006 and that Margaret Brady Glass and James "Ted" Bassett be appointed honorary members of that Board. Mr. Wilcoxson so moved. The motion, seconded by Mr. Shoop, carried without dissent. (See PR 6 at the end of the Minutes.)

K. Honorary Degree Recipients (PR 7)

President Todd said that it is always exciting to announce the honorary degree recipients. He explained that there is a committee that meets throughout the year and looks at various nominees. A condition of receiving an honorary degree is that the recipient attends Commencement. This stipulation has been cleared with these nominees, and they are able to attend the graduation ceremony. He recommended that approval be granted to award the honorary degree of Doctor of Science to Mary Sue Coleman, who was an active professor at the University of Kentucky for a number of years and is now the president of the University of Michigan; the Doctor of Laws to William Farish III, who is the ambassador to England; and the Doctor of Letters to Michael Lee Mullins, who is the executive director of the Hindman Settlement School in Hindman, Kentucky. Ms. Smith Edge moved approval of PR 7. Mr. Chellgren seconded the motion, and it carried without dissent. (See PR 7 at the end of the Minutes.)

L. Change in Name of an Educational Unit (AACR 2)

In the absence of Alice Sparks, Chairperson of the Academic Affairs Committee, Ms. Young reported that there were five items on the Committee's agenda. She noted that the first item (AACR 1) was on the consent agenda. The second item basically is a

name change that will better reflect the mission of the educational unit. The Committee recommended that the Board of Trustees approve the change in the name of the Department of Family Practice to the Department of Family and Community Medicine in the College of Medicine. She explained that this is just a clarification more than anything else. The faculty, the President, the Provost, the Senate Committee and all the powers that be have approved the recommendation. She moved approval of the name change. Ms. Wilson seconded the motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

M. Change in Name of an Educational Unit (AACR 3)

Ms. Young reported that the third item is another name change. The recommendation is to change the name of the Department of Military Science to the Department of Military Science and Leadership in the College of Arts and Sciences. Again, this better reflects the Department's mission. It is almost a recruiting tool. There is a lot of interest in the leadership aspect of the Department. The Academic Affairs Committee approved this change in name as did the Arts and Sciences Faculty Council, the Provost, the President and all the powers to be. She said that the Committee recommends the change and moved approval of AACR 3. Ms. Smith Edge seconded the motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

N. Bachelor of Science in Human Nutrition (AACR 4)

Ms. Young said that AACR 4 asks the Board to approve the change in the name of the Bachelor of Science in Human Nutrition with a major in Food Science to a Bachelor of Science in Human Nutrition with a major in Human Nutrition. Basically, it is to request to separate the Bachelor of Science in Human Nutrition from the Bachelor of Science in Food Science. She asked Ms. Smith Edge if she would like to explain it better. Ms. Smith Edge said the College would only be offering a Bachelor of Science in Human Nutrition with a major in Human Nutrition. Basically, it will reflect what is actually in place. Ms. Young noted that the proposal has the approval of the Undergraduate Council, the Senate Council, the University Senate, the Provost, the President and the Academic Affairs Committee. She moved approval of AACR 4. Professor Kennedy seconded the motion, and it carried without dissent. (See AACR 4 at the end of the Minutes.)

O. Establishment of the Center for Research on Violence Against Women (AACR 5)

Ms. Young said that AACR 5 recommends that the Board approve the establishment of the Center for Research on Violence Against Women. She noted that the Board had talked about this Center in the past, and everyone is pretty familiar with it. She said it was important to know that the operating funding is supported by the recurring general funds beginning in the fiscal year of 2004. Carol Jordan is the Acting Director for the Center. She said that Dr. Baldwin would have a presentation about the Center at the next Board meeting so the Board may find out more about the Center. The Center is

supported by the Vice President for Research and has been recommended by the University Senate. She said that the Academic Affairs Committee approved the recommendation, and she moved that AACR 5 be approved. Ms. May seconded the motion, and it carried without dissent. (See AACR 5 at the end of the Minutes.)

P. Acceptance of Interim Financial Report for the University of Kentucky for Six Months Ended December 31, 2002 (FCR 1)

Mr. Chellgren, Chairperson of the Finance Committee, reported that the Committee met that morning; however, they were a little short on attendance. Therefore, he asked the Board to formally adopt the 19 resolutions. The first item is FCR 1. This is the normal quarterly update of the year-to-date financials. These go through December 31st. He reported that the University had realized income of \$717 million representing 53% of the 2002-03 estimate of \$1,350,054,000. The expenditures total 49% of the approved budget. There is nothing that needs to be brought to the full Board's attention. He moved the adoption of FCR 1. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 1 at the end of the Minutes.)

Q. Capital Construction Report (FCR 2)

Mr. Chellgren said that FCR 2 is a normal report on quarterly capital construction activity. He reported that it was a relatively quiet time in the University's capital construction program. There were six change orders and three new projects. The Committee went over these in detail with a report from the Administration, and there is nothing that needs to be brought before the Board's attention. It is all pretty much in the normal course of the execution and implementation of a \$200 plus million annual capital budget. He moved the acceptance of FCR 2. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 2 at the end of the Minutes.)

Mr. Chellgren mentioned that the administration gave the Finance Committee some details on the magnitude of the damage that the University Physical Plant suffered during the recent ice storm. Apparently, there could be some 500 trees out of some 2500 on the University campus that could be lost. There were various electrical circuits, overtime, and contract labor expenditures. There could be a potential expense of something in the range of \$1.6 million, and there could be a claim to get some of that back. The University was lucky compared to the magnitude of the damage to the region affected by that ice storm.

R. Report of Leases (FCR 3)

Mr. Chellgren said that FCR 3 is the normal report of leases. He explained that this is not approving the leases but is just a report of leases. These leases were less than \$30,000 in annual expenditure. It was pointed out during the Finance Committee that these leases range from Grayson, Kentucky to Henderson, Kentucky to Princeton Kentucky, Lexington and Hyden. This shows the magnitude of the outreach of the University and how its service mission is so effective and so important to so many of the

counties in the state. He moved the acceptance of FCR 3. Ms. Sims seconded the motion, and it carried without dissent. (See FCR 3 at the end of the Minutes.)

S. Patent Assignment Report (FCR 4)

Mr. Chellgren said that FCR 4 is a quarterly patent assignment report. He noted that the patent assignments this past quarter were relatively light. There were only three patents as described in FCR 4. The Vice President for Research, Dr. Wendy Baldwin, described these to the Committee. He moved the acceptance of FCR 4. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 4 at the end of the Minutes.)

T. Establishment of Pin Oak Scholarship Quasi-Endowment Fund (FCR 5)

Mr. Chellgren said that FCR 5 is arguably a bit of a windfall. This was the house and 35 acres of land formerly known as part of the Pin Oak Farm in the greater Lexington area. The property was given to the University years ago. As part of the University's effort to look at under utilized assets and turn them into cash, the decision was made under the President's leadership to conduct an auction for the house and 35 acres of land. The auction has taken place, and \$2,108,650 has been raised. He noted that the transaction has actually closed.

Mr. Chellgren said that the fund will create a Quasi-Endowment within the University and be used to generate approximately \$100,000 a year in additional scholarships for students. He said that this is a nice example of turning a non-liquid asset into a cash asset that will, of course, benefit generations of students to come. He moved that the Board accept the provisions of FCR 5 to establish the Pin Oak Scholarship Quasi-Endowment Fund. Mr. Wilcoxson seconded the motion, and it carried without dissent. (See FCR 5 at the end of the Minutes.)

U. Gifts and Pledges (FCR 6 through 17)

Mr. Chellgren said that he would consider FCR 6 through 17, inclusively, and then deal with one resolution to accept them in total. He said that these items are consistent with the pattern the Board has seen in many meetings and reviewed the following items:

FCR 6 - accept gifts of \$62,100 to create and endow the Charles H. Nicholson Residency Fellowship in the Division of General Surgery. Dr. Nicholson was a longtime professor and surgeon at the University of Kentucky for 34 years. This gift is eligible for matching funds from the state's Research Challenge Trust Fund (RCTF) number three. FCR 6 through 10 have the RCTF designation. These commitments had been made and the funds had been earmarked previously under RCTF. These gifts and pledges will exhaust RCTF number three.

FCR 7 – accept a pledge of \$75,000 from Boehringer Ingelheim Pharmaceuticals, Inc. in Connecticut to be added to their existing endowment and surgical professorship for the College of Medicine’s Department of Internal Medicine. This is adding \$75,000 to an existing pledge of \$50,000 that will now total \$125,000. With the RCTF match, it will be a \$250,000 endowed professorship.

FCR 8 – accept gifts of almost \$16,000 and pledges of approximately \$53,000 to create and endow the George A. Digenis Professorship/Chair in Drug Design and Discovery in the College of Pharmacy. This is eligible for the one-to-one match and those funds had been reserved for this perspective gift.

FCR 9 - accept a gift of \$10,000 and a pledge of \$40,000 from Robert H. and Anna B. Culton to establish and endow a professorship in research devoted to women’s mental health problems. This has been earmarked for the one-to-one RCTF match.

FCR 10 – accept a gift of \$51,000 from Joseph Wm. Foran, a quite successful alumnus of the University, to establish and endow a professorship in the name of a friend, Mary Rebecca Johnson Whidby. This gift exhausts the RCTF number three.

FCR 11 – accept a gift of \$140,000 from the Geoffrey Hughes Foundation of New York to support the Geoffrey Hughes Foundation Fellowship in Veterinary Science in the College of Agriculture. This gift was established before, and this adds to the corpus of that Fellowship.

FCR 12 – accept a gift of \$100,000 from Dr. Saha, Lexington, Kentucky to the Department of Athletics. Dr. Saha has been a generous supporter of the University, and this is to provide scholarships for student athletes.

FCR 13 – accept a gift of \$100,000 from Anthem Blue Cross and Blue Shield of Louisville to the Department of Athletics for the baseball stadium renovation project.

FCR 14 - accept a gift of \$50,000 and a pledge of \$100,000 from Michael W. Hart of Corbin, Kentucky, to the Department of Athletics to support scholarships for student athletes.

FCR 15 – accept a pledge of \$100,000 from Brian C. Wood of Lexington, Kentucky, to the Department of Athletics to support scholarships for student athletes.

FCR 16 – accept a pledge of \$100,000 from St. Joseph Healthcare to the Department of Athletics to provide scholarships for student athletes.

FCR 17 – accept a pledge of \$100,000 from Woodall Construction, Inc., Lexington, Kentucky, to the Department of Athletics.

Mr. Chellgren moved that the Board accept FCR 6 through 17 inclusively. Ms. Sims seconded the motion, and it carried without dissent.

V. Authorization to Sell Property in Sharonville, Ohio (FCR 18)

Mr. Chellgren said that FCR 18 is part of the Board's legal responsibility to sell real property. This is a gift from a very longtime, generous supporter, Tracy Farmer. It is a piece of property and a building in Sharonville, Ohio that was given to the University two years ago. The gift has matured, and now the University has the right to sell it. The value is in the \$400,000 to \$500,000 range. The proceeds of the sale will go to the Tracy Farmer Center for the Environment. He moved the adoption of FCR 18, which authorizes the University to sell the property. Professor Kennedy seconded the motion, and it carried without dissent. (See FCR 18 at the end of the Minutes.)

W. A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Approximately \$5,120,000 of University of Kentucky Consolidated Educational Buildings Refunding Revenue Bonds, Series K (Third Series), to be Dated the First Day of the Month in Which the Bonds Are Sold (FCR 19)

Mr. Chellgren said that FCR 19 is a refinancing of an existing bond issue. The existing bond issue is \$5,120,000. It is a Series K of the Kentucky Consolidated Educational Buildings Revenue Bonds. Given today's interest rates and environment, this is part of a pattern that has not been done too much lately. The Board will remember that much of the University's bond indebtedness was refinanced, and this is consistent with that pattern. The benefits of this bond refinancing go to the State of Kentucky rather than to the University of Kentucky, but nevertheless, it is something that should be done. The Finance Committee discussed and reviewed FCR 19. He moved the adoption of FCR 19 that will permit this bond issue to be refinanced. He mentioned that the University anticipated selling the bonds in about two more weeks, March 6th. The existing bond issue will be called April 1st with the payment date anticipated to be May 1st. He moved the adoption by the Board of Trustees of FCR 19. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 19 at the end of the Minutes.)

Mr. Wilcoxson asked about the status of the Research Challenge Trust Fund.

President Todd said that with the approval of the gifts and pledges at this meeting, it closes out the match for the previous legislative challenge trust funds. He noted that the University has matched \$67 million twice. The University is now waiting to see if the state budget will fully fund \$120 million. He said that the Senate has been making favorable remarks about keeping it in the budget at \$120 million, and it looks like the University will get a third round. The language that has been written by the Senate side would give the University the flexibility to make the decision about using some of the money for research facilities at the University level if they so choose. The University would still have to match it. The language gives the Council on Postsecondary Education the authority to develop the guidelines for how that money will be used. It looks like the University is going to get full funding. The University's share would be \$67 million like it has been before.

X. Investment Committee Report

Mr. Wilcoxson reported that the Investment Committee met on February 24th at 3:30 p.m. The endowment investments had a market value at December 31, 2002, of \$386.4 million compared to \$416.5 million June 30, 2002. At December 31, 2002 the endowment portfolio was invested 56% U.S. common stocks, 13% in non-U.S. equities, and 31% in U.S. fixed income securities. The endowment posted a negative total return of 12.3% for the year ending December 31, 2002. Preliminary performance results indicate a negative total return of 1.7% for the month of January 2003. The Investment Committee continues to monitor the markets waiting for an upturn.

Y. Other Business

Ms. Sims said that she wanted to put a face on one of the names of the big contributions to the University. Charles Nicholson was a fisherman who just loved UK. She said that she is sure that each of them has a similar story. Mr. Nicholson was a lovely friend.

Mr. Chellgren said that each one is a very real story. It is people who love the institution and want to support it.

Dr. Plattner said that she would like to make a comment on an article that President Todd happened to author last week in the newspaper about a critical, very timely, very important issue, and that is the state of higher education and all education, the academic crisis the state is in. She encouraged some reading on the part of all trustees. "The States Pull Back from Higher Education" is the lead story in the Chronicle of Higher Education. It is a bucket of water in the face. The crisis is everywhere. She said that the Governor was meeting with the National Conference of Governors today, and, in her opinion, this will be at the top of their lists. According to her friends in Ohio and Tennessee, the same thing is true everywhere. There is beginning to be a pull back from funding higher education. She said this with confidence that it is respected for the comment that it is. She thinks legislators everywhere always knew they could balance the budget on the back of higher education because you could raise tuition fees. But, the universities have about raised themselves out of the market. She said that she is ringing a bell and sounding a note because this is real wake up call. She urged everyone to read the article.*

Ms. May said that she hated to follow Dr. Plattner with this issue. Dr. Plattner is such a beautiful speaker. She feels, however, that something should be discussed in this session of the Board because this is the first session the full Board has had since all the publicity regarding the problems with Mr. Barnhart, with the football coach, and all the NCAA matters that have had everyone's attention for several weeks. The University did not obtain the kind of publicity that it seeks and that the Board wants.

Ms. May said that one of the most important responsibilities that the Board has is to protect the University, to make sure that it functions well, and to make sure that no

*Correction of this paragraph was approved at the April 1, 2003 Board meeting. Please see the minutes page (www.uky.edu/Trustees/Minutes) for that meeting.

harm comes to it. She said that she was not speaking about this meeting. She did not question any of the decisions that were made or the way they were handled. Instead, she wanted to talk to each of the Board members about their responsibility. If the Board looks at the Board materials that they received at the summer session, it is the Board's responsibility to set clear cut policy for the President to follow and for the people in the University then to follow the President's direction. She feels that the Board sets policies, but when you go back and look for a specific policy on something, it is not there.

One of the things she requested after the Board got into this entire athletic issue was that the Board adopt a policy, and Ms. Sparks brought all these things to Board members.* When you go back and do a search of the Minutes, which she did and had other people assist her, the Board really did not adopt a policy saying that it is committed to compliance with the NCAA rules and regulations. The Board is committed to be an outstanding institution in terms of NCAA compliance. The Board adopted those recommendations, such as look into the cars that the University has and look into the tickets, but in terms of the global policy, which is the Board's responsibility, it is really not there.

She said that she suspected the same thing is true perhaps in other areas. The President has brought to the Board a Commission on Diversity, but the Board's obligation is to set policies and to clearly say what this organization is about. She encouraged each of the members to try to remember that as the Board faces issues in the future, they need not to be just passing a motion but to be considering adopting a policy that takes the University forward and clearly a sense of what the Board is all about. Then, give that to the President and the President does the various things that it takes to carry out that policy. She said that she thinks it is very easy for an organization to get lost in the day-to-day activities and forget what the Board's ultimate responsibility is, which is to set the tones and policies through which the whole organization is governed.

Mr. Reed said that he could not agree more on the policy role of the Board. The Board is probably well aware of the difficulty it has to address policies in advance. There are any number of issues that come before the Board and the Board deals with them, some in advance through policy measures and some dealt to them. The Board reacts to them as they are presented to the Board. If the Board looks at its mission statement, it says a great deal about the Board as far as compliance and who we are, the mission of this University. It may not be an expressed policy explicitly providing for a compliance with NCAA rules, but at the same time, if you look at the behavior of the Board and the President, who invited Board members to the NCAA hearings, you will see a strong concern by the President, and by the Board as well, to be fully compliant with the NCAA rules and any other number of rules and laws that may lack an expressed statement, an affirmative statement of support, but nonetheless, he thinks some of it is understood. Perhaps, the Board could do a better job, Ms. May, of explicitly laying out some policy statements that perhaps are so intuitive, so ingrained that the Board did not see the need to have a policy statement.

*See clarification in March 18, 2003 minutes.

Dr. Jones said that he wanted to make a comment about one of the honorary degree recipients. As far as the image of the University and helping the University look good, Mary Sue Coleman is one of ours and across the years she has gone higher and higher nationally. He said he knows that the faculty and the UK community have great pride. She has reflected very well on the University of Kentucky. He said he was actually quite ecstatic at his first Board meeting that he would be able to vote for and show appreciation for what Dr. Coleman has done to increase the University's stature.

Z. Meeting Adjourned

With no further business to come before the Board, Mr. Reed adjourned the meeting at 10:59 a.m.

Respectfully submitted,

Russ Williams
Secretary, Board of Trustees

(PR 2, 3, 4, 5, 6 and 7; AACR 1, 2, 3, 4, and 5; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 which follow are official parts of the Minutes of the meeting.)