

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, May 6, 2003.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, May 6, 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 1:05 p.m., and Ms. Marian Sims gave the invocation.

B. 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. Robert P. Meriwether, Dr. Elissa Plattner, Mr. Steven S. Reed (Chairperson), Mr. Joseph Matthew Ruschell, Mr. C. Frank Shoop, Ms. Marian Moore Sims, Ms. Alice Stevens Sparks, 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 Mr. Billy Joe Miles 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 1:08 p.m.

C. Consent Agenda

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

April 1, 2003 Minutes
PR 2 - Personnel Actions
AACR 1 - Candidates for Degrees

(See PR 2 and AACR 1 at the end of the Minutes)

Ms. Wilson moved approval of the consent agenda. Mr. Chellgren seconded the motion, and it carried without dissent.

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

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

1. UK's 136th Commencement features dual-degree Beckman Scholars. There will be a record number of graduates. Dr. Mary Sue Coleman, president of the University of Michigan, will be the commencement speaker and will also receive an honorary doctorate.
2. UK ranked 36th among top public research universities by NSF. R&D for federal projects was up 16.8% and industry-sponsored research was up 15.3%. One of the initiatives under way is to increase the number of proposals written so that UK goes forward.
3. Over 100 students were recognized for their hard work and achievements in the classroom, research laboratory, and life during the 2003 University of Kentucky Honors and Recognition Awards Program held recently.
4. Her Royal Highness The Princess Royal, Princess Anne recently visited the Maxwell H. Gluck Equine Research Center.
5. Four UK tenured faculty members and three teaching assistants recently received the 2003 Provost Awards for Outstanding Teaching.
6. Six UK students have won National Science Foundations Graduate Fellowships, one of the most prestigious and lucrative graduate fellowships in the world.
7. Jack Challis, a junior majoring in physics and mathematics at UK, received a 2003 Barry M. Goldwater Scholarship.
8. UK takes Ovarian Cancer Screening to Outreach Clinics. That is an opportunity for the University to show that it serves the entire State of Kentucky.
9. The UK Department of Molecular and Cellular Biochemistry is recruiting talented undergraduate students from colleges and universities across Kentucky for a hands-on, intensive summer research program. The program offers a \$3,000 stipend during the 10-week program.
10. The program for the 22 African-American students to work with the "Bucks for Brains" professors is up to 31. President Todd noted that he and Dr. Wendy Baldwin, Vice President for Research, were splitting the cost of the increase. Programs such as this change a student's perspective on what the University is about.
11. LCC's nuclear medicine students exceed the national average and continue to show their strength.

President Todd asked the Board to read the other items in the report because the faculty and student awards are things that honor the University.

E. Report on the Center for Research on Violence Against Women

Dr. Baldwin and Carol Jordan, Acting Director of the Center, provided the Board with a briefing on the Center's development and current activities.

Dr. Baldwin provided a brief introduction on the development of the Center and the breadth of the problem of violence against women. She explained that the Center was an excellent opportunity for UK, as it will foster an aggressive research agenda (particularly in the risk-related sciences); and it was an opportunity to be innovative in an area critical to women's health and well-being. She indicated that, when fully implemented, the Center will be unique in the nation. The Center is located under the Vice President for Research to emphasize its research focus and its interdisciplinary nature.

Ms. Jordan described the importance of the Center's development, specifically including a significant need to address improved scholarship and graduate education on issues related to violence against women. She shared findings from a 1996 National Research Council study revealing weaknesses in research nationally in this area. The Center is positioned to aggressively address both problems. The Center operates with an Advisory Committee comprised of UK faculty, national researchers and Kentucky professionals; and effective July 1st will have a compliment of three staff. The budget of the Center includes \$305,469 in sponsored research projects in the current year; and effective July 1st, a recurring budget of general fund support. Additionally, the Center is building a strong endowment to support its research activities.

Ms. Jordan updated the Board on the Center's current activities. They include:

- Creation of a Petit Research Grant program
- Submission of U.S. Department of Justice Safety on Campus Project
- Domestic Violence Offender Treatment Project
- Domestic Violence Protective Order Project (Supreme Court)
- Rape Prevalence Report (CDC Project)
- National Research Conference (October 1-2, 2003)
- Rape Crisis Center Leadership Project

President Todd thanked Dr. Baldwin and Ms. Jordan for their presentation about the Center and asked for questions from the Board. He also thanked his wife, Patsy, and Dr. Nietzel for the time they have given to the project. He said that this is an area where UK can stand out.

F. Update on Robinson Forest Scholarship Program

President Todd said the administration is beginning to put an emphasis on undergraduate scholarships. He reported that the University has already exceeded last year's scholarship acceptances by 31. This is a credit to a lot of people in the enrollment, management and scholarship areas. He said there would be a presentation on the Robinson Forest Scholarship, and there will be presentations on other scholarship programs at other meetings. He asked Dr. Nietzel to begin the presentation.

Dr. Nietzel said that he had talked with President Todd about the opportunity to present to the Board information about the various scholarship programs at the University of Kentucky. This presentation is the first in what he would envision to be a series that would summarize for the Board the various scholarship programs at UK, the specific activities and students that are targeted by them, the accomplishments and qualities of those students, and then also the needs that these scholarship programs have because, as the Board is very well aware, private support is critical for the University scholarship programs to be successful. That is both merit and need based scholarship programs.

Dr. Nietzel said the Robinson Scholars Program is unique to the University of Kentucky. It is a program that the University can be very proud of because of its unique conceptualization, the kinds of students that it brings to the University, and then the achievements of those students once they are at UK or within other institutions in which they matriculate. He said that he had asked two people to make presentations about two aspects of the Robinson Scholars Program: Brad Goan, who is the Director of the Robinson Scholars Program, and Susan Krauss, who is the Director of Investments and Endowment Services in the Office of the Controller and Treasurer at the University. He said that two Robinson Scholars had also been invited to meet the Board, and he appreciated the students taking time, particularly during finals week, to be attend the Board meeting. They will share a word with the Board about what this scholarship has meant to them.

Dr. Nietzel said that the intent of this presentation is to have the Board understand the focus of the program, the academic intent of it, what the future needs for the program will be, and why this program, along with a variety of other scholarship programs, will become a development priority for the University. He said that it is clear that more attention needs to be given to scholarship programs, and it needs to be a target for development for gifts and donations to the University. Mr. Goan and Ms. Krauss gave the following report on the program:

The Robinson Scholars Program serves first generation college-bound and college students who have demonstrated the potential to succeed but who might encounter economic, cultural, or institutional impediments to their completion of four-year college degrees. The Program's mission is to provide these students with support services and scholarship resources that empower them to complete a baccalaureate degree at the University of Kentucky. In recognition of the potential obstacles facing these students, the program identifies Scholars in the eighth grade. This approach recognizes the importance of academic support, social mentoring, and college preparation throughout high school. Robinson Scholars, who successfully complete all of the Program's eligibility requirements, including graduation from high school and matriculation at the University of Kentucky, Lexington Community College, or any KCTCS community college, receive scholarships and support services at the college level. The Robinson Scholars Program is completing selection of its seventh class this spring. At the close of that process, 452 students will have been named Robinson Scholars.

The Program's success is evident in the progress of the Scholars. 98 percent of the students have graduated from high school (compared to 94 percent of the students in the 29-county area the program serves), and 90 percent have matriculated at a post-secondary institution immediately following high school graduation (compared to 49 percent in the service area). Students who enroll in college are performing well and persisting. The overall college program retention rate

is 92 percent and the students' mean and median college grade point averages are higher than those of non-Robinson Scholars in the same cohorts.

The Robinson Scholars Program is funded by the Robinson Trust Quasi-Endowment, which was established by the University's Board of Trustees in April 1992. The Quasi-Endowment has received revenues from Robinson Forest totaling \$21.1 million through March 31, 2003 and has been invested in the University's pooled endowment fund. The Quasi-Endowment has funded several programs at the University, all supporting the purpose of agricultural experimentation and reforestation, plus programs for the benefit of the people of the mountain region, as required by the provisions of the Robinson Trust under which the University received the Robinson Forest.

The Robinson Scholars Program is the only program currently supported by the Robinson Trust Quasi-Endowment, which had a current value of \$9.7 million at March 31, 2003. The Quasi-Endowment is expected to be completely exhausted in fiscal year 2008 based on projected investment earnings and program expenditures. In order to continue the Robinson Scholars Program, which currently has commitments to students through fiscal year 2011, the University should activate a development effort for the private funding of scholarship programs at the University.

Justin Holbrook, a graduate from Whitesburg High School and a freshman at UK, and Carly Rice, a graduate of West Carter High School and a sophomore at UK, were asked to share with the Board some of their experiences in the program. Both students are biology majors.

Ms. Rice thanked everyone for the opportunity and the time to tell them about the impact the Robinson Scholars program has had directly on her and Justin. She told about growing up in a family that had a constant power struggle with education. Her father dropped out his eighth grade year. Her brother withdrew his senior year. Her mother had bigger dreams of becoming a registered nurse, and following a long struggle, she became a LPN.

Ms. Rice said that she had far too much of a hunger for education. Her dreams require her to go on and get her Ph.D. She said that she wanted to concentrate on marine biology later and become a professor so that she cannot only pass on knowledge to her students but also to her children in the future. Getting this scholarship in the eighth grade gave her the peace of mind to know that her dreams are attainable. She pointed out that the most important thing that the Robinson Scholars program has done for her has been aiding in her transition. She said that she was not necessarily prepared education-wise for UK. The coordinators of the Robinson Scholars program have assisted her in many ways, including finding free tutoring programs, the Student Support Services Program, and aid from a transition of rural community to a fast-paced college life. She said she would not be at UK fulfilling her dreams had it not been for the Robinson Scholars program.

Mr. Holbrook said his parents did not graduate from high school. Because of the Robinson Scholars program, he has an opportunity to get a college education, an opportunity that his parents did not have. The Robinson Scholars Program does provide a lot of support services, but the most beneficial thing that he has gotten is a desire to succeed. Out of 105 students in his

graduating class, about 25 went to college. There is obviously a problem, but most people from his high school had no desire to further their education and to be better person.

He said that he received the scholarship when he was in the eighth grade. He probably would not have been able to attend UK without the scholarship. Every day since receiving the scholarship, he has thought about that, especially during finals week when he goes to the library and stays all night studying chemistry. Lots of people are supporting him and want him to graduate. Since receiving the scholarship in the eight grade, he has had a driving force behind him that is always pushing him to succeed and be a better student. He thanked everyone for the opportunity to speak and thanked them for having the program.

There were several questions following the presentation regarding a development effort to seek private funding for scholarship programs at the University.

President Todd pointed out that a great matching opportunity for graduate fellowships and for research funding happened with the “Bucks for Brains” program. Now, there is a need to emphasize undergraduate scholarships. Mr. Mobley has worked with Dr. Nietzel and him defining some of those programs.

Ms. Sims said she would like for the Robinson Scholars on campus to know that the Board is committed to them, wants them to stay in school, and wants them to reach their dreams. That is one of the Kentucky “uglies” that President Todd has talked about, and the Board loves the students for bettering themselves. She praised Mr. Goan for his good work and for fathering the Robinson Scholars group.

G. Appointment of Dean of the College of Arts and Sciences (PR 3)

President Todd asked Dr. Nietzel to come forward and introduce the new Dean of the College of Arts and Sciences.

Dr. Nietzel said it was his pleasure to introduce the next Dean of the College of Arts and Sciences at the University of Kentucky, Dr. Steven Hoch. He reported that Arts and Sciences is one of the largest colleges at UK. In terms of faculty, it is the second largest college with approximately 375 faculty members in 20 departments. Those departments represent leading units in the Humanities, in the Social Sciences and the Physical and Life Sciences. Over half of all the student credit hours at the University of Kentucky are generated in the College of Arts and Sciences. Every undergraduate educated at UK has an intense experience in the College. For the past five years, Howard Grotch has provided excellent leadership in the College, and the University should be very appreciative for all that he did for the College.

Dr. Nietzel reported that the University was able to attract an extremely strong national pool of candidates. There were about fifty candidates that the Search Committee evaluated, and four very strong candidates were brought to campus. He said he was quite pleased to recommend the appointment of Dr. Steven Hoch as Dean of the College of Arts and Sciences. Dr. Hoch is a faculty member at the University of Iowa in the Department of History. His particular area of scholarship is Russian History. He serves as the Associate Provost for

Academic Programs and is Dean of International Programs. His undergraduate degree was from Trinity College, and he received both of his graduate degrees at Princeton. His appointment will be effective July 1, 2003. His wife, Eva, will be joining UK in University Libraries. He asked Dr. Hoch for any comments he wished to make to the Board.

Dr. Hoch said he was very excited about coming to the University of Kentucky. He said he had been extraordinarily impressed with the leadership of President Todd and Dr. Nietzel. They are certainly one of the two main reasons he decided to move to the University of Kentucky. He said he had been very pleased and excited about the faculty and the students that he had the opportunity to meet. He noted that the University of Iowa Board of Regents is far fewer than the University of Kentucky Trustees, and said he looked forward to working with the Trustees.

President Todd recommended that the Board approve the appointment of Steven L. Hoch as Dean of the College of Arts and Sciences, effective July 1, 2003. Mr. Shoop moved approval. Ms. Sims seconded the motion, and it carried without dissent. (See PR 3 at the end of the Minutes.)

H. Naming of University Building (PR 4)

President Todd recommended that the Board of Trustees approve the renaming of the Health Science Learning Center building to the College of Nursing Building. At the time the University constructed the Health Science Learning Center in 1979, a variety of Medical Center educational activities were located in the building. As years have gone on, the building has become predominantly the home of the College of Nursing. Today this College is the only Medical Center College without its own named building.

The Committee on Naming University Buildings has reviewed the request of the Dean of the College of Nursing and found it to be in compliance with University policies and unanimously recommended approval of this name change. The Senior Vice President and Chancellor for the Medical Center supports this recommendation. President Todd recommended approval of PR 4. Ms. Smith Edge moved approval. Mr. Chellgren seconded the motion, and it passed without dissent. (See PR 4 at the end of the Minutes.)

I. Associate Vice President for Equal Opportunity Emeritus be Conferred upon Nancy Ray (PR 5)

President Todd said it was a pleasure to bring PR 5 to the Board. He recommended that Ms. Nancy Ray be named the Associate Vice President for Equal Opportunity Emeritus in recognition of her long service and dedication to the University of Kentucky for more than 36 years.

In 1966, Ms. Ray began her career in the Dean of Women's Office. She was named Assistant Dean of Students in 1967 and served as Assistant Dean of Students until 1972, when she was named the first full-time Affirmative Action Officer for the University of Kentucky. In 1979, Ms. Ray received her Juris Doctorate from the University of Kentucky Law School and in

1980 she was named Assistant Vice President and Coordinator of Affirmative Action. In 1990, she was named Associate Vice President for Administration. She served in that capacity until the year 2000 when she was named Associate Vice President for Equal Opportunity. Ms. Ray spent her career as an advocate for students, faculty and staff. She was dedicated to giving all people at the University a fair and equal opportunity to succeed as students and as employees. Further, she was active in educating University of Kentucky faculty, staff and students about the issues of sexual harassment. In addition, she served the community as Chair of the University of Kentucky Forum on Learning Disability on Campus, presented sexual harassment workshops for the Fayette County Bar Association, advised the Kentucky Association of HVAC Engineers on Indoor Air Quality and ADA Issues, published a document on "ADEA and Retirement" for the Lexington Benefits Council, and presented numerous seminars. He presented Ms. Ray with a symbol of appreciation for the many years of service that she provided to the University.

Dr. Plattner said that she worked with Nancy Ray on projects of equal opportunity in the State of Kentucky. Ms. Ray fought a lot of difficult fights, not only at the University but across the State of Kentucky and nationally, also. She said, "While she is being honored, let us remember the legacy she leaves. She walked in some mighty tall boots, even at 5 feet 4."

J. Revision of Administration Regulation on Retirement (PR 6)

President Todd said that PR 6 is a recommendation that the Board of Trustees approve the revision of Administrative Regulations AR II-1.6-1 effective March 1, 2003 to reflect the current executive staff of the University. This revision updates that statute and permits individuals in the positions included in Section II-F of the Administrative Regulations to participate on the effective date of their eligibility to the plan. Basically, the proposal amends the regulations and eliminates the references to Chancellor, a position that does not exist under the Provost Model, and adds Provost, General Counsel, and Chief of Staff to the President which is a recently approved position. University employees contribute 5% for retirement, and the University contributes 10%. For people in the executive staff category, the University contributes 15%. On motion made by Ms. Sparks, seconded by Dr. Jones and carried, PR 6 was approved without dissent. (See PR 6 at the end of the Minutes.)

K. Academic Affairs Committee Report

Mr. Reed stated that AACR 1 was on the consent agenda. He asked Ms. Sparks if she had any comments for the Board. Ms. Sparks said she did not have any other information to report to the Board.

L. Audit Sub-committee Report

Mr. Chellgren, Chairperson of the Audit Sub-committee, reported that the Sub-committee met that morning. Jim Carpenter from Deloitte and Touche was also present. Mr. Carpenter gave a brief update on the status of the external audit which is about to be initiated in full force. The audit this year is anticipated to require about 3500 hours of professional staff time in current expense of just under \$220,000. It will cover a number of important areas in the revenue side (student billing, contributions, grants and contracts, payroll and personnel) and the expense side

(substantive testing and accounts receivable, investments, capital assets, self-insurance liabilities, and updates on new auditing standards which will include audits of nine affiliated corporations). It will also include other traditional reports and letters. There will be other audits of the Credit Union, the Hospital, UK Health Enterprises, Kentucky Technology, Inc. and other affiliated enterprises of the University. He reported that the team assigned to this job is quite experienced. Mr. Carpenter has been in the audit profession for approximately 30 years and has been the partner in charge of UK's audit for seven years. The members of the Sub-committee are quite comfortable with the staffing of the project and are looking forward to it being initiated. Mr. Chellgren said he, the staff and the external audit partner would be pleased to answer any questions regarding the conduct of the audit for the 2002-2003 fiscal year. There were no questions from the Board.

M. Acceptance of Interim Financial Report for the University of Kentucky for Nine Months Ended March 31, 2003 (FCR 1)

Mr. Chellgren, Chairperson of the Finance Committee, reported that the Committee had extensive discussions of the action items at the meeting. Many of the Trustees were in attendance, as was much of the financial and the non-financial staff of the University. He said he would move through the 17 action items quickly and began with FCR 1.

FCR 1 is the report of year-to-date financials as of March 31, 2003 which is the 75% point in the fiscal year. At that point the University had received realized income of \$1,080,260,000 representing 80% of the anticipated estimate. The University had expended \$977,706,000 or 72% of the approved budget. The report was discussed in detail, and there are no items that need to be brought before the Board's attention. He moved the adoption of FRC 1. His motion, seconded by Ms. Sparks, carried without dissent. (See FCR 1 at the end of the Minutes.)

N. Capital Construction Report (FCR 2)

Mr. Chellgren said that FCR 2 is the quarterly Capital Construction Report for the period ending March 31, 2003. He reported that there were three new construction contracts as described in the Report, four contracts completed, two amendments to the existing contracts, and eleven change orders. The items in the report seem to be in the normal course of events, and there are no items that need to be brought to the Board's attention. He moved the acceptance of FCR 2. Ms. Smith Edge seconded the motion, and it carried. (See FCR 2 at the end of the Minutes.)

O. Report of Leases (FCR 3)

Mr. Chellgren said that FCR 3 is the traditional report of lease renewals. These are with lease expenditures of less than \$30,000 annually. There are nine lease renewals, and they are all in the normal course. He moved the acceptance of FCR 3. Mr. Shoop seconded the motion, and it passed without dissent. (See FCR 3 at the end of the Minutes.)

P. Approval of Leases (FCR 4)

Mr. Chellgren said that FCR 4 is for leases greater than \$30,000 annually. There are four renewals, and all of them are in the normal course of business of the University. He moved the acceptance of FCR 4. Ms. Wickliffe seconded the motion, and it carried without dissent. (See FCR 4 at the end of the Minutes.)

Q. Patent Assignment Report (FCR 5)

Mr. Chellgren said that FCR 5 is the quarterly report of the Patent Assignments from the Office of Intellectual Property. There are four patents as described in the attachment to FCR 5. He reported that the Committee received a brief update on a number of patent applications through April 30th. There were twenty-one applications, and nineteen patents were issued. The University's patent income year-to-date is \$760,000. The Committee also had a brief discussion of the University's patent portfolio. The patent income this current year is down because of the expiration of some of the higher return patents. He moved acceptance of the four patents under FCR 5. Dr. Meriwether seconded his motion, and it passed without dissent. (See FCR 5 at the end of the Minutes.)

R. Establishing Two Behavioral Science Quasi-Endowments (FCR 6)

Mr. Chellgren reported that FCR 6 and 7 are in a reclassification of formally contributed funds that were in the short-term money market funds and are being reclassified into quasi-endowment. He noted that this is not new money. FCR 6 is to establish new quasi-endowments which will permit the funds to be invested with the long-term time horizon under the auspices of the Investment Committee.

He reported that FCR 6 is the establishment of the Marion Pearsall Quasi-Endowment Professorship and the Behavioral Science Research and Education Quasi-Endowment in the Department of Behavioral Science in the College of Medicine. The professorship will be funded at \$100,000 and the education endowment will be funded at \$30,000. He moved approval of FCR 6. Ms. Wilson seconded the motion, and it passed without dissent. (See FCR 6 at the end of the Minutes.)

S. Establishment of the Partners in Agriculture Quasi-Endowment Fund (FCR 7)

Mr. Chellgren said that FCR 7 is the same type of adjustment reclassifying funds from an essentially money-market account to a quasi-endowment. This is \$760,000 originally from the estate of Jack Kimball. This is not new money, but money that is being reclassified to a quasi-endowment which will change the time horizon for the investment of these funds. He moved the establishment of the Partners in Agriculture Quasi-Endowment fund. His motion, seconded by Ms. Sparks, carried without dissent. (See FCR 7 at the end of the Minutes.)

T. Gift of Property Option from Winchester-Clark County Industrial Authority (FCR 8)

Mr. Chellgren said that FCR 8 is an unusual item, and the Committee had quite a thorough discussion of this item. It is a gift of an option on 20.38 acres of property in Clark County, Kentucky. The property is valued at \$509,500. The University has twelve months to exercise the option with the possibility of an additional twelve months before deciding to accept the property, and during this time, the President of the Lexington Community College will ascertain whether funds can be raised to construct a classroom building on the site. He noted that the Lexington Community College currently has some academic programs in Winchester. They are in other space, but if this option would be exercised, this would permit a dedicated facility to be ultimately a part of the Lexington Community College. The University has no obligation to exercise the option. It is a right and not an obligation to see if separate private funds can be raised to construct a building to house these community college activities. He said the Finance Committee unanimously recommends to the Board the acceptance of this gift of an option described in FCR 8. He moved its acceptance. Ms. Sims seconded the motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

U. Toyota Motor Corporation Gift and Gift-In-Kind (FCR 9)

Mr. Chellgren said that FCR 9 is another gift and gift-in-kind from a wonderful, generous, long-time supporter of the University and the Commonwealth of Kentucky. A gift of \$300,000 and gift-in-kind of \$330,000 from Toyota Motor Corporation to support the research of Dr. Kozo Saito in the Department of Mechanical Engineering in the College of Engineering. This will be supporting important research in the Department of Mechanical Engineering that relates to the area of automotive technology, particularly in the area of painting. It is very consistent with the mission of the Mechanical Engineering Department. He said that the Committee proudly recommends the acceptance of FCR 9 and moved its adoption. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 9 at the end of the Minutes.)

V. Gifts and Pledges (FCR 10-13)

Mr. Chellgren reviewed FCR 10 through FCR 13.

FCR 10 – accept a gift of \$182,791.73 from the estate of Georgie R. Murphree to create the Eger Vaughan Murphree Family Scholarship Fund. Mrs. Murphree was the widow of a University of Kentucky graduate of many years ago. This will be creating a new scholarship fund.

FCR 11 - accept a gift of \$100,000 and a pledge of \$400,000 from George Strawbridge, Jr., of Wilmington, Delaware, to create and endow the Alfred M. Cohen Chair in Oncology Research at Markey Cancer Center in the College of Medicine.

FCR 12 - a pledge of funds from the Johnston-Wright Memorial Trust Fund. The Board of Trustees approved the Chandler Medical Center's use of \$100,000 in income in 2003 and 2004 from the Johnston-Wright Memorial Trust Fund to add to the Charles T. Wethington, Jr. Chair in Health Sciences. This Fund was established by the will of Floyd Wright who died in 1985. This

is consistent with supporting the Chair that was established in the name of former President, Dr. Wethington.

FCR 13 – accept a gift of \$10,000 and a pledge of \$40,000 to create and endow the Kevin Heidrich and Team 7 Endowment in ALS Patient Services Research in the College of Medical, Department of Neurology. This gift and pledge does qualify for matching funds from the state’s Research Challenge Trust Fund.

He moved approval of FCR 10, 11, 12 and 13. Ms. Smith Edge seconded the motion, and it passed without dissent. (See FCR 10, 11, 12, and 13 at the end of the Minutes.)

W. 2002-2003 Budget Revisions (FCR 14)

Mr. Chellgren said that FCR 14 is the normal quarterly adjustment to the budget as the year progresses based on certain changes in both the revenue and the expenditure side of the budget. The revenue side of this year’s budget has an awkward item. That is a reduction in the budget of \$8,675,400.00 because of the changes in the state appropriation that was forthcoming from the budget recently approved by the General Assembly and signed by the Governor. He emphasized that it is certainly a major reduction, particularly this late in the fiscal year.

He reported that there were some other increases in student fees, gifts and grants, and importantly, some additional revenue from outpatient pharmacy and surgery sales. That is the \$7 million increase. There is also additional revenue in the hospital of almost \$22 million. The net increase in the General Fund is \$26.3 million. He mentioned the various expenditures that are also articulated in FCR 14. He pointed out that the University had to reduce some unencumbered fund balances to be able to offset the significant drop in state appropriations of almost \$9 million. This is necessary for budget accounting and to keep the budget in balance as the end of the fiscal year is completed. He moved the adoption of FCR 14. Ms. Wilson seconded his motion, and it carried without dissent. (See FCR 14 at the end of the Minutes.)

X. Approval of New Construction for Housing (FCR 15) and A Resolution of the Board of Trustees of the University of Kentucky Declaring Official Intent with Respect to Reimbursement of Temporary Advances Made for Capital Expenditures to be Made from Subsequent Borrowings; and Taking Other Actions in Connection Therewith (FCR 16)

Mr. Chellgren said that he would present FCR 15 and 16 together. FCR 15 requests approval of new construction for on-campus student housing that will provide approximately 684 additional spaces by the Fall semester of 2005. This represents one of the positives from the state’s budget process this past spring that provided additional bonding authority for capital projects for the University, including \$46 million to fund the student housing project. The Finance Committee requested the administration to keep the Board informed as to the status, location, design concepts, and contracting schedule for this new housing, but not have the Board be the critical path in terms of the approval.

Mr. Chellgren said that FCR 16 is a related action that permits the University to reimburse from bond proceeds any expenses of the student housing project that may be incurred

prior to the actual issuance of bonds. He moved the acceptance of FCR 15 and 16. Ms. Wickliffe seconded his motion, and it carried without dissent. (See FCR 15 and 16 at the end of the Minutes.)

Y. A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Approximately \$3,910,000 of University of Kentucky Hospital Refunding Revenue Bonds, Series A (Third Series), to be Dated the First Day of the Month in which the Bonds are Sold (FCR 17)

Mr. Chellgren said that FCR 17 is a current refunding of existing Hospital Revenue Bonds in the principal amount of \$5,875,000. Present value savings from this refinancing are estimated at approximately a quarter of a million dollars. This will reduce the interest expense of the University moving forward once these bonds are refinanced. The administration assured the Committee that they are reviewing all the existing bonded indebtedness to determine any other issues that could be refinanced in today's low interest climate to achieve savings for the University. He moved the acceptance of FCR 17. Mr. Ruschell seconded the motion, and it passed without dissent. (See FCR 17 at the end of the Minutes.)

Z. Investment Committee Report

Mr. Wilcoxson, Chairperson of the Investment Committee, reported that the Investment Committee had a presentation from Alliance Capital Management. The Committee voted to renew the contracts for the seven managers that the University is now using and also for the consultant now being used. Their contracts would extend through June 30, 2004; however, the University has the right to cancel the contracts at any time by giving thirty days written notice on those contracts.

He reported that the pooled endowment investments had a market value at March 31, 2003 of \$378.9 million compared to a market value at June 30, 2002 of \$416.5 million. This represents a decrease of \$37.6 million; however, due to an up-tick in the market, the University was able to pick up about \$24 million in market value in the month of April. Depending on what the market does, the Investment Committee might have to re-evaluate the entire investment program. If the market continues to function like it has in the past, the Investment Committee might have to make some adjustments.

Mr. Henry Clay Owen, Controller and Treasurer, stated that investments in equity securities historically had generated an average annual total return of 11% for the last 70 years. However, the University's investment consultant, Ennis Knupp, has advised that their analysis of current and future market conditions indicate that a more realistic expectation is an average annual total return of only 7%. When you factor inflation in (historically 3% annually), an annual return of 7% will not support the existing 5% spending rate and the 1% Endowment Management fee. The Investment Committee will address the issues of asset allocation and spending within the next few months to determine what changes or modifications to the current investment programs are required.

AA. Resolution of the University of Kentucky Alumni Association Amending the Alumni Trustees Election Resolution (URCR 1)

Ms. Smith Edge, Chairperson of the University Relations Committee, reported that the University Relations Committee met and received an Alumni Association overview as well as communication and marketing strategies of the whole University. In addition, the Committee reviewed the resolution that was brought forth by the University of Kentucky Alumni Association on amending the Alumni Trustee Election Resolution. In amending the rules and regulations, it is strictly an election process only as outlined in URCR 1. She explained that it is requesting flexibility for the election to be conducted anytime from July 1st through May 31st during the year prior to a new appointment. This would also allow for on-line voting and publication of the ballot in either a *Kentucky Alumni* magazine or another more cost effective magazine, if appropriate. This basically cleans up some of the language in the existing resolution. The Committee recommends the adoption of the resolution by the University of Kentucky Alumni Association. On motion made by Ms. Smith Edge and seconded by Ms. Sims, URCR 1 was approved without dissent. (See URCR 1 at the end of the Minutes.)

Mr. Reed pointed out that he and Ms. Smith Edge had talked about the University Relations Committee meeting, and he is glad the Committee met. He said that he appreciates the involvement of the Alumni Association. The University has certainly benefited tremendously from the valued input of the Alumni Trustees on the Board, especially in the Board's relationship to the alumni across the United States and around the world.

BB. Ad Hoc Bonus Criteria Committee Report

Dr. Plattner, Chairperson of the Ad Hoc Bonus Criteria Committee, said it was a great committee to work with, and there were lots of ideas from the Committee members. Other members of the Committee were Dr. Meriwether, Professor Kennedy, Ms. Tobin, and Mr. Williams. She reported that the Committee also had support and encouragement from Dr. Jones and Ms Sims who attended the meetings.

Dr. Plattner reported that the Minutes were sent out to the Board ten days prior to the Board meeting for review. Her phone had been silent, and she expects that everyone has reviewed them carefully. She said that the Committee arrived at the bonus criteria in some way that is a reflection of the continuation of the bonus criteria that were set out last year. That was compiled from the document *Connecting with Kentucky*. She said that these ideas that the Committee resolved typifies what the bonus criteria are. Each member of the Committee has agreed to reflect on them.

Dr. Plattner reviewed the following criteria:

The first criterion creates leadership responses and innovative solutions to issues affecting and afflicting the Commonwealth and its citizens. An example of this would be publicly denouncing painful problems of the state's past poverty, poor health and lack of education with practical and applied methods for resolving these issues.

The second criterion establishes initiatives to respond to special or extraordinary circumstances. An example of this is willingness to lead statewide groups, involving all of education from K through higher education, fighting to preserve education funding levels with the legislature and urging the legislators to hold steady in the face of a declining budget and some difficult decisions.

The third criterion takes strategic risks and challenges as potential opportunities to improve the University. An example of this could be tackling critical health and medical issues that directly affect the many constituencies of the campus community.

Dr. Plattner then asked each of the Committee members to offer a reflection on the Committee's discussion.

Professor Kennedy said that he found this a difficult task because usually bonus criteria are based on fairly sharp edged numbers or verbiage, and in this case, it is really hard to do. It becomes a judgment of the people who are looking at the person and the criteria. He said that he is very supportive and explained that they are taking criteria that are not well specified and trying to attach a dollar value to it. He said, in his opinion, that is a hard thing to do, and he thinks that the Board and President Todd may want to look at a different way of doing this in the future.

Dr. Meriwether said he thought the Committee did a good job, but it had a difficult time trying to put a dollar value on things. He said one thing that they should do is reiterate what the Board ought to be committed to, and that is backing the President in taking some risks towards Top Twenty status. It is obvious that the University is not going to achieve Top Twenty status with state funding; therefore, some innovative and fairly bold steps must be taken to achieve that status. He said that he thought the purpose of a couple of statements in the report was to give President Todd that support.

Myra Tobin said that she thought the Committee wanted to make this a general criteria but yet include the key aspects that they felt indicative of leadership, risk taking and initiative that would move the University forward.

Mr. Williams said that he agreed with everything his colleagues said to this point. He said, in his opinion, their work was to keep the momentum going from the time of the President's interviews for the job -- some of the commitments they made to him and he made to them about progress that the University needed to make and to make these criteria broad enough that it would still be consistent with the *Connecting with Kentucky* report with all the input that was collected from the citizens of the Commonwealth and new challenges that present themselves probably on a daily basis in that position.

Dr. Plattner said the Committee also discussed the idea that the very nature of bonuses themselves are often given for responsiveness to a media problem that you cannot predict nor can you define in any way. That often the bonus reward in all walks of life is given for once rising to the occasion on very short notice. That is something that cannot be listed and paid ahead of time. The Committee did have some ideas about bonus criteria in the future over general ideas. If it were in their mission to do so, while they only were charged with selecting

criteria not awarding them, they would award to the other part of the presidency, Mrs. Patsy Todd, their commendation, who has created a welcoming, inclusive environment across the University for parents, for families, and for students and who has created for the University of Kentucky friends across the Commonwealth and across the nation. She said that she did not know the dictionary definition of compensation so this would have to simply be their deepest thanks and appreciation.

Mr. Reed thanked Dr. Plattner for her comments. He said that he knew the work of the Committee was difficult, and it was made more difficult because of the tight time constraints that the Committee had to work with. He commended the entire Committee for taking the charge given to them and for their comments reflecting their sincere, heartfelt appreciation for the work, the commitment, and the dedication of the First Lady as well and what she means to the University as well as that of the President himself. He said it is encouraging when he goes places and meet students, or parents in particular, and they tell him with great fondness that they have met, or the children have met, and been inspired by the First Lady. To him that is very, very important. It shows the oneness of the President and the First Lady. It also shows the wisdom he has to realize that there is somebody out there that he can duplicate himself and get twice as much done this way. He thanked the Committee for their report.

Ms. Wickliffe asked Mr. Reed to have President and First Lady Todd to stand and be recognized. They received a round of applause that was followed by a standing ovation.

CC. Report on Athletic Association Board of Directors Meeting

Mr. Wilcoxson reminded the Board of the report from the Ad Hoc Committee on Board Structure that was approved at the June 11, 2002 meeting. In addition to other recommendations, the Committee recommended that a Trustee representative on the Athletic Board make a report to the full Board following any Athletic Association meeting. He said that he would bring the Board an up-to-date report on the February 15th and April 18th meetings. He said that he attended the Athletic Board meeting on February 15th; however, he did not attend the February 25th Board meeting. He noted that he and Dr. Meriwether are the Trustee representatives on the Athletic Board. Mr. Wilcoxson gave the following report on those meetings:

The primary purpose of the February 15th meeting was to consider coaches employment contracts and to give an update on the 2003 budget. A five-year contract beginning December 30, 2002 was approved for Mr. Rich Brooks to coach men's football. Approval was also given for contracts of assistant coaches for men's football. At that meeting, President Todd expressed his pleasure with the staff that had been put together. Mr. Barnhart provided the Athletic Board with an update on facilities. Following a presentation by Mr. Handleman, HNTB Corporation, and much discussion, the Board approved the Athletics Director moving forward with fund raising efforts for a multi-purpose athletic room.

Mr. Mullens gave a report on fiscal year 2003 financial projections. Expenditures were expected to be approximately \$43 million which is about \$1.8 million over the 2003 budget. After some additional revenues had been identified, the net would be about \$1 million. It was

noted that a fund balance of \$2.5 million exists to absorb this loss. The Athletics Department lost in excess of \$2.5 million due to the NCAA probation. The \$43 million still places UK with the seventh largest budget in the SEC. Compared to Florida, it is something like \$80 million. It was brought to the Board's attention that approximately 23.6% of the \$43 million in athletic expenses is spent internally at the University.

The April 18th meeting was one of much interest. A contract extension for men's head basketball coach, Tubby Smith was approved. A copy of his contract was sent to all of the Trustees. The appointment of Mickie DeMoss as women's head basketball coach was approved for a term of six years through 2009. The Board approved the Amendment and Reinstatement of Articles of Incorporation which brings them up-to-date with Kentucky law and also brings the University more in line with the Lawson Report. The Board approved the adoption of the revised Bylaws of the University of Kentucky Athletic Association. Included among these revisions was membership on the Athletic Board, meeting frequency, and powers of the Board. This will now make the Bylaws current, and they should be in good shape. The recommendation of the Ad Hoc Ticket Committee was approved. The recommendation included ticket prices and annual donations to the new K Fund for Commonwealth Stadium and Rupp Arena. This will allow fairness and equity among all season ticket holders. A total of \$1,000,000 resulting from increased ticket prices and annual donations from seating will be paid annually to the University for student scholarships beginning in 2003-2004 fiscal year. The recommendation also included the Athletic Department implementing a point system for seating requiring an annual donation in Commonwealth Stadium and Rupp Arena when new seats become available. 655 seats in Rupp Arena and 536 seats in Commonwealth Stadium will be reserved for faculty and staff. Mr. Barnhart gave a report, and there was also a report on the fiscal year 2004 budget of \$48 million.

Mr. Wilcoxson said that he or President Todd would answer any questions about the meetings.

Mr. Reed asked if there were any questions or any other business to come before this Board.

Mr. Shoop said that the Board is supportive of Athletics Director Mitch Barnhart's moves at this time. The Board is supportive of Coach Tubby Smith's contract extension. The Board is especially supportive of the \$1 million from the ticket price increase going to scholarships. That is a great indication of President Todd's role in trying to increase scholarships at the University. He commended President Todd and Athletic Director Barnhart for making that move.

Ms. Smith Edge invited the Board of Trustees, on behalf of the Alumni Association and her fellow alumni trustees, to attend the summer workshop annual banquet. She said the event will be June 20th in Paintsville, and the Board will be receiving a formal invitation.

DD. Meeting Adjourned

With no further business to come before the Board, Mr. Reed adjourned the meeting at 3:00 p.m.

Respectfully submitted,

Russ Williams
Secretary, Board of Trustees

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