

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, March 2, 2004.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, March 2, 2004 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Steven S. Reed, Chair, called the meeting to order at 1:10 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: James F. Hardymon, Marianne Smith Edge, Davy Jones, Michael Kennedy, Pamela R. May, Robert P. Meriwether, Billy Joe Miles, Phillip Patton, Elissa Plattner, Steven S. Reed (Chair), Frank Shoop, Marian Moore Sims, Alice Stevens Sparks, Myra Leigh Tobin, Rachel Watts, JoEtta Y. Wickliffe, Billy B. Wilcoxson, Russ Williams, Elaine A. Wilson, and Barbara S. Young. The University administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel, Executive Vice President for Finance and Administration Dick Siemer, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Research Wendy Baldwin, and Acting General Counsel Barbara Jones.

Members of the various news media were also in attendance. A quorum being present, the Chair declared the meeting officially open for the conduct of business at 1:14 p.m.

C. Consent Agenda

Mr. Reed called attention to the Minutes and other items on the consent agenda. He asked for any questions about the items and called for a motion of approval of the consent agenda. Ms. Sparks moved approval. Her motion, seconded by Ms. Smith Edge, carried without dissent. The items on the consent agenda follow:

Minutes – February 10, 2004

PR 2 Personnel Actions

FCR 5 Gift and Pledges to Helen Edwards Abell Endowed Research Fund in
Historic Preservation and Changing Name of Fund

FCR 6 Kentucky Medical Services Foundation Gift and Pledge (1)

FCR 7 Kentucky Medical Services Foundation Gift and Pledge (2)

FCR 8 Arthur E. Walker, Jr. Gift and Pledge

(See PR 2, FCR 5, 6, 7, and 8 at the end of the Minutes.)

D. Resolution

Mr. Reed said that the Board was going to take a brief deviation from the Board's agenda for an extraordinary occasion. He called on Rachel Watts, Student Government Association President and Student Trustee, to read a Resolution.

Ms. Watts read the following Resolution:

WHEREAS, Jeffrey C. Graham graduated May 23rd, 2003, with a civil engineering degree from the University of Kentucky College of Engineering, and

WHEREAS, during his career as a UK student, Mr. Graham distinguished himself as a student and was inducted into membership of the Civil Engineering Honor Society of Pi Epsilon, and

WHEREAS, Mr. Graham received his engineering training certificate from the Kentucky Board of Registration for Professional Engineers and Land Surveyors, and

WHEREAS, Mr. Graham also was an outstanding member of the UK Reserve Officer Training Corps during his career as a student, rising to become a leader of UK's award winning Pershing Rifles Drill Team, and

WHEREAS, Mr. Graham entered the United States Army upon his graduation from the University of Kentucky as a second lieutenant, tank platoon leader with the U.S. Army, First Battalion, 34th Armored, Fort Riley, Kansas State, First Infantry Division, and

WHEREAS, Lt. Graham was assigned to combat duty in Iraq, where he served with distinction and pride, bringing great honor to himself, his family and friends, his country, his alma mater, and the Commonwealth of Kentucky, and

WHEREAS, Lt. Graham, age 24, was killed February 19th, 2004 in action in Iraq, south of Baghdad, while he was heroically attempting to warn soldiers in his platoon of imminent harm from a roadside bomb he discovered while leading the platoon, and

WHEREAS, Lt. Graham was awarded the Bronze Star Medal and the Purple Heart for his heroism in military action in which he served,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees expresses its grief and extends its most heartfelt sympathy to the family of Second Lt. Jeffrey C. Graham, including his parents, Army Colonel Mark Graham and Carol Shroat Graham, who are attached to the U.S. Army base in Fort Sill, Oklahoma. To his sister, and my sister, Melanie Graham and his fiancée, Stacey Brook Martinez of Elizabethtown, and

BE IT FURTHER RESOLVED that the Board of Trustees extends its gratitude and prayers for safety to all the young men and women of the Commonwealth of Kentucky who place themselves in service to protect the freedom and security of this great land we have come to cherish.

Ms. Watts thanked Mr. Graham's family and fiancée for being in attendance with the Board.

Mr. Reed said that he read the story about Mr. Graham with great interest. The more he read and re-read the story and watched it on the news, he realized how special this was and what a special young man this was. He said he remembered telling his wife when he first read the story that he did not know when the memorial arrangements or services would be, but he wanted to be there – not in a personal capacity but to let the University know that this is one of the most special occasions and honors that the University has ever had.

Mr. Reed said that as tragic as it is and as unfortunate as it is, this is a defining moment for the history of the University and that the Board conveys and expresses its heartfelt love for Mr. Graham's family and for the courage and heroism that was demonstrated by their son. Mr. Reed said that he is proud that Lt. Jeffrey Graham was part of UK and that he is somehow connected to him and his courage. He said that he wanted the family to know how the Board feels, and it would be an honor to say "hello" to each of them and shake their hands.

Mr. Reed, President Todd and members of the Board took this opportunity to greet the family and express their sympathy on the loss of their son, Second Lt. Jeffrey C. Graham.

E. President's Report

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

Senator McConnell visited campus and brought with him a large cardboard check for \$11.36 million. This brings a total of \$22 million for UK's federal earmarks during the previous 12-month period, a record for the campus. It is something that allows the University to move forward with its agenda even in these difficult times. President Todd expressed appreciation for the check.

Campus safety is an issue that has been on a lot of minds. The University's staff worked with the cell phone service providers that cover the campus to develop a special number that students could dial on their cell phones that would immediately ring to the UK police station. That number is #UKPD. The students can actually have that number on their quick dial as they are walking across campus and can get help quickly, if needed. This effort came out of a safety walk that the Commission on the Status of Women had around campus. They actually tried one of the emergency phones, and it did not work. Somebody suggested that everybody has a cell phone nowadays, and there are not a lot of emergency phones around. This was an idea that was borne of that expertise and a suggestion that the University move quickly to make that happen.

President Todd said that PR 2 was on the consent agenda; however, he was going to deviate slightly because of a personnel issue and a special presentation. It is in recognition of a University employee who is celebrating a 30th service anniversary. She actually reached that mark in November, but there was something on order that did not arrive on time.

He said that Peggy Way has actually had 33 years of service with the University of Kentucky when you take into account her first tour of duty. She left the University briefly before coming back for good. She began her new tour in Journalism, spent time in Graduate Studies, and Personnel and Benefits before moving to the President's Office in 1982. He said that he is the fourth President that Peggy has served. Probably more accurately, the fourth President that Peggy has trained.

President Todd said that as you become acquainted with Peggy, you really know that she has two families. She is extremely committed to her true family. She has met all of those challenges in an extremely personal way this last year, which has been challenging for her. He said that he respects Peggy's devotion to that family.

He said that those who have been on the Board longer than he has been in his position know that the Board is family, too, as well as the rest of the University. Peggy is deeply loyal and protective of this family as well.

For those 30-plus years of outstanding service, for dealing with the Administration Building fire, for dealing with four presidents, and for dealing with Board members, President Todd presented a small token of appreciation to Peggy for that service and said that he wanted to let her know how much they feel that she has contributed to the institution in the time of her presence here. Peggy was saluted by a standing ovation from the Board and the audience.

Peggy thanked President Todd for his kind words and the 30-year service award charm.

F. Appointment of Dean of the College of Medicine (PR 3)

President Todd said that PR 3 is the appointment of the Dean of the College of Medicine. He is pleased to recommend the appointment of Dr. Jay A. Perman as Dean of the College of Medicine and Vice President for Clinical Affairs for the Chandler Medical Center effective May 1, 2004.

He reminded the Board that Emery Wilson resigned as Dean of the College of Medicine to return to the faculty. A search committee was appointed and did a national search. There were 42 candidates scrutinized by the committee, and seven finalists were interviewed on campus. Dr. Perman received enthusiastic support across the University and was strongly supported by the search committee. President Todd asked the Board to approve the appointment of Dr. Jay Perman as Dean of the College of Medicine. Dr. Meriwether moved approval of PR 3. Ms. Sims seconded his motion, and it carried without dissent. (See PR 3 at the end of the Minutes.)

President Todd asked Provost Nietzel to introduce Dr. Perman.

Provost Nietzel thanked President Todd. He noted that in the past couple of years a tradition began of introducing new deans at the Board of Trustees meeting where their appointment is considered. He said that he was particularly pleased to be able to make this introduction, and there are at least two reasons why he is especially pleased.

First, the University has hired seven new deans in the past three years. This appointment now brings the University to the full compliment of full-time deans. It is an outstanding group. This group brings some excellent scholarly credentials and leadership abilities to the University. The Board has had an opportunity to meet each of the deans with the exception of one person who could not attend the meeting at the time of her appointment.

A second, and bit more specific, reason why this appointment is meaningful for the University is that it gives time to recognize the contributions that Emery Wilson made to the College of Medicine and to the University. Emery was a senior dean, both on this campus and among colleges of medicine across the country. He was an excellent leader for the College and the University for those many years. Provost Nietzel said that he is particularly glad that Emery will remain on the faculty in the College of Medicine. He will also be directing the Health Research and Development Center in the College of Medicine. Emery has been very helpful in the transition as Dr. Perman has come aboard.

Provost Nietzel said that President Todd had summarized Dr. Perman's credentials briefly; however, he wanted to emphasize one of the qualities that brought him to the attention initially of the committee and won their esteem. That quality is his superb academic record at four different institutions.

Dr. Perman began his academic career at the University of California in San Francisco. He was on the faculty at Johns Hopkins University for more than a decade. He was then at Virginia Commonwealth University and most recently has been at the University of Maryland where he was Chair of the Department of Pediatrics. He has won a number of teaching and research awards and has assumed and been entrusted with leadership positions in gastroenterology, in particular, across a number of years at both the national and international level.

Provost Nietzel said that this appointment is a very visible and important appointment. The College of Medicine is the largest college at the University of Kentucky. It is a vital college with respect to research and preparation of physicians. It had visibility also because it was the first test, if you will, of the new structure in which the Executive Vice President for Health Affairs and the Provost had the opportunity to work together on a very significant appointment. It was a wonderful search. The committee did a great job with the leadership of Paul Bauckner and Don Gash, who are both chairs in the College of Medicine.

Provost Nietzel reported that this was the first chance he and Mike Karpf had to work together. They began the process as colleagues determined to do a good job. They

ended the process as colleagues, but it has also given them the foundation for a friendship. He said that it went that well. They were hand in hand during the process the whole way, and it made this appointment a very good one for the University and also for the structure that has been put into place. He said he wanted to thank publicly Mike Karpf for his role in the search. He does not think they would have made this sterling an appointment without Mike being at the University and taking the really terrific active role that he took.

Provost Nietzel said that it was his pleasure to introduce Dr. Jay Perman. He noted that Dr. Perman's wife, Andrea, is with him on this visit to Lexington. She has been here on several visits and has begun to make acquaintances in Lexington. He said that he and others have become quite confident that the Permans are going to like Lexington from their initial visits. Dr. Perman will be joining the University officially May 1st, however, he is already taking a very active role in the direction and planning for the College of Medicine and has been here a number of times. The schedule will be intensified over the next couple of months. Provost Nietzel said it was both his and Dr. Karpf's pleasure to welcome Dr. Perman. He asked Dr. Perman to come forward and give a few remarks to the Board.

Dr. Perman thanked Dr. Nietzel, Chairman Reed, President Todd, distinguished Trustees, and colleagues. He said he probably would be a little emotional because he is deeply honored and deeply humbled to take on this responsibility and to be the new Dean of the College of Medicine. He said it was made all the more meaningful to him by the fact that he got to know Emery Wilson over a period of a year and a half when he had the privilege of serving in a fellowship program that Emery, on a national level, was gracious enough to design when he recognized that deans of colleges of medicine did not last very long. The University's retiring Dean of the College of Medicine, Emery Wilson, is not one of those. He has been one of the longest serving deans in America, and everyone has something to learn from Emery. Dr. Perman said that he is delighted that Emery is going to be staying on to be a senior counsel to him and to continue to mentor him.

In the annals of American academic medicine, the University of Kentucky College of Medicine is one of the younger colleges. It is about 50 years old, which is relatively young as colleges of medicine go. And yet, in those 50 years, it has had a distinguished record. The University of Kentucky College of Medicine is seen as an innovator in medical education. It is seen as an innovator in rural health. It has brought and will continue to bring many discoveries that will be meaningful for our collective health care – both here in Kentucky and across the nation. For all of those reasons, he said he was hoping to get this job.

Dr. Perman said that he is particularly inspired by the enthusiastic leadership that he has seen at the University, especially the understanding shown by President Todd, Dr. Nietzel, and Dr. Karpf of issues related to medicine within an academic environment. This understanding bodes very well and will make his job easier. This is a very good medical school. A great College of Medicine will be made out of this very good college. He said that he hoped to be able to help the distinguished faculty, the distinguished staff, students, and residents to make it so. He said that he will work very hard, and he is very grateful for this opportunity.

G. Adoption and Delegation of Authority to Implement Clinical Enterprise Code of Conduct Addendum (PR 4)

President Todd said that PR 4 is the Adoption and Delegation of Authority to Implement Clinical Enterprise Code of Conduct Addendum. He reminded the Board of its adoption of the Code of Ethics at the last Board meeting. The clinical operation has certain restrictions pertaining to the acceptance of gifts and relationships with industry that are more stringent than the typical policy; therefore, it is necessary to have an addendum to that agreement.

He reported that the policy has been presented to the Clinical Enterprise Compliance Committee and has been approved by the Committee. In order to implement the policy and to have the flexibility to amend the policy rapidly to correspond to any of the additional regulatory changes that come about, it is further recommended that the Board of Trustees delegate to the Executive Vice President for Health Affairs and the Provost, the two officials who oversee the clinical enterprise, the authority to implement the clinical enterprise Code of Conduct amendment and revise the same from time to time as needed. It is a recommendation to approve the addendum and to provide the authority to implement clinical operation changes to this addendum to the Provost and the Executive Vice President for Medical Affairs. Mr. Shoop moved approval of PR 4. Ms. Wilson seconded his motion.

Dr. Jones said that he would like to offer a small, near friendly amendment. He suggested that an insertion be made in the first line near "...the Board of Trustees Adopt the Attached Clinical Enterprise Code of Conduct Addendum and delegate "through the President" to the University Provost and Executive Vice President for Health Affairs..." He said that he had talked with President Todd about this amendment.

President Todd said that his General Counsel was indicating that it is okay to do that.

Mr. Reed said that Dr. Jones had also talked to him about it and had informed him that he had talked to President Todd earlier. He called for a motion to amend PR 4. Dr. Jones moved that PR 4 be amended. Ms. Young seconded his motion, and the amendment to PR 4 carried. Dr. Meriwether abstained from voting.

Mr. Reed then called for a motion to approve PR 4 as amended. Ms. Smith Edge moved approval. Ms. May seconded her motion, and it carried. Dr. Meriwether abstained from voting. (See PR 4 at the end of the Minutes.)

H. Honorary Degree Recipients (PR 5)

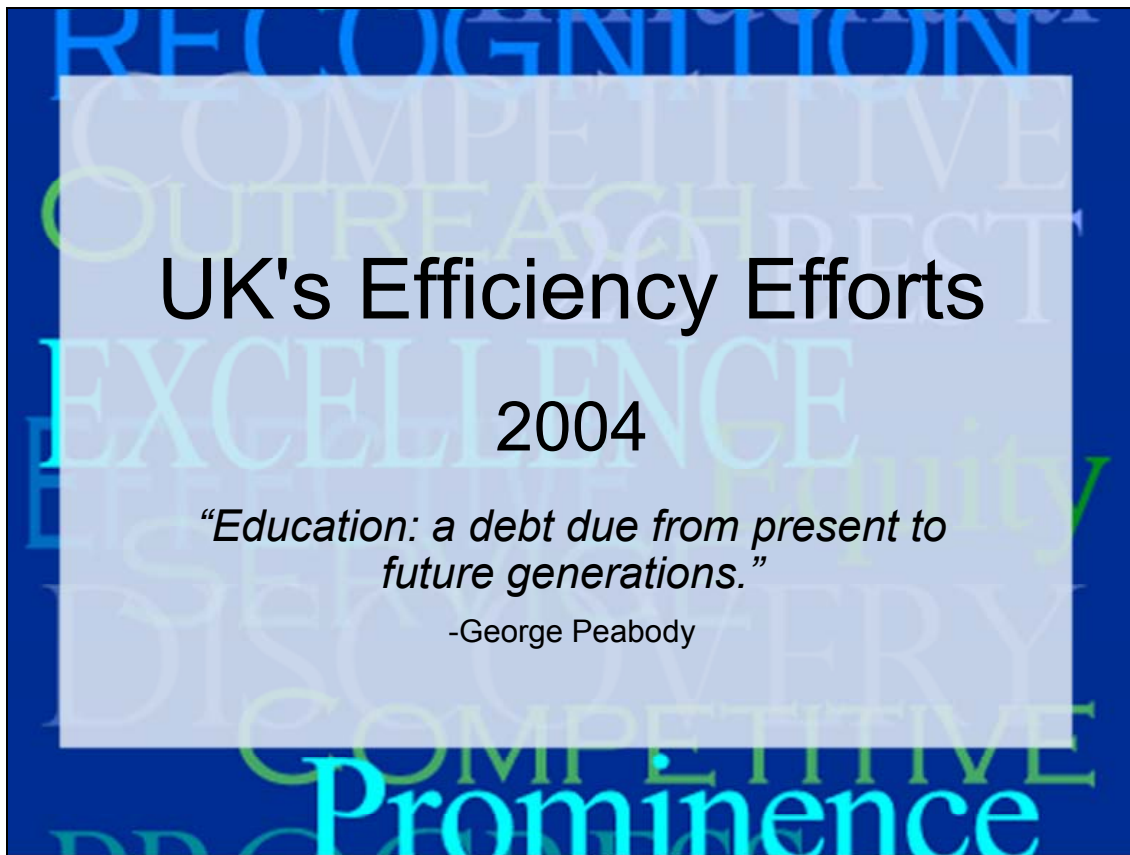
President Todd said that it was his pleasure to recommend that approval be granted to award the honorary degree of Doctor of Science to John D. Baxter, the Doctor of Letters to James W. Stuckert, and the Doctor of Letters to George Carlton Wright. He noted that biographical sketches for the three individuals were attached to PR 5. If the Board approves the recommendation, they will be honored at this year's Commencement

exercises. The Committee on Honorary Degrees has recommended to the Graduate Faculty and the University Senate that honorary degrees be awarded to these individuals. On a motion made by Ms. Smith Edge and seconded by Professor Kennedy, PR 5 carried without dissent. (See PR 5 at the end of the Minutes.)

I. PowerPoint Presentation by President Lee T. Todd, Jr.

President Todd said that he had intended to discuss tuition at this meeting; however, he decided to delay that discussion primarily because the University has not received a final budget. He said that he thought the budget would be received within the next three weeks and that a final tuition proposal would be brought to the Board later.

He said he wanted to let the Board know the administration's thinking process and how they have managed the operation in the last two and a half years in dealing with some of the cuts that have been of significant magnitude. He said that the administration has been working on efficiencies since July 1, 2001 and reviewed the following slides regarding the University's efficiency efforts:



UK UNIVERSITY OF KENTUCKY

State Appropriations - UK

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Original Appropriations	\$313.6	\$305.1	\$295.6
<i>Adjustments:</i>			
Budget Reduction (Recurring)	(\$6.0)	(\$8.6)	(\$5.5)
Budget Reduction (Nonrecurring)	(\$2.5)	\$2.5	(\$16.7)
Benchmark Funding			\$3.1
Other		(\$3.3)	\$0.3
Total Adjustments	(\$8.5)	(\$9.4)	(\$18.8)
State Appropriations per Enacted/Revised Bills	\$305.1	\$295.7	\$276.8

In Millions

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UK UNIVERSITY OF KENTUCKY

State Appropriations - LCC

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Original Appropriations	\$8.59	\$8.54	\$9.08
<i>Adjustments:</i>			
Budget Reduction (Recurring)	(\$0.05)	(\$0.07)	(\$0.39)
Budget Reduction (Nonrecurring)			(\$0.38)
Benchmark Funding			\$0.36
Other		\$0.61	
Total Adjustments	(\$0.05)	\$0.54	(\$0.41)
State Appropriations per Enacted/Revised Bills	\$8.54	\$9.08	\$8.67

In Millions

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UK UNIVERSITY OF KENTUCKY

Cumulative Effect of Cuts – Operating UK (Excludes LCC)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Total</u>
Recurring FY 2002	(\$6.0)	(\$6.0)	(\$6.0)	(\$6.0)	(\$24.0)
Recurring FY 2003		(\$8.6)	(\$8.6)	(\$8.6)	(\$25.8)
Recurring FY 2004			\$3.1	\$3.1	\$6.2
Recurring FY 2004			(\$5.5)	(\$5.5)	(\$11.0)
Nonrecurring FY 2002	(\$2.5)				(\$2.5)
Nonrecurring FY 2004			(\$16.7)		(\$16.7)
Total (Dollars)	(\$8.5)	(\$14.6)	(\$33.7)	(\$17.0)	(\$73.8)

**Millions*

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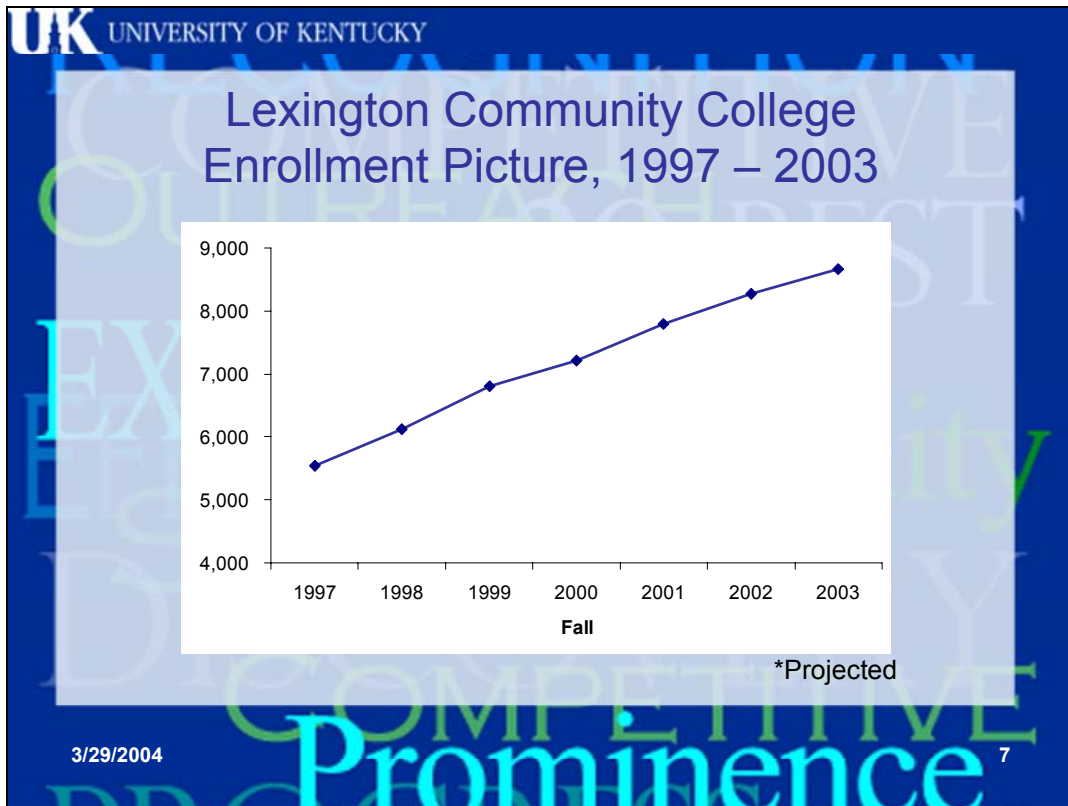
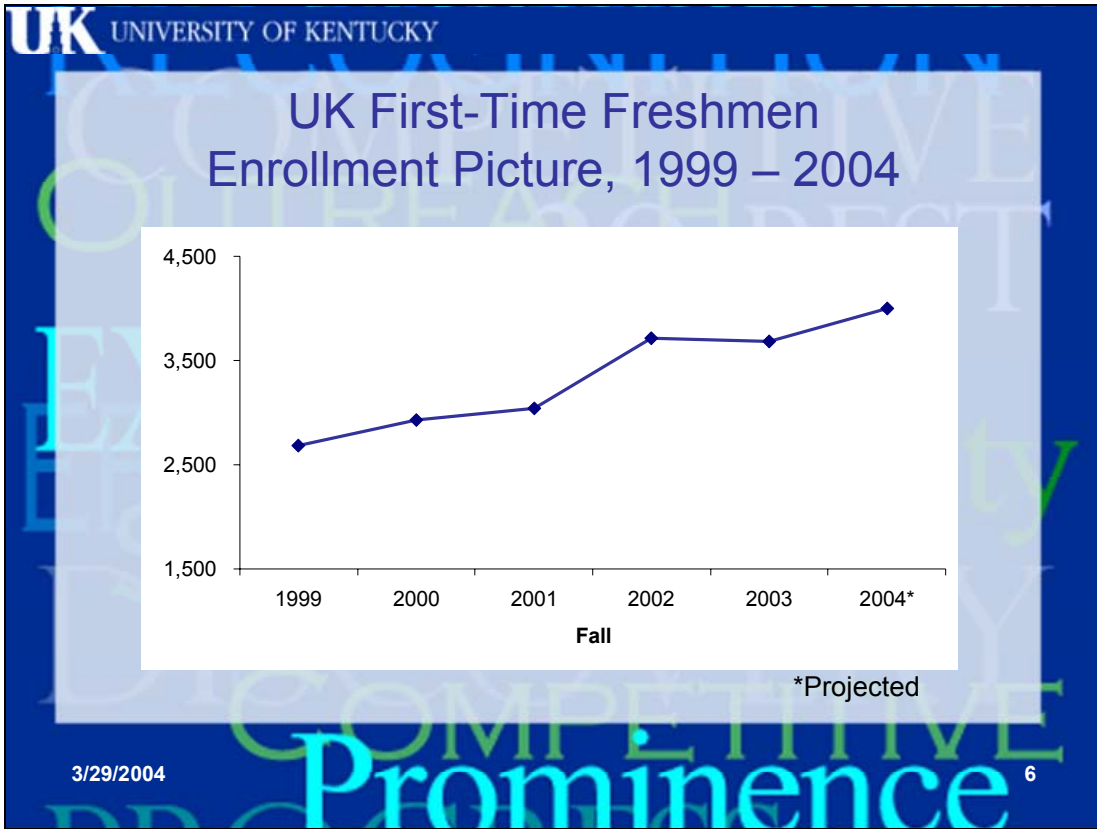
UK UNIVERSITY OF KENTUCKY

Cumulative Effect of Cuts – Operating LCC

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>Total</u>
Recurring FY 2002	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.20)
Recurring FY 2003		(\$0.07)	(\$0.07)	(\$0.07)	(\$0.21)
Recurring FY 2004			\$0.36	\$0.36	\$0.72
Recurring FY 2004			(\$0.39)	(\$0.39)	(\$.78)
Nonrecurring FY 2004			(\$0.38)		(\$0.38)
Total (Dollars)	(\$0.05)	(\$0.12)	(\$0.53)	(\$0.15)	(\$0.85)

**Millions*

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UK UNIVERSITY OF KENTUCKY

UK's Budget Shortfall

Managed in three ways:

- Reallocation from efficiency efforts
- Reserves / working capital
- Tuition

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Prominence

UK UNIVERSITY OF KENTUCKY

Examples of Efficiency Efforts

- 1) Restructured the UK administrative organization in 2002-2003 by eliminating one college and merging several academic departments resulting in \$1.5 million recurring savings and redirected \$7 million in 2003-2004 from various sources to high priority items. **TOTAL COST SAVINGS:** \$8.5 million
- 2) Implemented a miscellaneous fringe benefits allocation model which allowed the applicable costs to be charged to self-supporting enterprises and federal grants and contracts. **TOTAL COST SAVINGS:** \$3.9 million
- 3) Developed a cost accounting system to allocate the cost of central services (for example, purchasing, payroll, police) to the university's self-supporting units. **TOTAL COST SAVINGS:** \$3.1 million

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Prominence

UK UNIVERSITY OF KENTUCKY

Use of Funds

- 1) \$57.5 million to offset budget cuts, July 1, 2001 – June 30, 2004.
- 2) Faculty and staff salary increases
 - 4% salary increase in 2001-02 (\$11.8 million)
 - 3% one time performance increment in 2002-03 (\$7.5 million)
 - 3% salary increase in 2003-04 (\$9.8 million)
- 3) Provided more health benefits to employees and their families at no additional cost to employees (\$9.3 million).
- 4) Increased institutionally supported scholarships by \$11.6 million since July 1, 2001.
- 5) Enhanced the professional programs of pharmacy, nursing, law and public health.

3/29/2004 **Prominence**¹⁰

UK's Efficiency Efforts

2004

“Our progress as a nation can be no swifter than our progress in education. The human mind is our fundamental resource.”

-John F. Kennedy

Prominence

President Todd said these slides are not a full presentation. The administration will continue to look for efficiencies. The final information will be presented at the April Board meeting. The purpose of the slides is to give the Board a flavor of things that the administration is doing right now. He said that he would be glad to take any questions.

Dr. Jones said that he would like to second the statement about the need to address the part-time faculty. They are transitory. They are not here so they are not vested in the long-term planning of the programs and what is needed in the longer-term policies. He said that he was very glad to see President Todd's attention to that need.

J. Report of Leases (FCR 1)

Mr. Hardymon, Chair of the Finance Committee, reported that the Committee met that morning with all six of the Committee members present. There were a number of items on the agenda; however, some of them were consent items.

He said that FCR 1 recommends that the Board accept the lease agreements that are under \$30,000.00 a year. He explained that the Committee's job is to review the work that the administration has done on these lease agreements. There is a new lease with the UK College of Architecture for 1,050 square feet of meeting room space on Mill Street in Lexington for \$5,250.00 a year or \$5.00 a square foot. He reported that UK had installed an alarm system and made some office improvements which increased the leasehold amount an additional \$770.00 per month. He moved approval of FCR 1. Ms. Sparks seconded the motion, and it carried without dissent. (See FCR 1 at the end of the Minutes.)

K. Disposition of Personal Property (FCR 2)

Mr. Hardymon said that another function of the Committee is the disposition of any personal property. In this case, the University will give 17 plus computers to Central High Magnet Career Academy in Louisville. It is a public high school. The school has received a grant to redo these computers so they can use them in some of their education practices. He recommended approval of FCR 2. Ms. Sims seconded his motion, and it carried without dissent. (See FCR 2 at the end of the Minutes.)

L. Patent Assignment Report (FCR 3)

Mr. Hardymon said that FCR 3 is a quarterly report. This report is for the period of November 1, 2003 through January 31, 2004. It is done on an off month basis because they do not want everything to fall at the end of a calendar quarter. The report is assigning five patents to the University of Kentucky Research Foundation. He reviewed the following patents:

The first patent is to invent a system for automatically correcting distortion of a front projected video display, thus, providing a sharper image.

The second patent is an invention of a possible cancer cure utilizing certain types of cells to induce program cell death in cancerous cells.

The third patent is the regulation of follicular development. Without this, there would be no reproduction.

The fourth patent is the invention of biochemical tools that enable the identification of chemical compounds that are effective in activating or blocking particular hormone defended regulatory pathways in various organisms. Mr. Hardymon noted that Drs. Grace and Davy Jones are involved with this patent assignment. He congratulated Dr. Jones and asked him for any comments. Dr. Jones received a round of applause.

Dr. Jones said that Mr. Hardymon reported it correctly, and he had no comment.

The fifth patent is the invention of a software program and method for more officially modeling a surface. This technology may find use in improving imperative computer generated images.

Mr. Hardymon thanked everyone for their participation. He also thanked Dr. Baldwin for her help. He then moved approval of FCR 3. His motion, seconded by Ms. Sims, carried without dissent. (See FCR 3 at the end of the Minutes.)

M. Name Change for the Development Dimensions International Professorship in Behavioral Health Research in the School of Public Health (FCR 4)

Mr. Hardymon said that FCR 4 changes the name of the Professorship from Development Dimensions International Professorship in Behavioral Sciences to Behavioral Health. It will clarify that the Professorship is for Behavioral Health Research in the School of Public Health. He recommended approval of FCR 4. Ms. Smith Edge seconded the motion, and it carried without dissent (See FCR 4 at the end of the Minutes.)

N. Gifts and Pledges (FCR 5 through 8)

Mr. Hardymon said that FCR 5 through 8 were consent items. He noted that these gifts and pledges total \$875,837.00. They are eligible to be matched with state funds as part of the endowment match program.

O. A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Said Board's Housing and Dining System Refunding Revenue Bonds, Series N, P, Q and R (Second Series), to be Dated the First Day of the Month in Which Sold; Authorizing Proper Proceedings Relative to the Public Sale of the Bonds and the Disposition of the Proceeds Thereof; Authorizing Execution of a Thirteenth Supplemental Trust Indenture Between the Board and Farmers Bank & Capital Trust Company, Frankfort, Kentucky, as Trustee, in Compliance with the Provisions of the Trust Indenture Dated June 1, 1965 (FCR 9)

and

A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Approximately \$54,110,000 of University of Kentucky Consolidated Educational Buildings Refunding Revenue Bonds, Series P, Q and R (Second Series), to be Dated the First Day of the Month in Which the Bonds are Sold (FCR 10)

Mr. Hardymon said that FCR 9 and 10 are bond refunding issues. They are a result of a continuous review of outstanding bonds. He noted that the sale of bonds has been going on since he first reported one which was approximately 10 years ago. He explained that the sale of these bonds is dependent on interest rates remaining low.

He said that FCR 9 involves Housing and Dining System Refunding Revenue Bonds. It is a \$20.4 million refunding issue for UK's housing and dining system. He hastily pointed out that this is an accumulative savings of \$376,000.00 that comes to the University of Kentucky for an annual savings of \$24,000.00. He said that this one is going to be a little borderline as it goes forward. The savings accrue to the University. The new issuance has a final maturity date of June 1, 2020.

With Chairman Reed's permission, Mr. Hardymon said that he could present FCR 10 at this time because it is very similar and have one motion for FCR 9 and 10. FCR 10 involves the Consolidated Educational Buildings Refunding Bonds, a \$54.1 million refunding issue with accumulative savings of \$787,000.00 and annual savings of \$46,000.00. Again, this is accrued to the University, and this new issuance will have a final maturity date of May 1, 2021. He recommended approval of both FCR 9 and FCR 10. Ms. Wickliffe seconded his motion, and the motion carried without dissent. (See FCR 9 and 10 at the end of the Minutes.)

P. Authorization to Convey 3.065 Acres, More or Less, Mason County to the City of Maysville (FCR 11)

Mr. Hardymon said that FCR 11 is a gift of approximately three acres in Mason County to the city of Maysville for what is called the Clarks Run Road. It is a public road which is near the Maysville Community College. This will allow people that are involved with the College to have two ways to get in and out and also exit in two different directions. This is a gift, but the University will have a public road that will be maintained by the City of Maysville. He moved approval of FCR 11. Ms. Wickliffe seconded his motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

Ms. Wickliffe noted that it was brought to the attention of the Finance Committee that this is the road that the illustrious Chairman Hardymon grew up on.

Mr. Hardymon asked that Ms. Wickliffe's comment not be in the Minutes; however, he said that it was true. It was a great life and a great community.

Q. Authorization to Convey .407 Acres, More or Less, in Owen County to Department of Highways for Right-of-Way Purposes (Temporary Easement) (FCR 12)

Mr. Hardymon said that FCR 12 involves another easement. The University has some farm land in Owen County. It purchased four different tracts over a number of years. In this case, the University will convey a temporary easement for about .4 of an acre on Kentucky 22 to the Department of Highways for \$825.00. This easement will end and revert back to the University when the Department of Highways has finished the construction of certain roadway slopes. This land is just going out temporarily and coming back to the University. He recommended approval of FRC 12. Ms. Sparks seconded the motion, and it carried without dissent (See FCR 12 at the end of the Minutes.)

R. Finance Committee Information Item

Mr. Hardymon reported that the Committee had an information item on the agenda that had quite a bit of interest. It involves a new dormitory project that was announced some time ago and the fact that the construction has just started. The Committee wants to get in on the ground floor of what is being tracked, and what its job will be in looking at any changes that go along.

S. Investment Committee Report

Mr. Wilcoxson, Chair of the Investment Committee, reported that the Committee met on March 1st for approximately three hours. He reported that the endowment investments have been allocated among the domestic and international equities as well as fixed income securities. The University has seven professional managers at this time, and each has a specialized philosophy and a style of investing. They help manage the University's endowment assets. At the end of the year, the University was on tract with its allocations. At December 31, 2003, the portfolio invested 60% in common stocks of U.S. companies, 27 percent in U.S. fixed income securities, and 13 percent in international companies.

Mr. Wilcoxson reported that the pooled endowment investments had a market value December 31, 2003 of \$489.1 million. The market value on June 30, 2003 was \$424.6 million; therefore, the investments increased \$64.5 million for that six-month period. Out of the \$64.5 million, \$58.7 million of the increase was investment appreciation, and net contributions were \$5.8 million. He said that he was also happy to report that for the month of January the University's endowment increased by \$11.8 million to a market value of \$500.9 million at January 31, 2004.

He explained that as an Investment Committee, they are not just looking at today. In the past, the University has been able to support a 5 percent spending policy without diminishing the value of the endowment. However, based on expected capital market returns in the next few years, the University cannot support a 5 percent spending policy without considering different investment strategies that will increase the annual return on investments. Therefore, the Committee will be reviewing new investment strategies in the next few months and will also evaluate the University's 5 percent spending policy. Mr. Wilcoxson said he would answer any questions that anybody might have.

President Todd referred to the reports given at the Investment Committee meeting and reported that there was about \$90 million in the endowment. He pointed out that “Bucks for Brains” has helped, and the development effort has helped because the investment policies were modified at that point in time by the Investment Committee to put the University into something other than just short-term secure investments. He applauded the Committee for having made that decision several years ago because the University is beginning to benefit from it now. He also applauded the fact that it was a very interesting meeting – looking at other strategies now to see how to be even more aggressive but limit the risk. It was a good meeting.

T. Other Business

President Todd said that he is the head of the Athletic Association Board of Directors. He reported that the Board met on March 1st and said that he would ask Mitch Barnhart to send each Board member who did not attend the Athletic Board meeting a copy of Rob Mullen’s presentation on finances.

It was an extremely professional presentation. It just continues the trend in athletics where they show you where they overrun and where they under run. They did indicate they had a \$1.8 million achievement in excess revenues over budget. This year they had about \$800,000.00 worth of expenses that they have had to absorb because they are just now learning the whole process in athletics.

President Todd said that they have done a tremendous job of marketing, and there is a report on that for Women’s Basketball. A record attendance was set this year for Women’s Basketball. It was up 50,000 over last year. Previously, UK was 148th in the country in Women’s Basketball attendance. This year it is 16th.

President Todd reported that Mr. Barnhart went through another list of events that UK’s teams have excelled in recently. He said he would also have Mr. Barnhart send that list to the Trustees. He noted that UK had the largest number of scholar-athletes recognized for academic purposes this year in the SEC. This is something that is very important.

President Todd said that he was not totally prepared to give an Athletic Board report, but he would get that information to the Board members who did not attend the meeting. He applauded Mr. Barnhart for the way things are going in athletics.

Ms. Sparks said that she would like to give the Trustees a few dates to get on their calendar. The CATSBY dinner will be April 19th. The Women’s Basketball team begins play Thursday night at 8:30 p.m. central standard time in the SEC Tournament in Nashville. The men will begin play in the SEC Tournament in Atlanta on Friday, March 12th at 1 p.m.

President Todd said that there was one other thing that he would mention on a very sad note. Susan Lester, Dean Tom Lester’s wife, passed away after a very short illness. The University community reached out to Tom, and he was very appreciative. He said that the University was well represented at the funeral and expressed appreciation

to those who could attend. He asked the Board to keep Tom and his daughters in their thoughts and prayers.

Dr. Jones asked if he could have clarification on PR 4, the clinical enterprise code of conduct, because that has an academic component. He said that he could imagine maybe the faculty, the Senate or some academic body would have some ideas on how to make it even better. Since the Board has delegated the authority to amend as required by law, he is thinking in terms of tracking future proposals to modify this. He asked if this meant that modifications that are discretionary and not required by law are still made at the level of the Board and only those that are rushed because of federal law or some other rush has been delegated down to the quick fix or is everything actually intended to be now delegated down.

Ms. Jones, Acting General Counsel, said the intent is that this is an addendum to the code of conduct because these are mandated by federal laws. It goes through the compliance section at the clinical enterprise, and therefore, it would not go to the committee as has been done for the University code. This is totally separate and over and above that.

Dr. Jones asked if in the future there is a discretionary change that maybe the Senate wants to make, does that go to the Board for approval or does that go to the delegated level for final approval?

Ms. Jones said that it would go to the delegated level because it goes through the Compliance Committee. That is the process for this code. She said if he wanted them to report that to the Board, they certainly can do that and would be glad to do that.

Mr. Reed had a final comment before adjournment. He said that he understood that it is someone's birthday among the Trustees. He did not know if that person wanted to take ownership of this birthday. Ms. Tobin said that it was her birthday, and the Board wished her a happy birthday.

U. Meeting Adjourned

With no further business to come before the Board, Mr. Reed adjourned the meeting at 2:20 p.m.

Respectfully submitted,

Russ Williams
Secretary, Board of Trustees

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