

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
September 11, 2007
11:00 AM

Committee Members Present

JoEtta Wickliffe, chairperson; Mira Ball, Dermontti Dawson, Billy Joe Miles, and Frank Shoop

Approval of Minutes

The minutes of the June 12, 2007, Finance Committee meeting were approved as presented.

FCRs 1, Anonymous Gift to the Virginia T. Barrow Chair In Brain Disease Research

The anonymous gift total \$1.1 million.

FCR 2, Approval of Lease and Related Transactions

Frank A. Butler, Executive Vice President for Finance and Administration, presented a summary of this lease which authorizes the Executive Vice President for Finance and Administration to negotiate and execute a lease between the UK College of Pharmacy and Coldstream Laboratories, Inc. (CLI) for the use of the 21,249 square foot CPST building on the Coldstream campus. The annual lease rate will be \$509,340.

The FCR also authorizes a transfer of up to \$6.5 million to UKRF to be used as paid-in capital in CLI. CLI will use the capital for start-up and operational expenses. Mira Ball approved the recommendation. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 3, Approval of Lease

Frank Butler presented a summary of this lease which authorizes the Executive Vice President for Finance and Administration to negotiate and execute a revision of the lease between the University and Lexington-Fayette Urban County Government for Lot 31 on the Coldstream campus. The Lot 31 acreage will be increased from 11.5 acres to approximately 12.97 acres to accommodate the addition of a cul-de-sac. The term of the lease is expected to be 100 years with a one-time payment of \$815,850. Mira Ball approved the recommendation. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 4, Approval of Lease

Frank Butler presented a summary of this lease which authorizes the Executive Vice President for Finance and Administration to negotiate and execute an operating lease between UK and Lexington Holding Two, LLC, for the use of approximately 70,500 square feet in the Lexhold International Center for Technological Innovation Building B on the Coldstream campus. The annual lease rate will not exceed \$2 million.

UK will lease about 30 percent of the facility for a consolidated University data center serving research, administrative and health care operations. The lease will be funded by the University and UK HealthCare. Frank Shoop approved the recommendation. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 5, Consent to Modification of Listed External Trusts

Clay Owen, Treasurer, presented a summary of FCR 5 which is a recommendation to authorize the Treasurer to execute necessary consents to allow modification of four external trusts of which the University is an income beneficiary. This action will allow the external trusts to be invested with a long-term strategy which is expected to double the amount of investment income received. Mira Ball approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 6, Patient Care Facility Project Expansion

Dr. Karpf, Executive Vice President for Health Affairs, presented a video tour of the new facility. This FCR will approve the initiation of the design and other actions necessary to expand the Patient Care Facility project by adding two shelled patient bed floors. Initially shelling the two additional floors will allow UK Healthcare to later fit-up the floors to meet changing conditions and needs. Billie Joe Miles approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 7, Renovation of the Thomas Hunt Morgan Biological Sciences Building

Bob Wiseman, Vice President for Facilities Management, presented a summary of the renovation of the Thomas Hunt Morgan Biological Sciences Building. The project will include upgrade of the fume hood exhaust and air supply systems within the building. The renovation will also include renovations and upgrades of teaching and research labs to accommodate eight new biology faculty members. The cost will not exceed the authorized scope of \$3.18 million and will be funded with University reserves. Dermontti Dawson approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried. President Lee T. Todd requested Mr. Wiseman to send a three-year report on classroom improvements to the Board members.

FCR 8, Lease/Purchase of Equipment and Information Technology Items

Frank Butler presented a summary of the FCR which will delegate to the Executive Vice President for Finance and Administration the responsibility for managing University debt related to the lease/purchase of equipment and information technology items costing less than \$200,000. Debt in the form of capitalized lease obligations for items costing \$200,000 or more shall be submitted to the Board for approval. Frank Shoop approved the recommendation. Mira Ball seconded, and the motion for approval unanimously carried.

FCR 9, Patent Assignment Report

Martha Peterson, Special Assistant, Office of the Vice President for Research, presented the quarterly patent report. Twenty-one patents were issued during 2006-07 and the University received \$1,802,905 of patent income. Frank Shoop approved the recommendation. Mira Ball seconded, and the motion for approval unanimously carried.

FCR 10, Capital Construction Report

Bob Wiseman presented the Capital Construction Report which covers the period of March 31, 2007 through June 30, 2007. During this period, there were six new contracts, one contract was completed, four contracts were amended, and there were six change orders greater than \$25,000. Dermontti Dawson approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 11, Authorization to Acquire Properties to Facilitate Utility Relocation Associated with the UK Healthcare Patient Care Facility Project

Frank Butler presented a summary of the FCR which authorizes the Executive Vice President for Finance and Administration to negotiate the acquisition of several real properties fronting the west side of Limestone Street between Waller Avenue and Conn Terrace as well as Woodland Avenue at Euclid Avenue, for a purchase price not to exceed the properties' fair market values as based on independent appraisals or through condemnation proceedings. The impacted properties include 102 Conn Terrace, 1033 through 1201 South Limestone, and 401-405 Woodland Avenue, Lexington, Kentucky.

Electrical work associated with the Patient Care Facility Project requires the elimination of existing distribution routes and the creation of new distribution and transmission routes. The new electrical services require easements from the owners of each individual property and are essential to the construction of the Patient Care Facility. University officials, on behalf of Kentucky Utilities, are acting in good faith to acquire these easements from the owners. In certain cases, the University may need to acquire the properties in fee simple. Frank Shoop approved the recommendation. Mira Ball seconded, and the motion for approval unanimously carried.

Other Business

Mr. Owen provided an update on the indebtedness related to the patient care facility. Cognizant of historically low interest rates, the University issued \$100 million of bonds in November 2005 and \$75 million in October 2006 (with forward delivery in November 2007). The University anticipates selling the remaining \$75 million of bonds on November 8, 2007 by negotiated sale with an estimated interest rate of 4.75 percent.

Next Meeting

Tuesday, October 16, 2007, 11:30 AM, 18th Floor Patterson Office Tower.

Respectfully submitted,

Barbara Royalty-Tatum