

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Friday, September 5, 2014

The Board of Trustees of the University of Kentucky met at 1:00 p.m. on Friday, September 5, 2014 in the Board Room on the 18th floor of Patterson Office Tower.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:00 p.m. Chair Brockman asked Trustee Sheila Brothers, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: C.B. Akins, Sr., James H. Booth, William C. Britton, E. Britt Brockman, Sheila Brothers, Mark P. Bryant, Angela L. Edwards, Oliver Keith Gannon, Carol Martin (Bill) Gatton, Cammie Grant, Robert Grossman, David V. Hawpe, Kelly Sullivan Holland, Jake Ingram, Terry Mobley, James W. Stuckert, John Wilson, Robert Vance and Barbara Young. William S. Farish, Jr., was absent from the meeting. Secretary Brothers announced that a quorum was present.

The University administration was represented by President Eli Capilouto, Provost Christine Riordan, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Finance and Administration Eric Monday, and General Counsel William Thro.

The University faculty was represented by Chair of the University Senate Council Andrew Hippisley, and the University staff was represented by Chair of the Staff Senate Michael Adams.

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

C. Consent Items

Chair Brockman called attention to the eight consent items on the agenda. The items were the minutes for the Board of Trustees meeting on June 10, 2014; PR 2, Personnel Actions; FCR 1, Matthew and Jenna Mitchell Pledge; FCR 2, Roger L. Nicholson Gift and Pledge; FCR 3, M. Lynn Parrish Gift and Pledge; FCR 4, L. Stanley Pigman Gift and Pledge; FCR 5, Chris T. Sullivan Gift and Pledge; and FCR 6, Estate of Maywin S. Lauderdale Gift.

Trustee Stuckert moved approval of the consent items. Trustee Akins seconded the motion. Chair Brockman called for the vote and it passed without dissent. (See consent items listed below on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Minutes, June 10, 2014
PR 2 Personnel Actions
FCR 1 Matthew and Jenna Mitchell Pledge

FCR 2 Roger L. Nicholson Gift and Pledge
FCR 3 M. Lynn Parrish Gift and Pledge
FCR 4 L. Stanley Pigman Gift and Pledge
FCR 5 Chris T. Sullivan Gift and Pledge
FCR 6 Estate of Maywin S. Lauderdale

D. Chairman's Report

Chair Brockman reported that there had been no petitions to address the Board since the last Board of Trustees meeting.

Chair Brockman acknowledged Trustee Gatton and thanked him for the unprecedented \$20,000,000 gift for the renovation of the Student Center, announced on Thursday, September 4, 2014.

Chair Brockman welcomed new Trustee Bob Vance, Alumni Trustee Cammie Grant, Student Government President and Student Trustee Jake Ingram and Faculty Trustee Robert Grossman.

Chair Brockman began by reflecting on some of the highlights and challenges during his four-year term as Chair of the Board of Trustees. They included: President Todd's retirement announcement; the formation of a presidential search committee; the hiring and investiture of President Eli Capilouto; and the challenge to rebuild the campus infrastructure, address an uncertain enrollment future, and address economic downturns that impact endowments and earning, all amid decreasing state and federal financial support. He remembered that President Capilouto had challenged the University community not to "dream too little dreams", but to make "dreams deferred by circumstance, a reality."

Chair Brockman offered that though the University's challenges today are no less steep or forbidding, much has been accomplished and President Capilouto's evaluation responses were indicative of these accomplishments. With the quantitative survey results from 28 respondents (made up of staff, faculty, students, alumni, donors, community leaders, government officials, senior University leaders, and outgoing members of the Board of Trustees) and President Capilouto's own self-evaluation, current Trustee members were asked to respond to the following four questions:

- What were the President's major accomplishments in 2013-14;
- What are the President's major strengths;
- What areas should the President improve upon; and
- What is your overall assessment of the progress the President made in achieving the University's goals in 2013-14?

Trustees consistently remarked that President Capilouto's major accomplishments in 2013-14 were:

- EdR partnership and construction of the new residence halls

- Aramark partnership on dining
- Increased enrollment
- Approval of the Student Center renovation
- Expansion of the Living Learning Programs
- Construction of new academic buildings
- Fund raising
- Positive bond ratings
- Funds allocated for merit pay raises for faculty and staff
- Handling of Rupp Arena

Chair Brockman stated that Trustees repeatedly cited President Capilouto's strengths of focusing on the future, his dedication to the University, fairness and thoughtfulness, integrity and work ethic, and his "willingness to put UK and its needs first even when there were voices and calls to focus elsewhere." Chair Brockman also stated that more than a few Trustees mentioned Dr. Mary Lynne Capilouto was a strength through her 'steadfast, quiet, but constant support (that) is vital to his (President Capilouto's) success."

Chair Brockman continued that feedback from Trustees indicated some would like to see more communication, a stronger statement about next steps in the context of a new University strategic plan, more emphasis on shared governance and articulating policies, and more focus on diversity, particularly in leadership. Additional feedback and items for consideration in 2014-15 included:

- The President's need to involve more people in decisions and processes;
- How does the President communicate, articulate and implement a strategic plan and funding model;
- Concerns about the changing landscape confronting higher education and intercollegiate athletics;
- Concerns about the changes in the health care market and its impact on UK HealthCare;
- Greater emphasis on graduate education and research;
- Evaluating student preparedness upon graduation;
- Continued efforts towards diversity in all areas of the campus; and
- Continued campus revitalization efforts;

Chair Brockman offered that he felt "President Capilouto has, as always, accepted constructive feedback with a resolute determination to be responsive and find ways to improve. But in virtually every area, even those where improvement was asked for, there was a sense that progress is being made and that this President is the person to lead our efforts going forward."

Chair Brockman concluded his remarks with his commitment of support to President Capilouto and the Board's new leadership. He stated that "President Capilouto said during his investiture three years ago, 'it is our time...how will we use it? What will we make of it.' " Chair Brockman remarked that "ours is a story still being written, and I can't wait to see what chapters we contribute ... what pages we help author... with our time ...with our promise."

E. Presidential Evaluation and Compensation (ECR 1)

Chair Brockman stated that in response to the strong positive evaluation of President's performance by the various constituencies, the Executive Committee recommended: 1) increasing President Capilouto's base salary by two percent (2%) or \$10,500 to a total of \$535,500 effective retroactively to July 1, 2014; 2) awarding a performance incentive bonus of ten percent (10%) of his 2013-14 base salary (\$52,500); and 3) awarding an extraordinary performance incentive payment of \$100,000.

Chair Brockman opened the floor for discussion. Trustees Stuckert and Hawpe offered their individual appreciation for President Capilouto's performance and strongly supported the recommendations in ECR 1.

Chair Brockman called for the vote and it passed without dissent. (See ECR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

F. Nominating Committee Report

Trustee Bryant, chair of the Nominating Committee, reported that the Nominating Committee met on August 29, 2014.

G. Election of Officers

Trustee Bryant submitted the following nominations for the following offices:

For Chair - Dr. Keith Gannon

For Vice Chair - Ms. Barbara Young

For Secretary - Ms. Sheila Brothers

For Assistant Secretary - William Thro, General Counsel

Chair Brockman stated that the Board would proceed with the election of the officers. He stated that the Nominating Committee nominated Dr. Keith Gannon for chair. He asked for any nominations from the floor. Trustee Mobley moved the nominations cease. It was seconded by Trustee Hawpe and hearing no discussion, it passed without dissent.

Chair Brockman called for the vote for Dr. Keith Gannon as chair and it passed without dissent. Trustee Brockman congratulated Chair Gannon and passed him the gavel. Chair Gannon continued with the election.

Chair Gannon stated that the Nominating Committee had nominated Ms. Barbara Young for vice chair. Chair Gannon asked for nominations from the floor. Trustee Stuckert moved the nominations cease. It was seconded by Trustee Hawpe and hearing no discussion, it passed without dissent.

Chair Gannon called for the vote for Trustee Barbara Young as vice chair and it passed without dissent. Chair Gannon congratulated Vice Chair Young.

For secretary, Trustee Sheila Brothers was nominated by the Nominating Committee. Chair Gannon asked for nominations from the floor. Hearing no nominations, Chair Gannon declared the nominations closed. Chair Gannon called for the vote for Trustee Sheila Brothers as secretary and it passed without dissent. Chair Gannon congratulated Secretary Brothers.

The Nominating Committee nominated William Thro, General Counsel for the office of Assistant Secretary. Chair Gannon asked for nominations from the floor. Hearing no nominations, Chair Gannon declared the nominations closed. Chair Gannon called for the vote for General Counsel William Thro as assistant secretary and it passed without dissent. Chair Gannon congratulated Mr. Thro.

H. Election of Executive Committee

Trustee Bryant explained that per Governing Regulation II.E.2(a), stated that the chair and vice chair of the Board are two (2) of the five (5) members of the Executive Committee. The Chair of the Board of Trustees shall also serve as chair of the Executive Committee. By virtue of their newly elected offices, Chair Keith Gannon and Vice Chair Barbara Young were members of the Executive Committee. Therefore, the Nominating Committee submitted the following three nominations for the at-large members:

Dr. C. B. Akins, Sr.
Dr. E. Britt Brockman
Mr. Mark Bryant

Chair Gannon explained that the elections of the members of the Executive Committee would proceed in like fashion to the election of the officers of the Board. He stated that the Nominating Committee nominated C.B. Akins, Sr., E. Britt Brockman, and Mark Bryant as the at-large members of the Executive Committee. He asked for nominations from the floor. Seeing none, Chair Gannon declared the nominations closed.

Chair Gannon moved approval of the slate as presented by the Nominating Committee and it passed without dissent.

I. President's Report (PR 1)

President Capilouto began by thanking Trustee Brockman for his kind and generous words, his support and friendship over the last three years. He especially appreciated the kind words regarding Mary Lynne Capilouto. He congratulated the new Board leadership and looked forward to working with them.

President Capilouto updated the Board on the Joint Executive MBA program with the University of Louisville. The inaugural class included 13 men and seven women. Designed as a business administration program for mid-career managers and successful leaders interested in

improving their business skills, the average age was 42 years old and included four vice presidents and two physicians. President Capilouto was pleased with the promising start of this partnership and thanked Dean David Blackwell and his staff for a job well done.

President Capilouto was pleased to introduce Dr. Suzanne Weaver Smith to share some of her exciting research being performed at UK. Dr. Smith is the Donald and Gertrude Lester Professor of Mechanical Engineering, Director of the NASA Kentucky Space Grant and EPSCoR Program, and the Director of the Unmanned Systems Research Consortium at UK. As Director of the Consortium, she leads a multi-institutional team of scientists and engineers on a project for the International Space Station. The project, which requires a zero gravity environment, may result in advances in solar energy, advance manufacturing and other high technology fields. The work, supported by a NASA space grant, includes collaborators from the University of Louisville and Western Kentucky University.

Dr. Smith thanked the Board for the opportunity to share her research. She explained that aerospace is a combination of aeronautics and space, including not only the study of the stars, but aircraft of all types and space education. The aerospace industry is Kentucky's leading export. One research project currently underway at UK is the multidisciplinary study and production of thermal protection systems. Commonly referred to as "heat shields," it involves materials engineering, intricate high heat experimentation, and computer modeling. One of the leading experts, Dr. Alexandre Martin leads a team of UK engineers and students in this research.

Another project involves un-manned aerial systems. Autonomous systems range from driverless cars to precision agriculture aids for farmers to devices that assist with bridge inspections. Collaboration from 16 faculty in three colleges (College of Agriculture, Food and Environment, College of Arts and Sciences and College of Engineering) and more specifically from the departments of Mechanical Engineering, Electrical Engineering, Computer Science, Biosystems Engineering, and Geography are working together to develop new technologies. Another exciting area of research is the International Space Station. The space station is a national laboratory, supporting research of companies like Proctor and Gamble, cancer studies and small satellite launches. These and other efforts include 45 to 60 students a year.

Dr. Smith concluded that the manufacturing, research, extension and educational opportunities within the aerospace field are a dynamic enterprise at the University of Kentucky and a powerful economic engine for the state of Kentucky.

In his next report, President Capilouto shared the preliminary fall 2014 enrollment information. With a priority to grow enrollment in a smart and strategic manner, President Capilouto shared that this year the University of Kentucky will eclipse 30,000 students for the first time in UK's history. Other progress on priorities included:

- Largest undergraduate African American enrollment - 2107
- Largest undergraduate Hispanic enrollment – 849
- Largest undergraduate international enrollment – 807
- Nearly doubled the number of students in Living Learning Programs – 1734
- Remarkable levels of students, academic quality and diversity are present in

UK's first-year class:

- Largest first year enrollment – 5188
- Largest number of first-year students with an ACT/SAT of 31-36 – 574
- Largest number of first-years students with a perfect ACT/SAT score – 10
- 113 total scholars from the National Merit Scholarship Program, National Achievement Scholarship Program and National Hispanic Scholars
- 674 students have a 31-36 ACT
- Average ACT composite score of 25.5
- Average high school GPA of 3.63
- Forty-nine new Singletary Scholars with 82% from Kentucky

President Capilouto was pleased to recognize and introduce some of the perfect ACT/SAT students to the Board. They were:

Noah Dixon, Nicholasville, KY, College of Arts & Sciences - Biology

Stephanie McCormick, Richmond, KY, College of Engineering – Pre-Electrical Engineering

Timothy Koester, Florence, KY, College of Health Sciences – Human Health Sciences

Gloria Griffin, Aurora, IL, College of Arts & Sciences – Biology

Michelle Tam, Alpharetta, GA, College of Arts & Sciences – Psychology

Jacob Miller, Mt. Vernon, Ohio, College of Arts & Sciences – Mathematics

The Board gave them a round of applause.

President Capilouto thanked Provost Christine Riordan, Associate Provost for Enrollment Management Don Witt, their staffs, deans and faculty for their efforts building, enrolling and matriculating a promising and historic group of students.

President Capilouto closed with some of his thoughts about UK's future. He began by thanking the Board for:

“...believing in the University of Kentucky. I want you to know that I believe in you. I believe in our faculty, staff and students. All of the positive comments are tribute to a supportive team, who every day reminds me that the work is important but who you do it with can often be even more so.

To that end, August was a time for reflection and gratification for me. This year, it held for me my 65th birthday and my 36th wedding anniversary. It also coincides with the honor to represent you in welcoming the largest, most academically prepared and most diverse class in this University's history. At the same time, we have participated together in game-changing announcements for the campus and Commonwealth. Announcements that support our work of education, research, service and health care; all of it made possible because of your support and the tireless work of our faculty and staff.

To celebrate our special August, Mary Lynne, Emily and I traveled to Normandy, a place I have long wanted to visit. In preparation, I read much about D-Day.

There, we somberly walked the beaches and fields of battle. We saw the places where on day one of the invasion nearly everything went badly and was marked in overwhelming numbers by death. The scene, even more than 70 years later, helps one understand in powerful ways the courage, determination and heroism it took to liberate Europe; the overwhelming collection of force and humanity that had to be mustered to save democracy from a genocidal tyrant.

So it was with great reverence and gratitude that I walked into the American cemetery overlooking the beaches of Normandy, where 9,386 brave souls rest in peace and the names of another 1,557 missing are inscribed in stone. Thousands of white crosses and Stars of David arrayed in solemn order on neatly manicured lawns, overlooking the wind-swept beaches of Normandy. It's a hauntingly beautiful paradox -- at once, a testament to the results of singular, countless instances of heroism and collective sacrifice, balanced by the horror of war and the result of ignoring looming threats and the well-intentioned avoidance of hard choices.

Thousands of crosses and Stars of David. Our country gave only two choices for your dog tag. Each one tells a story. Fate drew us to one. And its story is one that I keep coming back to. The name on the marker is Howard Henry, a Ranger, a Kentuckian, who died on August 19, 1942; two years before the invasion of June 6, 1944. He was part of a reconnaissance raid to better understand German defenses. Thanks to our W.T. Young Library and Louis B. Nunn Center for Oral History, I have learned more about Ranger Henry and even more from oral histories of Kentuckians who survived the invasion with wounds and memories of triumph, sorrow and melancholy. T/4 (Technician Fourth Grade) Ranger Howard Henry was wounded at Dieppe and died in an English hospital. He was described as "the best of the best." He was one of two American citizen soldiers to first shed blood on European soil and make the ultimate sacrifice in the name of freedom.

Howard Henry was from Harlan. Howard Henry was a man who was proud of his big black moustache. He planned to be an electrical engineer. It was a dream denied.

Thousands of miles and lifetimes away, Mary Lynne and I, last week, were part of the UK family that turns out to welcome new students and their families. We often ask, "Where are you from? What do you plan to study?" Frequently I heard, "I want to be an engineer." Dean John Walz, College of Engineering, tells me this year's freshman class has 800 majors in engineering. That is good news for Kentucky as so many of the jobs and businesses that will be cornerstones in a 21st century economy depend on the kinds of skills and knowledge learned in engineering classes. We rank in the bottom five states in engineering graduates per 100,000 people.

Later in the week, at Dean Walz's kind request, Mary Lynne and I hosted with John and his wife, Moira, a lovely supper at Maxwell Place for several successful

engineering graduates and their spouses who have been generous to our college and University. We listened to dazzling stories of successes from construction to commerce, touching all corners of the Commonwealth and the globe. We talked about upheaval in the world and, as one person said, the terrorism of self-righteousness. And we talked about the joys of living – children, grandchildren, friends, sunrises and sunsets.

Lives fulfilled. Dreams realized. From welcoming future engineers to saying good night to our supper guests, my thoughts kept returning to Howard Henry; what he gave up, what he missed in life and what blessings our state would have known from his full life. And as I reflect on my time in Normandy, amidst both its horror and beauty, I think, too, about the lives that he and others saved.

As I read the names and thought of the lives they saved, it reminded me of the meaningful passage from the Hebrew Talmud that "whoever saves one life, saves the world entire." Like the greatest generation, our generation is being called. We are called to educate and serve. We are called to save lives. We are called to build and empower communities. Changing lives, for and with communities.

This brings me to another powerful August day, when I traveled to Hazard with Mark Evers, director of our Markey Cancer Center. There, at the Hazard Community and Technical College, we joined Congressman Hal Rogers and Centers for Disease Control Director Tom Frieden, MD, both of whom spent three days in the district as part of the Governor's and Congressman's Shaping Our Appalachian Region (SOAR) initiative. At every stop, UK was clearly visible. Dr. Karpf, our clinicians on the ground, extension agents and investigators who work side-by-side with community members to make life kinder and longer; professionals dedicated to making a community healthy so it can be attractive to families and businesses.

Dr. Frieden showed data comparing our 5th District to a healthy community in the United States. Every year there are 2,700 preventable deaths in the 5th District for the top five killers – cancer, heart disease, chronic lower respiratory diseases, stroke and unintentional injuries. Every three years, less than that really, we fill a cemetery the size of the one I witnessed in Normandy. Every three years we create a Normandy of death and loss; dreams denied, lives cut short, potential lost for our state.

And although the challenges of these dreaded diseases are perhaps most acute in the hills of Appalachia, they exist in rates much too high across Kentucky. Sadly, if you include the entire state, I am sure we fill a Normandy-size cemetery much quicker. And much of it can be prevented. Given our capacity as a people, given our desire to do good, isn't this unacceptable? Sure it is. The only question we should be asking is "what are we going to do about it?"

President Capilouto continued:

“I know many people think the horrific numbers are fate for a place where too many subsist on government "hand-outs." If we think only that way, we are blind to our advantage and insensitive to disadvantages that I know people want to overcome. Sometimes the problems are bigger than one person can bear. Many people are ready to give up on this place and see these excess deaths as unalterable. And if you read or watch media accounts, you are often left with the impression that it is a place without hope. But I believe these places define hope.

And you would too if you were with me and other UK faculty and staff:

- In Inez, Martin County, where Lyndon Johnson declared the War on Poverty and where today a school district worked to move its standardized test scores from the bottom third to the top third in the state.
- In a small community hospital in Manchester, where Dr. Karpf and a team from UK HealthCare recently initiated a new partnership with Manchester Memorial Hospital, Appalachian Regional Health Care and our Gill Heart Institute. The partnership will allow those community residents the certainty that they will receive the very best in cardiac care close to home. And, in Manchester, we hope to announce soon that a UK eye care specialist is on the way.
- Working with Joe Craft and Alliance Coal, we've helped create a clinic that provides health care for each of the company's mines in Eastern Kentucky and West Virginia.
- In Whitesburg, a sign, Faith Moves Mountains, hangs on a storefront downtown. In those small offices, Nancy Schoenberg with our College of Medicine works with churches to increase cancer screenings and promote healthier lifestyles.

But our work isn't limited to one region. Where need exists we are there.

- In Madisonville, in Western Kentucky, we've tackled high incidences of pre-term, low birth weight babies by improving oral health.
- In Louisville, through an innovative partnership with Norton HealthCare, we are working to expand access to cutting-edge clinical trials -- the kind of access we promised when Markey received NCI status more than a year ago.
- In Lexington, in response to persistent problems of homelessness, we have, since 1986, operated a free clinic at the Salvation Army.

From city to town, from hamlet to holler, we are unleashing the power of discovery to extend and enhance lives in communities of need. These partnerships, with communities, for communities, are seeing results, as Dr. Evers reported in Hazard.

For example, through the coordinated efforts of the Kentucky Cancer Consortium located at the Markey Cancer Center, the colorectal screening rate in Kentucky has gone from 49th, second to the lowest among all states, to 20th. Over this same period, the incidence rate from colorectal cancer has dropped by 24% and the death rate has dropped by 28%. This is a remarkable public health accomplishment not matched by any other state.

All of these partnerships underscore for me a vital truth -- Kentuckians are a proud and resourceful people. Even in communities where life and circumstance have not been kind, resilience and resolve tell a story, too; one of people who have not given up. We all know, in person or through loved ones, that medical misfortunes do not care who they touch or crush. Alzheimer's, Parkinson's, ALS or juvenile diabetes will find us wherever we live and rob us and our families of life's richness. Dreams deferred or lost; lives like Ranger Henry, unfulfilled. Promise and potential, through circumstance or choice, unmet.

It is time to make death a beggar in Kentucky.

Health disparities, whether the result of circumstance, region, income or race, can be overcome. Lives can be saved. Communities should be rebuilt and renewed. Science and scientists at UK can unlock mysteries and make break- breakthroughs from the cellular to community level to save lives.

But we cannot do it without talent and infrastructure. Leading scientists and researchers want to join us, attracted by the work they see being done here. Yet, today, we cannot accommodate them because we are out of quality research space. What is the cost? Without more space, we are saying no to some of the finest talent; those who want to join us in our quest for a healthier and more prosperous Kentucky. People who can make a difference.

Don't get me wrong. We will not conquer these maladies overnight. Some diseases take a lifetime to surface or lie deep within a complex genetic code that until recently was only understood by our maker. But cellular discovery, personalized medicine and community solutions are on the horizon if we are willing as individuals and a Commonwealth to invest, now.

Think of just one example of this idea of personalized medicine that can unleash community renewal and global results. Some breast cancer patients have what is called "Human Epidermal growth factor Receptor 2 (HER2) positive breast cancer." Patients who are HER2 positive have a gene mutation that produces this protein that promotes the growth of breast tumors. Women who have this gene mutation have a much worse prognosis as this is a more aggressive form of the cancer. However, we have a drug called "Herceptin" that specifically targets HER2 and is very effective in this type of breast cancer. Just one example of deeply personal medicine, profound community impact."

President Capilouto concluded:

“What choice will we make? What more could we do? What story, together, will we choose to tell?”

Our circumstances today remind me of the story often told by President Kennedy, about the great French Marshal Lyautey, who asked his gardener to plant a tree. The gardener objected that the tree was slow growing and would not reach maturity for 100 years. The marshal replied, “In that case, there is not time to lose, plant it this afternoon.”

This afternoon Mary Lynne and I want to plant a tree and, with you, see if we can help it grow. We are announcing our gift of \$250,000 to the University of Kentucky to fight health disparities and save lives in the Commonwealth. Specifically, we are taking a stand today, toward our efforts to construct a multi-disciplinary research building. A basecamp where UK investigators from a broad array of disciplines work with and for our community partners who are on the frontlines in outposts like community hospitals, extension offices and doctor’s offices.

Such a facility, dedicated with fervor and focus on the seemingly intractable scourges confronting Kentucky, can change our state for the next 100 years. The fact is that discovery and healing today take place not just in one discipline but at their intersection across and among disciplines, where talent meets, creates and discovers.

Of course, our gift alone is not enough. No one gift is. We need other gardeners to join us. We need our state to listen when we again ask for Bucks for Buildings and Brains. We need to plant now to grow the future in which all Kentuckians can share.

As I said to you in my investiture speech three years ago; there is no easy time, there is only our time. We have no time to lose. We have a moment in time, a window of opportunity to move forward, rather than retreat. To fulfill our promise.

Let us not hesitate or waver. Let us plant today for that brighter tomorrow that we know is within our grasp.

Thank you, Mr. Chairman. Thank you for your confidence in me. Thank you, more importantly, for the hope you have invested in the promise of this place.”

President Capilouto received a standing ovation and round of applause.

J. Appointment/Reappointment to Board of Directors University of Kentucky Mining Engineering Foundation, Inc. Equine Research Foundation, Inc. (PR 3)

President Capilouto stated that PR 3 was the recommendation that the Board of Trustees approve the appointment of Brad Geiger, Gerry Pearson and Greg Wooten, and the reappointment of Chris Adkins, Rocky Adkins, Rodney Andrews, Chauncey Curtz, Michael D. Day, J. Steven Gardner, Jon Giesen, Dennis Hatfield, Samuel S. Johnson, Bryan Lummus, Deborah B. Moses, Stanley Pigman and Jack Richardson to the Board of Directors of the University of Kentucky Mining Engineering Foundation for two-year terms ending June 30, 2016.

Chair Gannon asked for a motion for approval of PR 3. Trustee Stuckert so moved and it was seconded by Trustee Akins. With no discussion, Chair Gannon called the question and it passed without dissent. (See PR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Appointment/Reappointment of Board of Directors University of Kentucky Research Foundation (PR 4)

President Capilouto stated that PR 4 was the recommendation that the Board of Trustees approve the reappointment of Henry Jackson (public member) for a three-year term ending June 30, 2017 to the Board of Directors of the University of Kentucky Research Foundation (UKRF).

Chair Gannon asked for a motion to approve PR 4. Trustee Mobley so moved and it was seconded by Trustee Vance. With no discussion, Chair Gannon called the question and it passed without dissent. (See PR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

L. Naming of University Buildings: Dining Facility (PR 5)

President Capilouto stated that PR 5 was the recommendation that the Board of Trustees approve the official naming of the new student dining/commons facility at the University of Kentucky located at the corner of Woodland Avenue and Hilltop Avenue, Lexington, Kentucky as “The 90.”

The request to name the new student dining/commons facility was submitted by the UK Dining Implementation Team, which includes University of Kentucky staff, students and Aramark representatives. The new facility naming recommendation was strongly recommended by students, who already use “The 90” reference for the corner of Woodland Avenue and Hilltop Avenue.

Chair Gannon asked for a motion to approve PR 5. Trustee Booth so moved and it was seconded by Trustee Holland. With no discussion, Chair Gannon called the question and it passed without dissent. (See PR 5 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

M. Candidates for Degrees: August 2014 (ASACR 1)

Trustee David Hawpe, member of the Academic and Student Affairs Committee, stated that ASACR 1 authorizes the President to confer degrees for those who completed their work leading to those degrees by the close of Summer 2014.

On behalf of the Academic Affairs Committee, Chair Gannon asked for approval of ASACR 1 and it passed without dissent. (See ASACR 1 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported the University Athletics Committee met that morning.

In business items, the Committee acknowledged the gifts and pledges to fund Department of Intercollegiate Athletics capital projects in general and more specifically for the football training facility and practice fields.

Athletics Director Barnhart reviewed for the Committee FCR 23, Renovate/Replace Playing Field – Commonwealth Stadium Capital Project. The project will renovate and replace the natural grass playing field with a synthetic surface, thus allowing the field to be used more regularly by not only the football program, but other sports programs as well. The Committee recommended approval to the Finance Committee.

AD Barnhart presented an update of activities in the Department. Highlights on the field since the June 10 Board meeting included a No. 11 finish in Directors' Cup standings, breaking last year's record finish (at No. 25). Eighteen of 22 sports contributed to this finish, with seven teams finishing in the top 10 for their respective sports.

Earlier this month, men's basketball enjoyed a successful six-game tour in the Bahamas. In the first full weekend of the 2014-15 athletics year, football had an impressive win, women's and men's soccer won at home in the newly dedicated Wendell and Vickie Bell Soccer Complex, volleyball hosted and won the Bluegrass Battle in Memorial Coliseum and cross country had an impressive meet in Nashville.

Off the field, highlights include the successful launch of the new SEC Network on August 14 and the announcement of six new members of the UK Athletics Hall of Fame. Their induction will be held during Hall of Fame weekend September 26-27. Football senior Max Godby was nominated for the Allstate AFCA Good Works Team, which is the top college football honor for recognizing outstanding community service achievements. Mr. Godby was also named SEC Football Community Service Team Member of the Week.

Chair Akins concluded his report with the news that nine student-athletes made the second of two annual department-sponsored service trips to Ethiopia in July. The trip continues to serve as a unique opportunity to give UK student-athletes a perspective they otherwise never would get, in addition to being an incredible bonding experience.

O. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, stated the consent items FCR 1 through FCR 6 were vetted earlier in the day at the Finance Committee Meeting.

P. Approval of Deed of Conveyance to the Commonwealth of Kentucky Transportation Cabinet, Department of Highways for Highway Improvements in Trigg County, Kentucky (FCR 7)

Trustee Stuckert stated that FCR 7 was the recommendation that the Executive Vice President for Finance and Administration, or his designee, be authorized to negotiate and execute a Deed of Conveyance between the University of Kentucky, as Grantor, and the Kentucky Transportation Cabinet, Department of Highways, as Grantee, for the University of Kentucky's one-third interest in 1.47 acres of real property located in Trigg County, Kentucky.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 7 and it passed without dissent. (See FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. Authorization to Negotiate, Acquire and Renovate Academic/Administrative Space Capital Project (Employee Wellness Center) 1020 Export Street, Lexington, Kentucky (FCR 8)

Trustee Stuckert stated that FCR 8 requested that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate, acquire and renovate the building located at 1020 Export Street, Lexington, KY at a price not to exceed \$1,525,000; and, pending acquisition, approve the initiation of the Renovate Academic/Administrative Space Capital Project (Employee Wellness Center).

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 8 and it passed without dissent. (See FCR 8 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

R. Improve/Upgrade Alumni Drive Capital Project (FCR 9)

Trustee Stuckert stated that FCR 9 was the recommendation that the Board of Trustees approve the initiation of the Improve/Upgrade Alumni Drive Capital Project.

Alumni Drive serves both as a local access route for the surrounding campus, and as a cut-through connector route between the two principal arterials of Nicholasville and Bates Creek roads. This project will address several hazardous conditions along this east-west thoroughfare. The Kentucky Transportation Cabinet included this project in their 2014-16 Biennial Highway Construction Plan which was authorized by the 2014 Kentucky General Assembly. The scope of the project is \$5,000,000 and will be funded with state road funds.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 9 and it

passed without dissent. (See FCR 9 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

S. Renovate/Update Academic Space – Patterson Hall Capital Project (FCR 10)

Trustee Stuckert stated that FCR 10 was the recommendation that the Board of Trustees approve the initiation of the Renovate/Upgrade Academic Space – Patterson Hall Capital Project. Patterson Hall will be renovated and upgraded for use as classrooms, study areas and gathering spaces as part of the Living Learning Program. Renovations will also include office space for functions supporting UK students. With a project scope of \$15,000,000, the renovation will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 10 and it passed without dissent. (See FCR 10 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

T. Repair/Upgrade/Expand Central Plants Capital Project (CUP Boiler Feed Water System) (FCR 11)

Trustee Stuckert stated that FCR 11 was the recommendation that the Board of Trustees approve the increase in scope from \$1,000,000 to \$1,400,000 for the Repair/Upgrade/Expand Central Plants (CUP Boiler Feed Water System) Capital Project. The actual bids to replace/enhance the existing feed water system exceeded the engineer's original estimate, thus requiring an increase to the previously approved scope. The updated scope of the legislatively authorized project is \$1,400,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 11 and it passed without dissent. (See FCR 11 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

U. Repair/Upgrade/Improve Building Mechanical Systems Capital Project (F. Paul Anderson Tower) (FCR 12)

Trustee Stuckert stated that FCR 12 was the recommendation that the Board of Trustees approve the initiation of the Repair/Upgrade/Improve Building Mechanical Systems Capital Project (F. Paul Anderson Tower). This capital project will replace and upgrade a three-elevator system in Anderson Tower. The elevators, original to the building, have had only one minor upgrade since the building's construction in 1966. The capital project will add emergency power and replace the existing machines, cables, controls, doors and the interiors. The replacement and upgrade of this mechanical system is necessary to meet current codes and safety requirements as the system has outlived its useful life. The project scope is \$700,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 12 and it passed without dissent. (See FCR 12 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

V. Upgrade/Renovate Space in Multi-Disciplinary Science Building Capital Project (FCR 13)

Trustee Stuckert stated that FCR 13 recommends the approval of the initiation of the Upgrade/Renovate Space in Multi-Disciplinary Science Building Capital Project. This capital project will renovate the fourth floor (approximately 15,750 square feet) of the Multi-Disciplinary Science Building. The renovation will include reconfigured academic, administrative and support spaces; updated finishes and fixtures; and necessary upgrades to mechanical and electrical components. The renovated space will house several University units, including the Disability Resource Center, The Graduate Center for Gerontology and Student Support Services. The project scope is \$4,000,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 13 and it passed without dissent. (See FCR 13 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

W. Lease/Purchase of Defibrillator Equipment – UK HealthCare (FCR 14)

Trustee Stuckert stated that FCR 14 was the recommendation that the Board of Trustees approve the lease/purchase of defibrillator equipment. The replacement of the fleet of defibrillators is necessary to standardize the equipment to a single platform across the UK HealthCare enterprise and help ensure the highest levels of quality and safety for patients and staff. The capital lease is expected to not exceed \$2,300,000 with zero percent interest over three years. The lease/purchase will be funded by agency funds. The University's Debt Committee reviewed the capital lease and assessed the impact on the institutional debt capacity. The Debt Committee has determined that acquisition of these items by lease/purchase is consistent with the University's Debt Policy.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 14 and it passed without dissent. (See FCR 14 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

X. Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Kentucky Clinic Medical Plaza Second Floor) (FCR 15)

Trustee Stuckert stated that FCR 15 was the recommendation that the Board of Trustees approve the initiation of the Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Kentucky Clinic Medical Plaza Second Floor).

This project will renovate the areas currently occupied by the Department of Medicine Clinics and the Department of Urology Clinic located in the Kentucky Clinic Medical Plaza Building. The Department of Urology Clinic's patient load has significantly expanded since its last renovation in 2002, thus requiring expanded updated space. While the Department of Medicine Clinics have had some minor renovations and refurbishments, there have not been any major renovations since the original construction in 1983. This renovation and expansion will create more usable exam rooms, enhance patient and staff circulation, improve waiting areas and

upgrade the HVAC systems to current standards. The project scope is \$7,500,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 15 and it passed without dissent. (See FCR 15 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Y. Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Pediatric Hematology/Oncology – Pavilion H) (FCR 16)

Trustee Stuckert stated that FCR 14 was the recommendation that the Board of Trustees approve the initiation of the Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Pediatric Hematology/Oncology – Pavilion H).

This capital project will renovate space on the fourth floor of Pavilion H to relocate Pediatric Hematology/Oncology services. The renovation will create pediatric exam room space and locate Pediatric Hematology/Oncology services in proximity to other pediatric services also on the fourth floor of Pavilion H.

This project will result in enhanced overall coordinated care for children. The \$1,400,000 project will be funded with agency funds and private funds raised by DanceBlue.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 16 and it passed without dissent. (See FCR 16 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Z. Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital – Replace Electric Switchgear) (FCR 17)

Trustee Stuckert stated that FCR 17 was the recommendation that the Board of Trustees approve the initiation of Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital - Replace Electric Switchgear).

This capital project will replace a portion of the electric switchgear located in the Good Samaritan Hospital. The electric switchgear, original to the hospital building, controls the distribution of electricity throughout the facility. A portion of the switchgear is susceptible to failure and replacement is critical to ensure reliable electrical service for patient care and to meet regulatory requirements. This project also includes re-circuiting several crucial services to minimize downtime during the switchgear replacement.

This project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for the UK HealthCare facilities. The project scope is \$1,500,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 17 and it passed without dissent. (See FCR 17 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

AA. Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Pavilion HA Air Handling Unit #9) (FCR 18)

Trustee Stuckert stated that FCR 18 was the recommendation that the Board of Trustees approve the initiation of Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Pavilion HA Air Handling Unit #9). This AHU is 26 years old and in poor mechanical condition. Replacement of the unit is necessary to ensure air quality, meet regulatory requirements and to maintain the interior environment without temperature fluctuation.

This project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for UK HealthCare facilities. The project scope is \$2,000,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 18 and it passed without dissent. (See FCR 18 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

BB. Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital Air Handling Units #20 and #22) (FCR 19)

Trustee Stuckert stated that FCR 19 was the recommendation that the Board of Trustees approve the initiation of Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital Air Handling Units #20 and #22). These units are 38 years old, in poor mechanical condition, and do not provide sufficient airflow to meet current code requirements. Replacement of these AHUs is necessary to ensure patient and staff comfort on the ground and first floors and air quality and compliance with other regulatory requirements.

This project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for UK HealthCare facilities. The project scope is \$1,500,000 and will be funded with agency funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 19 and it passed without dissent. (See FCR 19 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

CC. Authorization for Disposal of Surplus Equipment (FCR 20)

Trustee Stuckert stated that FCR 20 was the recommendation that the Board of Trustees authorize the sale of hospital-owned infusion pump and wound vacuum clinical capital equipment assets to Universal Hospital Services (UHS), a medical equipment management solutions provider specializing in equipment-based patient care solutions. The assets to be sold to UHS will be used within their Asset360 equipment management program provided to UK

HealthCare. The program combines technology, manpower and data to improve patient safety and clinical efficiency with regard to equipment distribution so that clinicians have the required equipment delivered and available for patients in a timely manner.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 20 and it passed without dissent. (See FCR 20 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

DD. A Resolution Providing for the Authorization, Issuance and Sale of General Receipts Obligations of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005. (FCR 21)

Trustee Stuckert stated that FCR 21 was the recommendation that the Board of Trustees approve a Resolution authorizing the issuance, in one or more installments, of General Receipts Bonds in an approximate principal amount of \$370,000,000, and General Receipts Refunding Bonds in the principal amount or respective principal amounts required to accomplish the refunding of the Consolidated Educational Buildings Revenue Bonds, Series U, dated August 23, 2005.

The Resolution approves the issuance of the HealthCare Facilities, Student Center and Refunding Obligations for the purpose of (i) financing the projects identified in House Bill 235 of the General Assembly of the Commonwealth of Kentucky, 2014 Regular Session, as enacted, as "Renovate/Upgrade HealthCare Facilities" and "Renovate/Expand University Student Center" (the "HealthCare Facilities and Student Center") and (ii) refunding the Prior Bonds.

The Resolution also approves the offering for sale of the HealthCare Facilities, Student Center and Refunding Obligations in one or more installments, on a date or dates to be determined by the Treasurer of the University, upon the advice of the Financial Advisor to the University. The Resolution further authorizes the acceptance of the bid or bids for the sale of the HealthCare Facilities, Student Center and Refunding Obligations by the Treasurer.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 21 and it passed without dissent. (See FCR 21 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

EE. A Resolution Providing for the Authorization to Enter Into an Agreement with PNC Bank to Issue a Standby Letter of Credit for the University of Kentucky on behalf of Central Kentucky Management Services, Inc. in favor of Safety National Casualty Corporation (FCR 22)

Trustee Stuckert stated that FCR 22 was the recommendation that the Board of Trustees approve a Resolution authorizing the Treasurer to enter into an agreement with PNC Bank for a Standby Letter of Credit in the amount of \$250,000, the applicant being The University of Kentucky on behalf of Central Kentucky Management Services, Inc. (CKMS), naming Safety National Casualty Corporation (SN) as sole beneficiary and also authorizing the Treasurer to

execute the appropriate documents. The Letter of Credit will have a term of a minimum of one (1) year and will be automatically extended (without amendment) on an annual basis.

In June 2014, CKMS employees were included in the University of Kentucky's self-insured workers' compensation authorization. Subsequently the Kentucky Department of Workers' Claims determined that given the use of CKMS employees to staff Eastern State Hospital, the University could not include the CKMS employees in the University's self-insured program and CKMS would have to obtain commercial insurance. On August 1, 2014, CKMS selected a large deductible workers' compensation policy from SN. Under a large deductible policy, SN pays the claims and is then reimbursed by CKMS for the workers' compensation claims and related expenses. SN requires security for this arrangement in the form of a Standby Letter of Credit with the applicant being the University of Kentucky on behalf of Central Kentucky Management Services, in the amount of \$250,000.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 22 and it passed without dissent. (See FCR 22 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

FF. Renovate/Replace Playing Field – Commonwealth Stadium Capital Project (FCR 23)

Trustee Stuckert stated that FCR 23 was the recommendation that the Board of Trustees approve the initiation of the Renovate/Replace Playing Field – Commonwealth Stadium Capital Project.

This project will renovate and replace the natural grass playing surface with a synthetic “in-fill” type surface for the Department of Intercollegiate Athletics' football program. Additionally, the field will be used to support University student-athletes participating in other sports as the new, more durable surface will allow additional events to be scheduled in Commonwealth Stadium which are not possible on the existing playing surface. The project scope is \$1,000,000 and will be funded with private funds.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 23 and it passed without dissent. (See FCR 23 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

GG. Fiscal Year 2014-15 Budget Revisions (FCR 24)

Trustee Stuckert stated that FCR 24 was the recommendation that the Board of Trustees authorize and approve the following revisions to the Fiscal Year 2014-15 budget. The budget revisions will increase the University's total budget by a net \$1,994,300 – from \$3,010,837,600 to \$3,012,831,900.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 24 and it passed without dissent. (See FCR 24 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

HH. Capital Construction Report (FCR 25)

Trustee Stuckert stated that FCR 25 was the recommendation that the Board of Trustees approve the Capital Construction Report for the three months ending June 30, 2014. Executive Vice President for Finance and Administration Eric Monday reviewed details of the report at the Finance Committee meeting.

On behalf of the Finance Committee, Trustee Stuckert moved adoption of FCR 25 and it passed without dissent. (See FCR 25 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

II. Patent Assignment Report (FCR 26)

Trustee Stuckert stated that FCR 26 was the recommendation that the Board of Trustees accept the patent assignment report for the period April 1, 2014 through June 30, 2014. Interim Vice President for Research Lisa Cassis reviewed the report at the Finance Committee meeting.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 26 and it passed without dissent. (See FCR 26 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

JJ. Investment Committee Report

Trustee Carol Martin “Bill” Gatton, chair of the Investment Committee, reported that the committee met on Thursday, September 4, 2014 to review performance results and conduct other business.

The Endowment pool had a market value of \$1,190,000,000 as of June 30, 2014. For the year ended June 30, 2014, the Endowment pool returned 15.5 percent due to strong equity market returns during the period. The Endowment pool outperformed the policy benchmark during the year by 150 basis points due to overweight allocations to the US and non-US equity asset classes and strong relative performance by the non-US equity, private equity and absolute return asset classes.

KK. University Health Care Committee Report

Trustee Barbara Young, chair of the University Health Care Committee Report, reported that the committee met on Thursday, September 4, 2014.

Trustee Young reported that Dr. Leslie Appiah, Clinical Faculty in the Obstetrics and Gynecology provided an updated on the new Oncofertility Program at UK HealthCare and Norton HealthCare including the Markey Cancer Center, Kentucky Children’s Hospital, Norton Cancer Institute and Kosair Children’s Hospital. Dr. Appiah stated that the goal of the program is to optimize the reproductive health of both male and female patients who receive chemotherapy by providing fertility preservation therapies and evidence-based gynecological and urologic care.

Dr. Jay Grider and Murray Clark presented a report on UK HealthCare Ambulatory Planning. Dr. Grider discussed the pressing need for modern and expanded facilities to handle the huge growth in outpatient volumes. Currently, UK HealthCare is focusing attention on two areas: the construction and development of new space on Harrodsburg Road (former site of Turfland Mall) and the Shriners/Ophthalmology Clinic on South Limestone; and the expansion and refurbishment of space in the Kentucky Clinic that currently houses Medicine specialties, Pediatric Hematology/Oncology, Urology, Family Medicine, Sports Medicine, and Transplant and Cardiothoracic Surgery. The opening of the Harrodsburg Road facility will allow the creation of an attractive UK HealthCare ambulatory site that will be available to house existing programs that are now located within the Kentucky Clinic. This vacated space in the Kentucky Clinic will then be available for renovation and growth without disruption of service or care. In addition, the move of Ophthalmology to the new Shriner's facility will allow programmatic growth. The new ambulatory care center is scheduled to open in February 2015 and the renovation of the second floor of the Kentucky Clinic will begin in the spring.

Murray Clark, chief financial officer, presented the July financial and statistical review. In summary, the level of activity for inpatient discharges is above budget and the prior year. Case mix is higher than anticipated for the period, pushing patient days higher. Other key activities are up as well including outpatient visits, operating room cases, Emergency Department visits and observation and short stay cases. FTE's are below budget but are expected to increase as patient demand continues to increase and preparations begin to open a new bed floor and observation unit in December 2014. The payor mix has shifted compared to budget and the prior year as the positive impact of the Medicaid expansion program continues. The income statement shows net revenues for the month significantly above budget driven by higher patient volumes, the case mix, outliers and the Medicaid expansion program. Expenses are higher than budgeted, but appropriate to the level of activity. The higher revenues offset the higher operating expenses and the loss in non-operating income to produce an increase in overall net assets of \$20,600,000 for the month which was \$10,100,000 higher than the budget. Total income from operations was \$25,100,000 with an operating margin of 22.5 percent.

Mr. Clark continued that non-operating revenues were under budget for the month driven by negative investment income of \$2,800,000. The negative income and interest expense therefore created a net non-operating expense for the month of \$3,700,000. On the balance sheet, cash totals \$95,100,000 which includes \$90,500,000 in unrestricted funds, \$3,400,000 in restricted funds and \$1,200,000 in the plant fund. The unrestricted fund includes \$5,900,000 advanced for Eastern State Hospital which will be used for operations throughout the year. Current liabilities in total are lower than year end, reflecting the effort made at year end to record all expenses to close out the year. By July the expenses have been paid and payables return to a normal level. The financial median analysis indicates total day's cash on hand at 122.55 well ahead of the FY15 target and advancing toward the five year goal of greater than 150 days. Operating margin and earnings before interest, depreciation and amortization (EBIDA) exceed target, debt to capitalization has improved and cash to debt has improved to 85.4 percent.

Mr. Clark reviewed with the committee the eight action items. FCR 14-21 were approved by the Health Care Committee and sent on to the Finance Committee and Board of Trustees for approval.

Trustee Young reported that Dr. Colleen Swartz, chief nursing officer, presented a UK HealthCare capacity update. Again, the question that was asked at the HealthCare retreat in June, was repeated, “How will we meet the demand for the next five years and continue to optimize the care we provide?” Dr. Swartz pointed out that the daily census is still climbing with the average daily census for July surpassing all previous records. On July 23, 2014 the enterprise census topped out at 763, with 85 transitional patients. In 2013 NICU occupancy topped 84.8 percent and the Chandler Hospital overall occupancy rate was 85.5 percent.

This capacity update served as a background for a presentation by Mr. James Zembrodt, Associate Vice President for Strategic Planning (UK HealthCare) of UK HealthCare’s submittal of a Certificate of Need (CON) for 120 additional Acute Care Beds at Chandler Hospital. At present, UK HealthCare is licensed for 825 beds. An additional 120 beds will grow capacity to 945 beds and allow the UK hospital system to operate more efficiently and meet the growing demand for care at UK HealthCare. Mr. Zembrodt explained the process and criteria by which UK will apply for expansion of their licensed capacity. For a CON application to be approved, the applicant must prove and document the following:

- consistency with the state Health Plan;
- need;
- accessibility;
- inter-relationships and linkages;
- cost, economic feasibility and resource availability; and
- quality of services.

After demonstrating that UK HealthCare meets all criteria, Mr. Zembrodt ran through the expected timeline for the CON application. It is anticipated that the letter of intent will be filed on September 1, 2014 with the final decision coming on February 18, 2015.

Trustee Young stated that Dr. Andrew Bernard presented for approval the current list of privileges and credentials. The committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

LL. Other Business

Chair Gannon reviewed the 2015 proposed meeting dates of the Board of Trustees. They were:

- Thursday/Friday - February 19 & 20, 2015
- Thursday/Friday - May 7 & 8, 2015
- Thursday/Friday - June 18 & 19, 2015
- Thursday/Friday - September 10 & 11, 2015
- Friday/Saturday - October Retreat - TBD
- Monday/Tuesday - December 14 & 15, 2015

Trustee Brothers moved approval of the proposed dates. Trustee Young seconded the motion and it passed with our dissent.

Chair Gannon reminded the Board of the opportunity of a Trustee tour of some of the new dining facilities at the conclusion of the Board meeting.

Trustee Gatton asked about an update on the funding for the Gatton Building Renovation. EVPFA Monday stated that of the \$65,000,000 project, \$25,000,000 came from cash on hand. \$40,000,000 was borrowed in bonds as bridge funding as additional funds were realized. Current commitments have reached the \$50,000,000 level.

MM. Meeting Adjourned

Hearing no further business, Chair Gannon asked for a motion to adjourn the meeting. Trustee Brothers moved the meeting adjourn and it was seconded by Trustee Bryant. The meeting adjourned at 3:17 p.m. (Sheila, please confirm...)

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

(ECR 1, PR 1, 2, 3, 4 and 5, ASACR 1, FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, and 26 are official parts of the Minutes of the meeting)