

Minutes of the Meeting of the Board of Trustees
University of Kentucky
Tuesday, December 17, 2013

The Board of Trustees of the University of Kentucky met on Tuesday, December 17, 2013 in the Board Room on the 18th floor of Patterson Office Tower, Lexington, Kentucky.

A. Meeting Opened

Dr. E. Britt Brockman, chair of the Board of Trustees, called the meeting to order at 1:20 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, Jo Hern Curris, Angela L. Edwards, William S. Farish, Jr., Oliver Keith Gannon, Carol Martin (Bill) Gatton, Kelly Sullivan Holland, David V. Hawpe, Terry Mobley, Roshan Palli, C. Frank Shoop, James W. Stuckert, Irina Voro, John Wilson and Barbara Young. 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 the Chair of the University Senate Council Lee Blonder, and the University staff was represented by the Chair of the Staff Senate Jeff Spradling.

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

C. Consent Items

Chair Brockman called attention to the ten consent items on the agenda. The items were the minutes for the Board of Trustees Retreat on October 25-26, 2013 and the Board of Trustees meeting on the morning of October 26, 2013; PR 2, Personnel Actions; FCR 1, Davis and Beverly Marksbury Foundation Pledge; FCR 2, Terry Woodward Pledge; FCR 3, The Estate of Dr. Judith M. Janssen Gift; FCR 4, The Estate of Maywin S. Lauderdale Gift; FCR 5, The Roger E. Mick Gift; FCR 6, The Estate of Joy R. Wills Gift; and FCR 7, Multiple Gifts to the East and Environmental Sciences Endowed Alumni Professorship to Replace unfulfilled Pledge to Research Challenge Trust Fund. Trustee Stuckert moved approval of the consent items and Trustee Farish 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, Board of Trustees Retreat, October 25-26, 2013

Minutes, Board of Trustees Meeting, October 26, 2013

PR 2 Personnel Actions

FCR 1 Davis and Beverly Marksbury Foundation Pledge

FCR 2 Terry Woodward Pledge

FCR 3 The Estate of Dr. Judith M. Janssen Gift

FCR 4 The Estate of Maywin S. Lauderdale Gift

FCR 5 Roger E. Mick Gift

FCR 6 The Estate of Joy R. Wills Gift

FCR 7 Multiple Gifts to the Earth and Environmental Sciences Endowed Alumni
Professorship to Replace unfulfilled Pledge to Research Challenge Trust Fund

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 introduced Gatton College of Business and Economics Dean David Blackwell who presented to Trustee Bill Gatton and President Capilouto commemorative shovel plaques from the ground breaking ceremony of the renovation/expansion of the Gatton College of Business and Economics building. He thanked them both for their vision and support in making the dream for a new building a reality. Trustee Gatton gave credit to former Gatton College Dean Dick Furst, who was instrumental in making him understand that to retain first class faculty and staff, the College needed first class facilities. President Capilouto gave credit to the many individuals who shared and worked toward the fulfilment of this dream for many years.

Dean Blackwell also acknowledged and thanked Vice President for Facilities Management Bob Wiseman and his team, in particular Dall Clark and David Collins and their staff for the long hours, hard decisions and tough work.

E. President's Report (PR 1)

President Capilouto began by mentioning the many talented faculty and staff that were referenced as academic appointments, administrative appointments and personnel decisions in PR 2, Personnel Actions.

President Capilouto was delighted to introduce Dr. Nancy M. Cox, dean-appointee to the College of Agriculture, Food and Environment. President Capilouto stated that as the current Associate Dean of Research and Associate Director of the Experiment Station, Dr. Cox is highly regarded throughout the state, where she has forged strong and enduring relationships with agricultural and civic leaders and on campus as a distinguished leader and valued colleague.

Dr. Cox was honored to be in the position of representing, serving and supporting the College of Agriculture, Food and Environment. She thanked Provost Riordan and President Capilouto for the appointment. She stated the College is a key part of the fabric of the

agricultural economy and agricultural leadership in Kentucky, and it was an honor to follow Dean Smith in that role. She also was proud to represent and to serve the great students, great research programs and the nationally prominent extension service.

President Capilouto thanked Dean Scott Smith for his outstanding service as Dean of the College since 2001. Under his leadership, the College had undergone significant transformation and remains at the forefront of agricultural education programs. He noted that Dean Smith's return to faculty is met with great enthusiasm. President Capilouto also thanked Provost Riordan and the search committee for their outstanding service on this search.

President Capilouto shared a few stories with the Board from his travels to New York City, Washington, D.C., cities across Texas and Atlanta during the past several weeks. During this time, he met with prospective students and their families, lawmakers and their staff, policy leaders, alumni, donors and friends of the University. In particular, in Washington, D.C., he met with the Director of the National Institutes of Health (NIH) Dr. Francis Collins, Association of Public and Land-grant Universities (APLU) President Peter McPherson and Kentucky legislative leaders to discuss the impact of sequestration. Vice President for Research Jim Tracy and UK's federal legislative liaison Bill Schweri accompanied President Capilouto on these visits. He reported that Chairman Hal Rogers, Congressman Brett Guthrie and Congressman Andy Barr were well-versed and had significant concerns for other issues affecting the University. President Capilouto was grateful for their willingness to take time from their schedules and to be informed about matters as they relate to Kentucky's flagship university. He shared that he was confident that they listened and will translate our concerns into their decisions.

President Capilouto recognized the over 1,900 undergraduate and graduate student candidates for graduation who would be joined by their families and friends at the December Commencement ceremonies at Memorial Coliseum on December 20, 2013.

President Capilouto shared that he and his wife, Mary Lynne, had the pleasure of hosting the acoUstiKats before their nationally televised participation on the television show "The Sing Off" and were proud of their achievements to date.

In closing, President Capilouto recognized and congratulated Trustee Jim Booth and his wife Linda for their outstanding commitment to the region, their extraordinary investment in Kentucky's success and long standing service to Morehead State University. He shared that the Booths were awarded with honorary doctorates of letters at the Morehead State University's commencement ceremony recently.

F. Appointment of Dean of the College of Agriculture, Food and Environment (PR 3)

Chair Brockman stated that PR 3 is the recommendation of the appointment of the Dean of the College of Agriculture, Food and Environment. Trustee Farish moved approval and it was seconded by Trustee Shoop. Chair Brockman opened the floor discussion. Trustee Shoop stated that he had been extremely impressed with Dr. Cox's work over the years, and was extremely pleased by her appointment. He was happy to see the College's future in such capable hands. Chair Brockman called for the vote and it passed without dissent. (See PR 3 on the Board of

Trustees website, www.uky.edu/Trustees, under agenda.)

G. Appointment to Board of Directors University of Kentucky Gluck Equine Research Foundation, Inc. (PR 4)

President Capilouto stated that PR 4 is a recommendation to the Board of Trustees to approve the appointment of Thomas Grossman, Eric Hamelback, William Lynn Jones, Mike Meuser and Dermot Ryan to the Board of Directors of the University of Kentucky Gluck Equine Research Foundation for a four-year term. Trustee Brothers moved approval of PR 4. It was seconded by Trustee Britton and it passed without dissent. (See PR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

H. Candidates for Degrees: December 2013 (ASACR 1)

Trustee Gannon, chair of the Academic and Student Affairs Committee, stated that ASACR 1 was the recommendation that the President be authorized to confer upon each individual, the degree to which he or she is entitled, upon certification by the university registrar that the individual satisfactorily completed all the requirements for the degree for which application had been made

On behalf of the Academic and Student Affairs Committee, Trustee 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.)

I. Academic Degree Recommendation: College of Communication and Information (ASACR 2)

Trustee Gannon stated that ASACR 2 was the recommendation that the Board approve the establishment of a Bachelor of Arts/Bachelor of Science with a major in Information Communication Technology in the School of Library and Information Science within the College of Communication and Information effective spring of 2014. This program has been approved by the appropriate councils and University Senate. It has completed the 45 day review by the Council on Postsecondary Education. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon asked for approval of ASACR 2 and it passed without dissent. (See ASACR 2 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

J. Academic Degree Transfer Recommendation (ASACR 3)

Trustee Gannon stated that ASACR 3 is the recommendation that the Board of Trustees approve the transfer of the Master of Science in Radiological Medical Physics with a major in Radiation Science from the Department of Clinical Sciences in the College of Health Sciences to the Department of Radiation Medicine in the College of Medicine, effective January 1, 2014. The transfer has been reviewed and recommended by the Senate Committee on Academic

Organization and Structure and the Senate Council. The University Senate endorsed the transfer. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon asked for approval of ASACR 3 and it passed without dissent. (See ASACR 3 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

K. Change in the Name of an Educational Unit: College of Public Health (ASACR 4)

Trustee Gannon stated that ASACR 4 was the recommendation that the Board of Trustees approve the change in the name of the Department of Health Services Management to the Department of Health Management and Policy, in the College of Public Health, effective immediately. The proposed change has been approved by the faculty of the Department of Health Services Management, the College of Public Health Faculty Council and the Administrative Council; reviewed and recommended by the Senate Academic Organization and Structure Committee and the Senate Council; and endorsed by the University Senate. The Provost of the University supports this recommendation.

On behalf of the Academic and Student Affairs Committee, Trustee Gannon asked for approval of ASACR 4 and it passed without dissent. (See ASACR 4 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

L. University Athletics Committee

Trustee C.B. Akins, Sr., chair of the University Athletics Committee, reported that the Committee heard a report from Deputy Athletics Director DeWayne Peevy on fall and winter sports.

Deputy Director Peevy commented on several sports. Football, which had a disappointing record this season, is proud of the 2014 incoming recruit class. It is reported to be the best in team history and ranks 12th nationally. He also reported on volleyball, men's and women's soccer, men's and women's cross country team, men's and women's golf, men's basketball and the rifle team. Women's basketball has a perfect 11-0 record and this Sunday will play the number two rated team in the nation, Duke, in Rupp Arena. Other teams in the report included men's and women's track, men's and women's swimming and diving, and gymnastics.

Off the field, there are 30 current or former student athletes who will receive degrees at the December commencement. Men's basketball team member Jarrod Polson and women's basketball team member Kastine Evans are each nominees for the Allstate Good Works Team for their dedication to volunteerism and civic service. Tyler Riggs (men's soccer), a mechanical engineering major with a 3.93 GPA, was named First Team Academic All-American. The women's basketball team participated in a Thanksgiving service project, encouraging fans to donate toiletry items and delivering them at the Bluegrass Hospitality Group's Thanksgiving Dinner for the less fortunate. Also, student-athletes, led by the Student-Athlete Advisory Committee, made blankets and delivered them to patients at UK Children's Hospital.

Mr. Peevy concluded his report by showing a video of the most recent trip to Ethiopia in which several student-athletes from various sports completed service work. These trips are led by Senior Associate Athletics Director Jason Schlafer. This was Mr. Schlafer's seventh trip, and each one of these students expressed how their entire life was changed because of what they encountered on that trip.

Trustee Akins stated that in business items, the Committee considered and accepted as presented the 2012-13 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Supplementary Information for the Department of Intercollegiate Athletics. Interim Treasurer Susan Krauss reviewed the Management's discussion and analysis of the statements of net position. This included assets, liabilities and operating revenues and expenses.

Executive Vice President for Finance and Administration Eric Monday reviewed the interim financial statements of the Department for the three months ended September 30, 2013. The information included the statement of net position, the statement on revenue and expenses, and the change in net position. The Committee accepted the quarterly financial statements as presented.

Mr. Monday also reviewed FCR 12, the resolution for the authorization, issuance and sale of approximately \$265,000,000 general receipts obligations (bonds) for the Gatton Building, Academic Science Building and Commonwealth Stadium project. The Committee recommended approval to the Finance Committee of the Department of Intercollegiate Athletics full debt service for the Commonwealth Stadium project portion and the partial debt service for the Academic Science building.

Trustee Akins also thanked Athletics Committee Community member Davis Marksbury and his wife Beverly for their generous pledge to UK Athletics. It is FCR 1 and was accepted as one of the consent items earlier in the meeting.

M. Finance Committee Report

Trustee James Stuckert, chair of the Finance Committee, reviewed the consent items: FCR 1, Davis and Beverly Marksbury Foundation Pledge; FCR 2, Terry Woodward Pledge; FCR 3, The Estate of Dr. Judith M. Janssen Gift; FCR 4, The Estate of Maywin S. Lauderdale Gift; FCR 5 Roger E. Mick Gift; FCR 6, The Estate of Joy R. Wills Gift; and FCR 7, Multiple Gifts to the Earth and Environmental Sciences Endowed Alumni Professorship to Replace Unfulfilled Pledge to Research Challenge Trust Fund. Trustee Stuckert thanked these individuals for their generosity to the University. (See FCR 1 through FCR 7 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

N. Dissolution of the Lawson Endowment Fund – Center for Research on Violence Against Women and the Transfer to other UK Center for Research on Violence Against Women Endowments (FCR 8)

Trustee Stuckert stated that FCR 8 is the recommendation of the Dissolution of the Lawson Endowment Fund - Center for Research on Violence Against Women and the transfer to

other UK Center for Research on Violence Against Women Endowments. The donor requested the market value of the Lawson Endowment be transferred to the Georgia Davis Powers Endowment and the CRVAW General Endowment.

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.)

O. Acceptance of the 2012-13 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Supplementary Information (FCR 9)

Trustee Stuckert stated that FCR 9 is the acceptance by the Board of the 2012-13 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Supplementary Information.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 9. Trustee Brothers recognized and thanked EVPFA Eric Monday, his office and the many hundreds of UK staff who work daily to ensure that the University finances are honest and transparent. Chair Brockman called for the vote and it passed with 19 affirmative votes and one abstention by Trustee Voro. (See FCR 9 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

P. Acceptance of the Interim Financial Report for the Three Months Ended September 30, 2013 (FCR 10)

Trustee Stuckert stated that FCR 10 is the recommendation that the Board accept the Interim Financial Report for the three months ended September 30, 2013.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 10 and it passed with 19 affirmative votes and one abstention by Trustee Voro. (See FCR 10 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

Q. 2013-14 Budget Revisions (FCR 11)

Trustee Stuckert stated that FCR 11 was the recommendation that the Board of Trustees authorize and approve revisions to the 2013-14 Operating and Capital Budget. The budget revisions will increase the University's total budget by \$18,864,100 or 0.7 percent, from \$2,709,205,300 to \$2,728,069,400.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 11 and it passed with 19 affirmative votes and one abstention by Trustee Voro. (See FCR 11 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

R. A Resolution Providing for the Authorization, Issuance, and Sale of Approximately \$265,000,000 General Receipts Obligations (Renovate/Expand Gatton Building, Academic Science Building and Commonwealth Stadium Project) of the University of Kentucky,

Pursuant to the Trust Agreement dated as of November 1, 2005. (FCR 12)

Trustee Stuckert stated that the FCR 12 is a recommendation that the Board of Trustees approve a Resolution authorizing the issuance, in one or more installments, of approximately \$265,000,000 of University of Kentucky General Receipts Obligations (Renovate/Expand Gatton Building, Academic Science Building and Commonwealth Stadium Project), to be designated General Receipts Bonds, 2014 Series A (or such series designation that is appropriate to the order of issuance thereof, the "2014 Series A Bonds") and to be dated as of a date determined by the Treasurer.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 12. Trustee Voro asked if the three building projects could be voted on separately. She stated she was strongly in favor of academic buildings, but against luxury additions to the football stadium. Trustee Gatton voiced concern about the risk if one of entities couldn't "shoulder their share". Executive Vice President Eric Monday explained that several years ago the University of Kentucky went to a general receipt indenture, which pledges the assets, faith and credit of the University of Kentucky. These are not all auxiliary revenue bonds; these are general receipts of the institution, which allows the University to have the ability to issue debt for health care auxiliaries and general University use. The University pledges the good faith and assets of the University of Kentucky to pay back this debt. The debt may be assigned internally, so ascribed to the Department of Intercollegiate Athletics and other operating units as determined by the President, but the University of Kentucky issues the debt for these purposes.

Chair Brockman called the vote and it passed with 19 affirmative votes and one abstention by Trustee Voro. (See FCR 12 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

S. Approval of Lease (FCR 13)

Trustee Stuckert stated that FCR 13 is the recommendation that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a lease between the University of Kentucky and the Stockyard LLC/Michael and Christine Huskisson for space at 845 Angliana Avenue, Lexington, Kentucky. The leased space will include approximately 15,000 square feet of office space and 15,700 square feet of warehouse space.

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

T. Construct/Replace/Upgrade Student Housing (Fit-Up the Study/Coffee Shop in Champions Court I) (FCR 14)

Trustee Stuckert stated that FCR 14 is the recommendation that the Board of Trustees approve the initiation of the fit-up of the second location of The Study with an addition of a Coffee Shop in the Champions Court I residence hall capital project. This Study/Coffee Shop

should provide approximately 250 seats and numerous study spaces conducive for group interaction and the latest technology to support a collaborative academic retention focus on the North Campus. The scope of the project is \$3,000,000 and will be funded with fund balance, well within the existing legislative authorization.

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

U. Repair/Upgrade/Expand Central Plants (CUP Boiler Feed Water System)
(FCR 15)

Trustee Stuckert stated that FCR 15 is the recommendation that the Board of Trustees approve the initiation of the Repair/Upgrade/Expand Central Plants (CUP Boiler Feed Water System) capital project. Trustee Stuckert explained that the current feed water system was installed when the facility was initially opened and does not have the capacity to support the plant feed requirements when all three boilers are online. The scope of the project is \$1,000,000 and has been authorized by the 2012 Session of the Kentucky General Assembly as part of a \$62,000,000 infrastructure pool for educational and general facilities. It will be financed by agency funds.

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

V. Lease/Purchase Telephone System Replacement (FCR 16)

Trustee Stuckert stated that FCR 16 is the recommendation that the Board of Trustees approve the Lease/Purchase of the Telephone System Replacement. This involves replacing the campus voice infrastructure, provide enhanced licenses to accommodate health care requirements, deliver increased call center stability, and improve communications across the University enterprise. The scope of the project is \$853,000, well within the \$3,000,000 scope authorized by the 2012 session of the Kentucky General Assembly. It also will be funded by agency funds.

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

W. Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare
(FCR 17)

Trustee Stuckert stated that FCR 17 is the recommendation that the Board of Trustees approve the initiation of the Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare capital project. The project will renovate the Department of Medicine Clinic located in the original section of the Kentucky Clinic Building. Vetted and recommended to the Finance

Committee for approval in the University Health Care Committee meeting on Monday, December 16, 2013, the estimated scope of this project is \$2,700,000 and will also be financed by agency funds. This project has been authorized by the 2012 session of the Kentucky General Assembly.

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

X. Design/Renovate/Upgrade Hospital Facilities – Good Samaritan (FCR 18)

Trustee Stuckert stated that FCR 18 is the recommendation that the Board of Trustees approve the initiation of the design phase for the Design/Renovate/Upgrade Hospital Facilities at the Good Samaritan Hospital. The project will develop a design for the renovation of the Good Samaritan Emergency Department. The request with an anticipated cost of \$600,000 has been authorized by the 2012 session of the Kentucky General Assembly and will be financed with agency funds.

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

Y. Repair/Upgrade/Improve Civil/Site Infrastructure (South Campus Parking Lot) (FCR 19)

Trustee Stuckert stated that FCR 19 is the recommendation that the Board of Trustees approve the initiation of the Repair/Upgrade/Improve Civil/Site Infrastructure (South Campus Parking Lot) capital project. This project will expand the E.S. Good Barn parking lot and connect it to the parking lot currently under construction as part of the FEMA South Campus Storm Water capital project. This \$1,400,000 project has been authorized by the 2012 Session of the Kentucky General assembly as part of a \$14,000,000 infrastructure pool for auxiliary facilities and will be financed with agency funds.

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

Z. Repair/Upgrade/Improve Building Shell Systems (2014 Annual Parking Garage Maintenance and Restoration) (FCR 20)

Trustee Stuckert stated that FCR 20 is the recommendation that the Board of Trustees approve the initiation of the Repair/Upgrade/Improve Building Shell Systems, specifically for the 2014 Annual Parking Garage Maintenance and Restoration. This project will include the recommended maintenance or repairs on eight university parking structures during 2014. This \$1,000,000 project has been authorized by the 2012 session of the Kentucky General Assembly and will be financed by agency funds.

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

AA. Capital Construction Report (FCR 21)

Trustee Stuckert stated that FCR 21 is the recommendation that the Board of Trustees accept the Capital Construction Report for the three months ending September 30, 2013. Vice President Bob Wiseman provided details regarding the quarterly report to the Finance Committee earlier in the day.

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

BB. Approval of the 2012-13 Endowment Match Program Annual Report (FCR 22)

Trustee Stuckert stated that FCR 22 is the recommendation that the Board of Trustees accept the 2012-13 Endowment Match Program Annual Report. The Endowment Match Program, also known as “Bucks for Brains,” is one of several programs created as part of the Research Challenge Trust Fund.

On behalf of the Finance Committee, Trustee Stuckert moved approval of FCR 22 and it passed with 19 affirmative votes and one abstention by Trustee Voro. (See FCR 22 on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

CC. Patent Assignment Report (FCR 23)

Trustee Stuckert stated that FCR 23 is the recommendation that the Board of Trustees accept the patent assignment report for the period of July 1 through September 30, 2013. Vice President for Research Jim Tracy reviewed the report with the Finance Committee earlier in the day.

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

DD. Investment Committee Report

Trustee Bill Gatton, chair of the Investment Committee, stated that the Committee met Monday, December 16, 2013, to review performance results and conduct other business. The endowment had a net market value of \$1,030,000,000 as of October 31, 2013. For the four months ended October 31, the endowment pool returned 6.6 percent annualized due to strong equity market returns during this period. The endowment pool outperformed the policy benchmark during the period by 23 basis points due to strong relative performance by the Domestic Equity and Absolute Return managers.

EE. University Health Care Committee

Trustee Barbara Young, chair of the University Health Care Committee, reported that the Committee had two action items. FCR 17 concerned the renovation of the Department of Medicine Clinic, located in the original section of the Kentucky Clinic Building and FCR 18 concerned a request for funds to initiate the design phase for the Good Samaritan Emergency Department. Both FCR 17 and FCR 18 were approved by the HealthCare Committee and were passed on to the Finance Committee.

The Committee heard a presentation from Dr. Craig Van Horne and Don Gash, Ph.D. on the Parkinson's Disease Translational Research Program at UK. This program represents cutting edge collaborative clinical and laboratory research and could potentially lead to greatly improved outcomes for patients who suffer from Parkinson's disease. Research that spans several academic and clinical departments represents and defines translational research and the cross pollination that this collaborative work brings to research, has put UK on the path to innovative discoveries now and into the future.

Trustee Young reported that Dr. Michael Karpf presented a report on the next phase of the building project. This includes the fit-up of Pavilion A and the renovation of Pavilion HA/Kentucky Children's Hospital. The Chandler Hospital master plan provides for a step by step replacement of the original Chandler buildings. Over time the Markey Cancer Center, Gill Building, Pavilion HA and the new Pavilion A will house all of the Chandler Hospital facilities. Thus far, Phase I-A (Patient Care facility), I-B (nine operating rooms, etc.), I-C (data center), I-D (eighth floor and Central Pharmacy) and I-E (Clinical Decision Unit) are either complete, under construction or in the design phase. However, as demand for services continues to grow, Chandler Hospital must plan for the future and Dr. Karpf discussed the need to move forward with the next phase of development. Phase I-F includes the replacement of outdated facilities including rooms and bathrooms in the original 1962 Chandler Hospital building, the 66-bed Neonatal Intensive Care Unit (NICU), the current original kitchen and cafeteria and other outdated infrastructure.

In preparation of this modernization and fit-up, Dr. Karpf reported that the University of Kentucky has asked the state for \$150,000,000 in bonding authority to undertake this project. Dr. Karpf concluded his presentation by stating that this current \$150,000,000 project is the start of an ongoing multi-year effort to finish out the new Patient Care and other hospital facilities in response to demand for more capacity. Over the next four to five years, UK HealthCare must determine how big the UK Hospital needs to be. This will be dependent on the effects of the Affordable Care Act, money in hand and demand.

Dr. Bernard Boulanger presented the Quality Update. First, he highlighted the recent recognition UK HealthCare had received from several national organizations. He reported that the Joint Commission has recognized UK HealthCare as a Top Performer on key quality Measures for 2012. University Healthsystem Consortium (UHC) has recognized UK HealthCare as #1 in Nursing Care for HCAHPS (patient satisfaction). UK has also received the 2013 Quality

Leadership Rising Star Award from UHC. UK had the highest jump among Rising Stars winners in history of UHC, finishing with a rank of 12th among the nation's leading university health systems. UK's Quality and Accountability performance scorecard received four out of five stars from UHC. Performance around Core measures continue at a high level with mortality, effectiveness, efficiency and patient centeredness all performing at a high level. Attention will continue to be focused on Patient Safety indicators as most target goals have not been met.

Murray Clark presented the October financial report. He reported that the level of activity for inpatient discharges is well below budget and somewhat below the prior year. The case mix and length of stay is up. This is creating an increase in patient days and leading to significant occupancy problems at Chandler. Outpatient activity is above last year but slightly below budget. FTE's are up but in line with the higher activity. The payor mix is stable. The income statement shows that in spite of fewer discharges, inpatient net revenue is \$3,600,000 higher than budget and significantly higher than last year. This is due to a higher case mix and a significant number of high cost cases. Outpatient revenue is \$1,000,000 higher than budget, primarily driven by increased clinic activity. Net revenue exceeds the prior year by \$16,000,000. Net income from operations for the month is \$6,100,000 and the year-to-date operating margin is \$26,700,000. On the balance sheet, cash and cash equivalents for October totaled \$66,700,000 consisting of \$54,400,000 in unrestricted cash and \$12,300,000 in restricted funds. The financial median analysis indicates days of cash on hand have improved slightly from last year, operating margin and EBIDA exceed target, debt to capitalization has improved slightly since year end and cash to debt has improved.

Trustee Young reported that Dr. Kevin Nelson 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.

FF. Other Business

Trustee Brothers reminded the Board of the Staff Senate sponsored Stakes Reception being held immediately following the conclusion of the Board meeting and encouraged everyone to attend.

Trustee Britton asked the Board to be mindful of the University's increasing long-term debt commitments.

GG. Meeting Adjourned

Hearing no further business, Chair Brockman declared the meeting adjourned at 2:36 p.m.

Respectfully submitted,



Sheila Brothers
Secretary, Board of Trustees

(PR 1, PR 2, PR 3, PR 4, ASACR 1, ASACR 2, ASACR 3, ASACR 4, FCR 1, FCR 2, FCR 3, FCR 4, FCR 5, FCR 6, FCR 7, FCR 8, FCR 9, FCR 10, FCR 11, FCR 12, FCR 13, FCR 14, FCR 15, FCR 16, FCR 17, FCR 18, FCR 19, FCR 20, FCR 21, FCR 22 and FCR 23 are part of the minutes of the meeting.)