

## **AGENDA**

### **Meeting of the Board of Trustees University of Kentucky 1:00 P.M. January 25, 2000**

#### **Invocation**

#### **Roll Call**

#### **Approval of Minutes**

#### **President's Report and Action Items**

- PR 1 President's Report to the Trustees
  - A. Report on University Computing
- PR 2 Personnel Actions
- PR 3 Central Administration
  - A. Lucille Caudill Little Fine Arts Library and Learning Center
- PR 4 Community College System (No items to report)
- PR 5 Lexington Campus
  - A. Appointment of Dean of the College of Law
- PR 6 Medical Center
  - A. Proposed New Doctor of Nursing Practice
  - B. Proposed New Doctor of Public Health Program

#### **Finance Committee**

- 1. Acceptance of Interim Financial Report for the University of Kentucky for the Six Months Ended December 31, 1999
- 2. Appointment of External Auditor
- 3. Report of Leases
- 4. 1999-2000 Budget Revisions
- 5. Patent Assignment Report
- 6. George and Betty Blanda Gift
- 7. Lexmark International, Inc. Pledge
- 8. Brown & Williamson Tobacco Corporation Gift and Pledge
- 9. Philip Morris Companies, Inc. Gift and Pledge
- 10. R. J. Reynolds Tobacco Company Pledge
- 11. Chris T. Sullivan Pledge
- 12. Gift from the Estate of Farrell R. Worley
- 13. Notice of Federal Interest Requirement
- 14. Resolution Approving a Financing/Lease Agreement for Approved Educational Building Projects

#### **Ad Hoc Committee on Board of Trustees Committees**

#### **Board Resolution**

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, January 25, 2000.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, January 25, 2000 in the Board Room on the 18th floor of Patterson Office Tower.

A. Meeting Opened

Billy Joe Miles, Chairperson, called the meeting to order at 1:10 p.m., and the invocation was pronounced by Dr. Elissa Plattner.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mr. Ted Bates, Governor Edward T. Breathitt, Mr. Paul W. Chellgren, Mr. James Glenn III, Mr. Merwin Grayson, Mr. John "Jack" Guthrie, Dr. Loys L. Mather, Dr. Robert P. Meriwether, Mr. Billy Joe Miles (Chairman), Dr. Elissa Plattner, Mr. Steven S. Reed, Dr. Daniel R. Reedy, Ms. Marian Sims, Ms. Alice Sparks, Dr. W. Grady Stumbo, Ms. JoEtta Y. Wickliffe, Mr. Russell Williams and Ms. Elaine Wilson. Absent from the meeting were Mr. C. Frank Shoop and Mr. Billy B. Wilcoxson. The University administration was represented by President Charles T. Wethington, Jr.; Chancellors James W. Holsinger, and Elisabeth Zinser; Vice Presidents Fitzgerald Bramwell, Joseph T. Burch, Ben W. Carr, Edward A. Carter, and George DeBin; Dr. Juanita Fleming, Special Assistant for Academic Affairs; Mr. C. M. Newton, Director of Athletics, and Mr. Richard E. Plymale, General Counsel.

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

C. Approval of Minutes

Mr. Miles said that the Minutes of the Board meeting on December 14, 1999 had been distributed and asked for any additions or corrections. Mr. Reed asked that the Minutes show his presence at the Board meeting. Ms. Sims moved that the Minutes be approved as amended. Mr. Chellgren seconded the motion, and it carried.

D. Board Resolution

Dr. Reedy requested that the order of the Board agenda be changed and that the Board Resolution at the end of the agenda be presented at this time. The motion carried. Dr. Mather asked Governor Breathitt to come forward.



Dr. Mather read the following resolution on behalf of Governor Edward T. Breathitt:

Edward T. Breathitt

Fifty-first Governor of Kentucky, 1963-1967, presided over enormous changes sweeping over the Commonwealth of Kentucky.

The clamor for equal opportunities and justice for all along with education, labor, and working conditions, preservation of land and resources, cold field legislation, recreation and tourism, and health and welfare gave him a full agenda while Governor. The betterment of Kentucky and all its citizens were his motivation during his years of Governor and remain his lifetime commitment and joy today. To quote from Harrison and Klotter's History of Kentucky, "The major achievement in integration came about under the new Governor, Edward T. Breathitt, Jr. Attempts to pass a statewide public accommodations bill in 1964 brought The Reverend Martin Luther King, Jr., The Reverend Ralph David Abernathy and Jackie Robinson to a March rally attended by thousands at the State Capitol in Frankfort. Backed by Governor Breathitt and legislative leaders, the Kentucky Civil Rights Act of 1966 passed easily and was signed into law at the base of the statue of Abraham Lincoln in the Capitol Rotunda. The first such act in the South, the law opened public accommodations to all races and prohibited discrimination in employment."

Recently selected as President of the Kentucky Historical Society, this new role is a worthy successor to his leadership to his alma mater as chair and member of the University of Kentucky Board of Trustees.

It has been written that we are carved out of time at a time not of our own choosing. We are histories. What we create out of that time is of our own choosing.

Governor Breathitt's contributions supported and encouraged by his talented family are generous and without boundaries and for this we express our sincere gratitude.

Governor Breathitt was congratulated and received a round of applause. His wife, Lucy, was recognized and asked to come to the front of the room to be with Governor Breathitt. Governor Breathitt was presented a gift from the Board of Trustees, with the following description:

To Governor Edward T. Breathitt  
Chairman, Board of Trustees  
University of Kentucky  
1992-1999

"Education is a journey to the land of a thousand harvests."

Governor Breathitt thanked the Board and said he was surprised and very grateful for the recognition. He said he intended to continue devoting every ounce of his energies in support of the University. Governor Breathitt received another round of applause.

Mr. Reed then read the following:

"Dear Governor Breathitt,

In recognition of your lifetime service to the causes of civil rights and education, members of the Board have made a contribution to the Lyman T. Johnson Fund at this University in your name.

With our good wishes,

The Board of Trustees at the University of Kentucky."

Mr. Reed added that he had sitting at home as a centerpiece on his mantel a picture of Governor Breathitt shaking the hand of Dr. Martin Luther King, Jr. when Dr. King came to visit the State Capitol and to visit Governor Breathitt. Standing behind Dr. Martin Luther King, Jr. is none other than Jackie Robinson and the person that's at the center of that who was initiating it all and leading it all is our friend, Governor Breathitt. He thanked Governor Breathitt very much.

Governor Breathitt was honored with another round of applause.

Governor Breathitt responded, "Thank you. If there's any justification for my public career, not only in education, it is the role I played in the civil rights movement in Kentucky. And I'm proud of this state. Thank you."

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

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

1. According to the National Science Foundation research rankings, the University of Kentucky has moved among public institutions from 46<sup>th</sup> in 1997 to 32<sup>nd</sup> in 1998. It has also moved from 67<sup>th</sup> to 49<sup>th</sup> place among all public and private universities combined.
2. UK ranked 14<sup>th</sup> nationally among land-grant institutions, 22<sup>nd</sup> among public universities, and 38<sup>th</sup> overall in licensing income, and patents. UK reported \$2.36 million in royalties last year on 14 licenses.
3. Sandy Isenstadt, Architecture, and Joanne Melish, History, have received National Endowment for the Humanities fellowships.

4. J. W. Patterson, Communication Professor and Debate Coach, has received the National Debate Coaches Association's Lifetime Achievement Award. Professor Patterson is one of only four coaches in the nation to earn this award, which goes to those who have spent more than 30 years of service to debate in our colleges and universities.
5. The Ph.D. Program in Nutritional Sciences, which is soon to be a graduate center, is one of only three programs in the country singled out to receive a fellowship from the U.S. Department of Agriculture. This fellowship is for two \$22,000 stipends per year for three years to recruit top pre-doctoral students. Linda Chen has been the director of the program since it began in 1989.
6. The UK Cheerleaders have won their sixth straight National Championship. The UK duo of Brooke Davis and Tim Passlacqua won the National Partner Stunt competition. This is very intense competition, and the cheerleaders are to be commended.
7. The College of Agriculture has been singled out for an "Excellence in College and University Distance Education" award. The award includes a \$5,000 stipend for the college to strengthen and support distance education programs.
8. The UK Center for Minimally Invasive Surgery opened this month. The Center will use interactive video technology to beam laparoscopic surgeries performed at UK Hospital to sites all over the world.

President Wethington asked the members to read the other items in the report at their leisure.

F. Personnel Actions (PR 2)

President Wethington recommended that approval be given to the appointments, actions and/or other staff changes which require Board action; and that the report relative to appointments and/or changes already approved by the administration be accepted. Ms. Sims moved approval. The motion, seconded by Ms. Wilson, carried. (See PR 2 at the end of the Minutes.)

President Wethington continued his report with PR 3 and said that the Report on University Computing would be at the end of his report.

G. Lucille Caudill Little Fine Arts Library and Learning Center (PR 3A)

President Wethington said that PR 3A is a recommendation concerning the Lucille Caudill Little Fine Arts Library and Learning Center. He said that Mrs. Little gave the University \$1 million to renovate what is unofficially called "King Library North." He said he was pleased to recommend that this newly renovated "King Library North" facility be officially

renamed "The Lucille Caudill Little Fine Arts Library and Learning Center." He said he was pleased to recommend approval of PR 3A.

Mr. Bates moved the approval of PR 3A. His motion, seconded by Mr. Grayson, carried. (See PR 3A at the end of the minutes.)

H. Community College System (PR 4)

There were no items from the Community College System.

I. Appointment of Dean of the College of Law (PR 5A)

President Wethington said PR 5A is a recommendation for the appointment of a Dean of the College of Law. He asked Chancellor Zinser to comment about the appointment of Professor Allan Walker Vestal.

Chancellor Zinser said it was a real pleasure for her to introduce Allan W. Vestal as the new dean of the College of Law, effective July 1, 2000, pending the approval of the Board. Chancellor Zinser recognized Bob Schwemm and Gene Gaetke for their extraordinary leadership since the resignation of Dean David Shipley in June 1998. Professor Gaetke was asked to stand and be recognized, following which he received a round of applause. Chancellor Zinser also asked all the faculty, staff, and students from the College of Law to stand and be recognized, following which they received a round of applause. She noted that Professor Schwemm was teaching class and could not attend the meeting.

Chancellor Zinser asked Professor Vestal to stand while she reviewed his credentials. Professor Vestal is currently the Associate Dean and Professor of Law at Washington and Lee University School of Law. He received his bachelor's degree and his J.D. from Yale University. At the undergraduate level, he graduated Magna Cum Laude and was inducted into Phi Beta Kappa. Following law school, he worked as an Associate for Foley & Lardner in Milwaukee, Wisconsin and as an associate and partner at Shuttleworth & Ingersoll in Cedar Rapids, Iowa. He practiced in these two firms for over a period of ten years prior to going into the Academy. He joined Washington and Lee University as a faculty member in 1989 and not long after that was promoted into administrative assignments. He has also served as Visiting Professor at the University of Maine Law School. He is a member of the American Law Institute. Professor Vestal has focused his scholarly activities principally on partnership law. He is a nationally known scholar in the area and teaches courses in a variety of areas. He has served Washington and Lee as a committee member on the Strategic Planning Committee and on search committees for the Computer Center Director and the Director of Corporate and Foundation Relations. He and his wife, Brenda, have two small children.

President Wethington thanked Chancellor Zinser and said he was pleased to bring to the Board the recommendation that Allan Walker Vestal be appointed as Dean of the College of Law effective July 1, 2000. Mr. Reed moved approval of PR 5A. Ms. Sparks seconded the motion, and it passed. (See PR 5A at the end of the Minutes.)

Mr. Miles welcomed Dean Vestal to the University of Kentucky.

President Wethington welcomed Dean Vestal and said he was delighted to have him join the faculty and the administration of the University of Kentucky.

J. Proposed New Doctor of Nursing Practice (PR 6A)

President Wethington said that PR 6A is a recommendation that the Board of Trustees approve the proposed new degree program, Doctor of Nursing Practice. He said that it is a professional program designed to prepare nurses for senior leadership level positions in health systems and that this proposed program, if approved by the Board, must go on to the Council on Postsecondary Education for final approval. He noted that it had been reviewed and recommended by the Senate's Academic Programs Committee, the Senate Council, and the University Senate.

President Wethington explained that this program is based at the University of Kentucky but will serve the entire Commonwealth. He asked Chancellor Holsinger to comment on it in terms of its statewide scope.

Chancellor Holsinger noted that this particular program will have some components that will be delivered by distance learning so that nurses across the state will have an opportunity to participate in it. The program will be located at UK and will be a complementary program to the Ph.D. in Nursing that already exists. He added that this is the practice degree to go along with the academic research degree.

Dr. Stumbo moved approval. Ms. Wickliffe seconded the motion, and it carried. (See PR 6A at the end of the Minutes.)

K. Proposed New Doctor of Public Health Program (PR 6B)

President Wethington said that PR 6B is a proposed new degree program, Doctor of Public Health. He explained that this is a professional practice degree designed to prepare students for careers as senior level administrators, applied researchers, policymakers, and educators addressing public health issues. He reminded the Board of the agreement distributed at the last Board meeting noting the roles that the University of Kentucky and the University of Louisville would play in public health in the state of Kentucky. The School of Public Health will be relocated and accredited at the University of Kentucky. This proposal is in line with that agreement. This proposed program must also go to the Council on Postsecondary Education for approval. Mr. Stumbo moved the approval of PR 6B. Mr. Chellgren seconded the motion, and the motion carried. (See PR 6B at the end of the Minutes.)

L. Report on University Computing (PR 1A)

President Wethington asked Dr. Ben Carr to make the presentation on University Computing. He explained that Gene Williams was out with the flu, and Dr. Carr graciously agreed to give the presentation. President Wethington noted that this topic came up in a

discussion with the Chair and Vice-Chair about administrative computing and the direction that UK is heading in regard to administrative computing systems. Gene Williams and his staff prepared a report dealing with the entire computing picture at the University of Kentucky. This report is specifically focused on administrative computing and the changes for the future.

Dr. Carr gave the following report:

Information Systems (IS) is an important part of the University of Kentucky that involves more than computing. Today I want to discuss the units within IS, and then spend most of the time on administrative computing, and our plans to improve administrative computing at UK. An important part of IS is Network Communications. The myriad of networks within the University connect the various computing systems of the institution, and connect the University to the outside world. The James F. Hardymon Networking Center when established will keep the University on the cutting edge of this technology. But, we also have many older buildings at the University, and we also need to communicate with each one of these facilities. The campus infrastructure is in rather good shape. With the William T. Young Library at the hub of this network infrastructure, we have a good cable, wireless and fiber optic network in place. UK was one of the early participants in Internet2, which now includes 170 participants as of January 2000. We made the decision early on to use Cisco architecture for the UK networks. The Internet essentially runs on Cisco equipment worldwide.

Research computing has been an area of emphasis at the University. In 1999 UK's supercomputer facility was ranked in the top 200 sites in the world; in the top 20 sites in all public and private universities in the U.S.; and the upgrade planned for spring of 2000 will place the facility in the top ten university sites. The supercomputing facility serves the obvious disciplines in science and engineering, but also supports some areas that might not be so obvious. One example is the UK Center for Minimally Invasive Surgery, known commonly as "keyhole" surgery. This technique is taught at UK utilizing an Immersive 3D training environment that allows students to perfect intricate procedures before working on patients. Using three-dimensional imagery and tactile feedback provides the realistic virtual world needed for such training. Communications technology allows observation of the techniques via interactive television or the Internet.

Supercomputing is also supportive of the humanities and the arts. Another example is the work being done by one of our own faculty members with Beowulf. Our only knowledge of Beowulf comes from an eleventh century copy. This copy was badly damaged in a fire in 1751. The copy was put between glass plates and displayed in a museum in England. Access to the document for research purposes was limited, since this required removal from the museum display, and public access was denied. Digitization of the document by a UK faculty member allows access worldwide via the Internet. And computer enhancement has recovered hundreds of words and letters previously lost due to crumbling of the charred edges of the manuscript.

These two examples illustrate the versatility and importance of research computing.

Another important area in IS is Instructional Computing. Currently, student computer labs offer 1,300 seats with access to up-to-date network computers. The computers are replaced

on a two to three year cycle, and software is updated to insure that students are using the latest versions. This past summer all dorm rooms were wired to provide Internet access to residence hall students. ResNet, as the system is known, is now fully operational.

The William T. Young Library deserves some attention in the presentation today. We could say that this library houses one of the ten largest networks in the Commonwealth and serves as the hub of the campus network infrastructure.

UK libraries currently have an American Research Library (ARL) ranking of 30. A Strategic Indicator in the 1998 Strategic Plan update is to reach an ARL ranking of 28 by 2003.

The Council on Postsecondary Education (CPE) has standardized the library systems in the State of Kentucky. The University of Kentucky and the University of Louisville provide technology services for the rest of the state universities and the Kentucky Community and Technical College System (KCTCS). UK currently provides electronic access for the collections at Eastern Kentucky University, Northern Kentucky University, Morehead State University, Kentucky State University, and, a recent addition, the State Library and Archives collection. The University has also been asked to provide electronic access services for the Kentucky Commonwealth Virtual Library.

The Distance Learning Technology Center (DLTC) provides technical support for distance learning activities at the University. Specifically, the Center provides support mechanisms for a Web-enabled approach to distance learning. This Center provides a team approach by bringing together instructional designers, graphic programmers, producers from Media Design and Production, and faculty to produce and offer distance learning courses. The DLTC has established a relationship with the Kentucky Commonwealth Virtual University and supports UK faculty offering courses via KCVU. The Distance Learning Technology Center is located in the William T. Young Library.

The Publishing and Postal Services unit in IS may, at first, seem unrelated to computing services. But this unit is heavily dependent on technology, and the future of publishing, printing and postal operations is directly tied to networking, computing and the Internet.

Before we talk about administrative computing at the University, I want to briefly discuss our efforts to prepare for the Year 2000 (Y2K) problem. Vice President Williams gave you a report in December on our Y2K efforts. Today's report is a follow-up to that report, now that January 1, 2000 has come and gone. Our strategy, as you may recall, was to remediate our core systems in preparation for Y2K. Our core systems include the Student Information System, the Financial Resource System, the Human Resource System, the Supercomputer Research System, the NOTIS Library System, and healthcare systems in the Chandler Medical Center. In this last category (healthcare systems) we remediated the Patient Care, Patient Management and Patient Accounting Systems.

Why did we choose to remediate instead of replace our core systems? There were three primary reasons: (1) since many other institutions were planning to replace legacy systems as their Y2K solution, the price of software and consultants would be greatly increased; (2) the

software was immature, and several key modules were not even available; (3) our systems were operating and providing basic services. With remediation, we could continue operating until the first two conditions improved.

Now let's look at Administrative Computing, the remaining part of Information Systems. In 1998 the Board of Trustees approved the Strategic Plan Update. Administrative computing was an important part of that plan. An enabling strategy in the Plan was as follows:

Provide administrative and management information systems based upon contemporary technology architectures that are cost effective and responsive to University needs.

The Strategic Indicator was as follows:

Implement a plan to acquire, install, operate, and support state-of-the-art administrative and management information systems.

In July of 1998, President Wethington appointed the President's Committee on Administrative Computing with members representing the various parts of the University. He charged the Committee to:

- Obtain input from a variety of sources and broadly share information with the University community.
- Broadly identify opportunities to use new technologies to encourage changes in processes and functions, potential operational efficiencies and effectiveness improvements, improvements in the delivery of services, and competitive advantage and flexibility.
- Provide institutional leadership and commitment in support of the implementation and operation of new information systems, by serving as an advisory group throughout the implementation.
- Provide advice on appropriate implementation timelines and priorities consistent with institutional priorities.

The committee worked for six months, visited several institutions, talked to vendor representatives, and then submitted a report to President Wethington. The report included five recommendations:

1. The University should move forward expeditiously to replace the major administrative information systems.
2. A single vendor should be selected for the replacement of the University administrative systems.
3. Customization of the purchased software must be kept to a minimum.



4. Consultant support during project implementation is critical to a successful implementation.
5. The financial resources system module should be brought up first.

Why did the Committee recommend a single vendor? Why not choose the best student information system software, the best financial software, the best human resource system software – the “best of breed” approach – and then connect these disparate systems? The answer is that this approach will not work and will drive implementation costs astronomically while making the implementation an endless task.

What we want for the University of Kentucky is an enterprise approach – a single relational database, integrated software, with no core systems outside this enterprise database. The student, human resources, financials, development and advancement, and grants management systems must use a single relational database. This enterprise approach will allow us to develop workflow efficiencies, use web access for core system users, utilize simpler reporting tools, and incorporate imaging as that technology increases in importance. This approach is also known as Enterprise Resource Planning (ERP). One enterprise database allows:

- Central security
- Central staff to support database
- Production integrity (24 X 7)
- Disaster recovery
- E-Commerce opportunities
- Unmodified software

The keys to controlling cost in implementing ERP is to:

- \* Adopt the Enterprise concept for UK's data
- \* Install unmodified enterprise-class software
- \* Control the schedule

I have now mentioned, “unmodified software” twice as being an important characteristic of implementing a new administrative system at UK. We realize that it is unlikely that we will make no modifications to whatever ERP software we purchase. What we must commit to is a thorough assessment of the current and future cost of any recommended modifications. We will pay the vendor or the consultants to make the changes, and then we will have a cost each time the software is upgraded (at least once per year) forever. We must minimize the modifications, and thus the recurring cost associated with any changes. Fortunately, the software systems are very flexible and should require few, if any, modifications. We may have to change some workflow or office procedures, but we should be able to use the software essentially as purchased.

Other considerations in implementing the ERP system at UK:

1. Information Systems staff will maintain the current (legacy) systems during new ERP system installation.

2. Staff will train and bring up their own skills to accommodate the enterprise system.
3. Time = money when using consultants.
4. Cost avoidance of replacing current mainframe.
5. Chandler Medical Center ISIS project will depend on the ERP system installation, which should be installed in advance to coordinate the financial components.

What will be the cost to the University for implementing this ERP system? There are two answers to this question. First, we really don't know at this point in the process. Second, we can estimate what the cost should be.

The University prepared a Request for Proposal (RFP) for the administrative system. Vendors have responded. An evaluation committee, assisted by a committee of technical advisers, will evaluate these vendor proposals to see which vendor best fits the requirements of the University. We will negotiate with the vendors, and choose one vendor. Then we will prepare an RFP for the consultant to assist us in implementation. That consultant will spend two to three months on campus working with the functional area users of the software to see how well the software will meet the detailed requirements of the institution and will develop an implementation schedule and guaranteed maximum price for the implementation. At that point we must make the decision whether to proceed or stop the process. If the cost estimate is too high, or if the software is not a good fit with UK requirements, our RFP allows us to stop the process at this point.

Vice President Williams estimates that the cost of the software and consultants should be about \$14 million, spread across five years. This figure also includes some back-filling of staff positions for those staff involved in implementation. We hope we can implement a new administrative system in about two years, with few modifications, for about \$14 million. Then we can shut down our legacy systems, add additional software modules as needed and available, and work with the vendor to incorporate new features in the core software as we gain some experience in using the new system.

In summary, Information Systems at the University of Kentucky plays an important role in providing the technological support necessary to keep the University at the forefront in teaching, research and service. Today I have discussed the role and responsibilities of IS and spent considerable time on administrative computing.

President Wethington thanked Dr. Carr for the presentation and asked for questions from the Board members.

Mr. Miles asked the question, "What other universities have a good system in our peer group?"

Dr Carr replied, "Several of our peer institutions, Mr. Chairman, are not very far along. They're suffering through this with several years of effort. I would say that not very many of them have a good system at all. When we asked the vendors, 'tell us an institution that has every

one of these modules up and operating,' there really were none, other than one vendor had one institution that did. So what we're finding is that those institutions are just now getting to the point where they're bringing that software up. We don't really have good ones to point out to you. One example would be the University of Louisville. That's not one of our benchmarks, but here in the state, they have brought up all except the financial system and they're bringing that up now. So we have spent some time learning from the way they did it. There are not very many institutions out there that have everything that we want to do and have it up, operating, and can show us."

Dr. Plattner raised the issue of end-users and their need for assistance in the computing area. She questioned whether or not the training level of UK's information management technicians are up to the level of this type of equipment.

Dr. Carr responded, "It's not there yet. There are a few more people available now that Y2K has passed. And the community and technical colleges, including LCC, are trying to bring those programs up to produce the people we need. One of the things that we like about this particular approach is that it takes fewer people than having a distributed relational database at several servers. We're bringing it in to a more centralized system like a super mainframe, except it still has all the versatility, flexibility, and usability of smaller computers. We're seeing a ray of hope."

Ms. Sims mentioned that she and Dr. Meriwether were at the University Hospital at midnight 2000 to see what would happen and that they were very impressed with how smoothly things went and how competent every person was about what would happen. She also stated that they were impressed with the number of people in that station that were taking care of those computers and the network.

Dr. Reedy raised the following issue, "Ben, part of what we're dealing with is really kind of the lore that's out there now. The Chronicle on Higher Education pieces that speak of huge overruns and estimated costs. What are provoking some of those and the other piece that I hear, and I am not knowledgeable, is that the software is primarily for an environment that is not educational in orientation. For example, of having one individual perhaps on five funding sources might not be uncommon at all in a University environment but fairly unusual perhaps in most other environments."

Dr. Carr replied, "Dan you're exactly right, and one of the reasons that some of the institutions have problems is, in costs overruns especially, is that they were also doing infrastructure, desktop systems, all the networking inside each building. Some of the ones we visited had to pay for all of that as part of this project, and that is a tremendous cost. We have most of that in place. We'll have all of it in place when we start. They've come a long way. And there's another release of almost every software, I'm sure, from the vendors we've sent RFP's to. I'm sure there will be another release by the time we get ready to implement it. They've learned a lot from those interactions. And that's what I meant when I said they paid not only in money, they paid in blood, because they've had to convince the vendors to make the software fit universities, that is a multiple funding sources, the kinds of things we do that business and industry do not do, as well as the things that we do that business and industry do. So, I think it's

much more mature, and it's going to get even better. But, we would have suffered those same things had we started three years ago."

Dr. Reedy asked the question, "How many major vendors of this type of software are out there?"

Dr. Carr replied, "There are probably five that are doing this."

Mr. Miles asked, "What timetable do you have and how much money will this cost?"

Dr. Carr responded, "Our estimate is that it's going to be in the range of \$14 million. If it's much more than that, it won't be implemented. We just won't do it. Our timeframe is within the next few weeks. We will make a decision on the vendor, and then within a one- to two-month period, we will work with the consultants to make sure that the software will do what we want it to do and get a fixed price on the consultants cost for implementation and a schedule. So, I would say this spring we will make that decision and be ready to move forward or not, if that is the case."

President Wethington clarified that whatever monies spent would be over a five-year period and said they were looking at the total cost over a period. He noted that the first impact of whatever is proposed would be on the budget year 2000-2001. It would be a multi-year arrangement and Dr. Carr's point is that we do not know what the cost will be and we are not ready to make a decision. He said the University did, however, need to make a decision to upgrade its administrative computing systems in the near future.

Mr. Bates asked, "What position would we be in if we didn't do it?"

Dr. Carr said, "Well, we could continue doing what we're doing, hire people, pay them, and do all of those kinds of things. Some of the things that we can't do very well are some of the improvements in the workflow inside the campus using the things that are available in most corporations these days that have networks and network computers."

Mr. Bates asked, "Is that less efficient?"

Dr. Carr said, "Yes, less efficiency. We can't get the data out without having a programmer physically sit down. It sometimes takes months to program these old systems to get the data out. We will not have as attractive an interface for students who look at other institutions. We have a beautiful web page, and some things are automated, but you've got to have all the automation behind that web page or students who are looking for that will go somewhere else. Now, we're talking about being able to do everything on the web that students now have to come to the institution to take care of, including taking courses, paying bills, and all of those kinds of things."

Mr. Miles asked, "How will one of these software companies interface with our students and our departments now?"

Dr. Carr said, "I don't know that we can answer that question yet, but I assume that any company we work with we'll have a partnership with and will certainly be working on that."

Mr. Miles asked, "Where are we in the budget? That's one thing we're really critical in. What do we do now in our budget where it's allocated for computer systems, software, and programmers?"

Mr. Carter said, "I can't answer that question off the top of my head. Basically, none of the incremental \$15 million costs is budgeted in the current year."

Mr. Miles raised the question, "So, we won't replace anything we're doing now?"

Mr. Carter replied, "No. There is some recurring costs in what Ben's talking about. It's a fairly nominal amount as I remember."

Dr. Carr indicated that they could use the recurring costs from those other systems to pay or help pay for the recurring costs, license and maintenance when the new system is turned on and the others are turned off.

President Wethington added, "We're basically talking about a non-recurring budget needed here over a five-year period. And I'm sorry I didn't clarify that earlier. There is nothing budgeted in this year's budget for what we're talking about." He indicated that the University was spending in the range of \$45 million on computing within the University, including recurring and non-recurring, hardware, and software updates. Annually, the University is budgeting and spending more than \$45 million on computing.

Mr. Bates raised the question, "Once this is done, Dr. Wethington, how long will it be useful before it will antiquated?"

Dr. Carr responded, "Probably the day before we finish. We think, Mr. Bates, that with the upgrades and changes that will come in the future that we'll be able to use this several years because the software will keep getting upgraded and so will the equipment. But, that doesn't mean what we buy is the same. So that's how you do it. You change it as you go along, transform it."

Mr. Miles thanked Dr. Carr for the presentation and asked Mr. Chellgren for the Finance Committee Report.

M. Acceptance of Interim Financial Report for the University of Kentucky for the Six Months Ended December 31, 1999 (FCR 1)

Mr. Chellgren said that FCR 1 is the acceptance of the Interim Financial Report for the first half of the fiscal year. At this point, the realized income is about 51% of the estimate and the expenditures are about 49% of the estimate. There are no unusual items in the year-to-date financials. Mr. Chellgren moved the acceptance of FCR 1. Ms. Wilson seconded the motion, and it passed. (See FCR 1 at the end of the Minutes.)

N. Appointment of External Auditor (FCR 2)

Mr. Chellgren noted that four years ago, the University made a change in the university's public accountants and hired Deloitte & Touche. FCR 2 is a recommendation that the Board give Deloitte & Touche a two-year extension on their contract and retain them for the next two fiscal years ending 2000-2001. He noted the annual fee is actually less than the Committee has seen in earlier years. Of course, the scope of the audit has changed somewhat, particularly as the community colleges were a part of the audits. Mr. Chellgren said that the Finance Committee had discussed this and reviewed the pros and cons. He moved the acceptance of FCR 2 and the reappointment of Deloitte & Touche as the external auditor for the new two years. Mr. Guthrie seconded the motion, and it passed. (See FCR 2 at the end of the Minutes.)

O. Report of Leases (FCR 3)

Mr. Chellgren said that FCR 3 is a recurring report of leases less than \$30,000. This particular one is for the Center for Drug & Alcohol Research in Bowling Green and for the College of Architecture in Louisville. There are no decisions to make with this FCR; however, the report does need to be accepted by the Board. Mr. Chellgren moved the acceptance of FCR 3. Ms. Sparks seconded the motion, and it carried. (See FCR 3 at the end of the Minutes.)

P. 1999-2000 Budget Revisions (FCR 4)

Mr. Chellgren said that there was a very thorough discussion about FCR 4, which is a budget revision to the 1999-2000 budget. This particular revision is a reduction of \$4.5 million to the income side and the same amount to the expenditure side. These reductions are a result of changes in the status of student enrollment. Even though the enrollments for the current academic year are slightly up for the University as a whole, there was a drop of about 652 students in the Lexington Campus and the Medical Center as well as an increase of about 698 students at Lexington Community College. This results in a loss of expected income, as Lexington Community College students generate less revenue in terms of tuition than Lexington Campus and Medical Center students. There was also a slight increase in the number of in-state students and a slight decrease in the number of out-of-state students. Likewise, there is more income generated by an out-of-state student as opposed to an in-state student. Mr. Chellgren noted that the shortfall in revenue is partly being covered by central sources, namely the Operating Contingency Fund and some drops in Student Fee Scholarships. He moved the acceptance of FCR 4.

President Wethington added, "This drop in revenue for the Lexington Campus and Medical Center is being proposed to you to be handled by a shared responsibility. Some \$1.4 million is being picked up from Central University sources, some \$1.9 million from the Lexington Campus, some \$200,000 from the Medical Center, and then another \$1 million from Central sources from Student Fee Scholarships which were not needed at the graduate level since we have fewer students at the graduate level. So, there is no net impact on students in that regard. I think we have proposed a solution for the handling of this revenue shortfall, which as Mr. Chellgren described, is restricted to the Lexington Campus and Medical Center. We have no

overall drop in estimated tuition revenue across the University. And as a matter of fact, we have an increase in tuition revenue at Lexington Community College because we've gotten more students at Lexington Community College." He said he was pleased to support FCR 4.

Mr. Guthrie said, "We've talked about this shortfall, and if you will, a rainy day. Is there a way or have we done it or can we when we look at future budgets. I'm sure there's probably that, I'm not a numbers person, that we would put some money aside, and that's probably where the Central money is coming from, to sort of take care of these. Because, I sort of feel, you know, it's hurting in many ways where the rubber meets road with our students and our colleges. And that I think makes this Board concerned too, because of what we're trying to do to make this place better. How can we either budget, or what's the future? It might never happen again. But, in case it does, what's the answer to it?"

President Wethington replied, "The answer to this particular problem is to increase the enrollment, get the enrollment back up to the place that the enrollment was before this year, Mr. Guthrie. Obviously, budgeting can be done in a variety of ways. If in fact there were to be some significant amount of monies set aside in a reserve or contingency, then that could only be done by cutting the budgets of the units to make that happen. So, the pain is going to occur, and we might not need to cause the pain. Most understand, I think, that the University can educate fewer students with fewer dollars. And whenever fewer students occur, then it does not take as much money to handle the cost of instruction for those students. And that's what's occurring this year. So, in managing the budget to meet the tuition that we have generated, we can go at that in a variety of ways. What we've done is present a budget with a very minimum of Central reserves or contingencies. Simply because the odds are that a reserve is not going to be used and then the attention gets focused on how that money is going to be used rather than having that money used every year for instruction, research, and service. So, from my own standpoint, I'd much prefer to budget the money for those services we anticipate needing to provide and then handling these rare occasions when we have changes in our budget, handling those during the year as we're doing this time. And then, if it's a matter that's within our control, like enrollment, we simply will bring the enrollment back up."

Mr. Guthrie said, "That has an opportunity then to hurt the quality of the student. We might not get as good of student that we have. It's sort of the chicken and the egg."

Mr. Miles said it is important that the Board knows these things. He reported that he and Steve Reed met with President Wethington about the issue because people were worried that their children would not graduate because classes would be cut and people would be laid off. President Wethington assured them that students would graduate and departmental people would not be laid off. But, he thinks the Board needs to be responsive to the people in the community about what's going on.

President Wethington reiterated that there will not be people laid off as a result of this tuition shortfall and classes would not be cut that would keep students from graduating. If in fact the Board does hear that this is the case, he asked that they please refer questions to him. He will ensure that that not be the case. He said he did not want to minimize the impact of the tuition



shortfall. But, this is \$4.5 million out of \$119 million. While that is significant, it is simply something that this administration can and will manage. He said he would certainly keep the Board informed

Mr. Miles asked if there was any other discussion. Without any further discussion, Mr. Grayson seconded the motion, and it passed. (See FCR 4 at the end of the Minutes.)

Q. Patent Assignment Report (FCR 5)

Mr. Chellgren stated that FCR 5 is the Patent Assignment Report. There are four patents in the report requiring the approval of the Board, (1) "Use of Bacterial Acetate Kinase and Their Genes for Protection of Plants Against Different Pathogens," (2) "Silica-Based Membrane Sorbent for Heavy Metal Sequestration," (3) "Use of HrmA Proteins and Their Geners for Broad Range Protection of Plants Against Bacterial, Fungal and Viral Pathogens," and (4) "Pumping of Mixing System Using a Levitating Magnetic Bearing." He moved the acceptance of FCR 5. Ms. Wilson seconded the motion, and it passed. (See FCR 5 at the end of the Minutes.)

R. George and Betty Blanda Gift (FCR 6)

Mr. Chellgren said that FCR 6 is a gift from one of the well-known alumni of the College of Education, George Blanda, who is in the professional football Hall of Fame. He and his wife, Betty, gave a gift of \$100,000 to form a George and Betty Blanda Professorship in the College of Education as well as a gift of \$4,105 to the UK Dance Ensemble. He moved the acceptance of FCR 6. Mr. Guthrie seconded the motion, and it carried. (See FCR 6 at the end of the Minutes.)

S. Lexmark International, Inc. Pledge (FCR 7)

Mr. Chellgren stated that FCR 7 is a continuation of a tradition from one of the University's great corporate benefactors, Lexmark International, Inc. This pledge is for equipment valued at \$250,000 for the College of Engineering's new Mechanical Engineering Building. He moved the acceptance of FCR 7. Ms. Sparks seconded the motion, and it passed. (See FCR 7 at the end of the Minutes.)

T. Brown & Williamson Tobacco Corporation Gift and Pledge (FCR 8) - Philip Morris Companies, Inc. Gift and Pledge (FCR 9) - R. J. Reynolds Tobacco Company Pledge (FCR 10)

Mr. Chellgren stated that FCR 8, FCR 9, and FCR 10 are gifts and pledges of \$100,000 each given by three tobacco companies, Brown & Williamson, Philip Morris, and R. J. Reynolds, to fund the Wendell H. Ford Professorship in Public Policy in the Martin School of Public Policy and for the Wendell Ford Research Center and Public Policy Archives in the William T. Young Library. He moved the adoption of FCR 8, 9 and 10. His motion, seconded by Mr. Bates, passed. (See FCR 8, 9 and 10 at the end of the Minutes.)



U. Chris T. Sullivan Pledge (FCR 11)

Mr. Chellgren stated that FCR 11 is a generous gift from a distinguished alumnus, the founder of Outback Steakhouse, Chris T. Sullivan. This gift is in the amount of \$1 million to the University of Kentucky to support the construction of the Sigma Alpha Epsilon fraternity house. He noted the pledge will be paid by the end of 2001. He moved the acceptance of FCR 11. Mr. Glenn seconded the motion, and it passed. (See FCR 11 at the end of the Minutes.)

V. Gift from the Estate of Farrell R. Worley (FCR 12)

Mr. Chellgren said that FCR 12 is a gift from the estate of an alumnus who recently passed away, Mr. Farrell R. Worley of Ashland, Kentucky. He graduated from the University of Kentucky in 1935 with a degree in mechanical engineering and was a UK Fellow. He moved the adoption of FCR 12. Mr. Williams seconded the motion, and it passed. (See FCR 12 at the end of the Minutes.)

W. Notice of Federal Interest Requirement (FCR 13)

Mr. Chellgren stated that FCR 13 is a recommendation to authorize a lien to be filed by the University with the Fayette County Clerk's Office in order to comply with federal grant conditions and requirements. He moved the acceptance of FCR 13. Dr. Stumbo seconded the motion, and it carried. (See FCR 13 at the end of the Minutes.)

X. Resolution Approving a Financing/Lease Agreement for Approved Educational Building Projects (FCR 14)

Mr. Chellgren said that FCR 14 would enable a resolution approving a financing/lease agreement for two of the University's building projects, the Aging/Allied Health Building Phase II and the Crisp Building replacement. He moved the acceptance of FCR 14. Mr. Reedy seconded the motion, and it passed. (See FCR 14 at the end of the Minutes.)

Y. Ad Hoc Committee on Board of Trustees Committees Report

Dr. Mather said that the Ad Hoc Committee on Committees had met twice since the December 14<sup>th</sup> Board Meeting. They met January 4<sup>th</sup> and January 25<sup>th</sup>. He said that before he gets into the report from the Ad Hoc Committee, he would like to thank Dr. Elissa Plattner for writing the resolution to Governor Breathitt that he read earlier.

Dr. Mather continued with the report from the Ad Hoc Committee, stating that there are two items on the agenda. The first item is in regard to PR 3B from the December Board meeting, the Proposed Amendment to the Governing Regulations, and the second item deals with the workshop. Dr. Mather moved that they take from the table PR 3B that was placed on the table at the December meeting. His motion, seconded by Dr. Stumbo, carried.

Dr. Mather then moved that the Board amend PR 3B per the changes listed in the Committee Report, #2 Proposed Amendment to PR 3B from the Committee on Committees. His motion was seconded and carried.

Dr. Mather pointed out that after some serious discussion, there was a unanimous vote of the Ad Hoc Committee regarding these changes. He went on to explain the changes and how the two differ. He said it would increase the size of the committee to twelve members. It would leave the number of Board Trustees at five, and non-Trustees on the search committee at seven. It would replace the community college representative by a staff member. It would add a second student, therefore provide for an undergraduate student and a graduate student. It would provide for an alumni member. It also provides for the suggestion that Mr. Guthrie made at the Board meeting last month that of the five Board members that the Chair appoints, one of those be from among the three alumni Trustees.

Dr. Mather said the second thing that it does is in terms of how these names come about. And in that case, they are trying to keep the language closer to the current committee, the un-amended committee. In the case of the students, the undergraduate and the graduate, three names for each one of those positions would come from the Student Government by a process that the Student Government proposes. In the case of the staff person, three names would come to the Board Chair to select from one of those through an election process of the staff on campus. In the case of the alumni member, three names would come from either the Board of Directors of the UK Alumni Association or from the Executive Committee of the UK Alumni Association. He explained their reasoning for that is, they feel that it is important that the committee not only be as inclusive as it can, but represent the diversity of the University. They felt that the Board Chair, as is in the current un-amended rule, needs some discretionary power in terms of balancing out that committee to reflect this University and that there would not be equal number of Board Trustees and other members of the committee. They were guided in that decision by a survey that they did of several of the benchmark institutions. And in many cases, those are committees that have a majority of non-trustee members on those search committees. Not in all cases, but in many cases there was quite a significant balance toward non-trustees on those committees.

He said that there was a provision in PR 3B that of the three faculty members one shall be from the Medical Center. Without arguing the merits of that, that is the proposal that at this point has not been discussed within the faculty and within the Senate. There is a procedure on campus, and in his opinion a good one, that if a proposal comes from the faculty, it is reviewed first by the Administration before it comes to the Board. And similarly if there is a proposal from the Administration, it goes to the faculty for comment before it comes to the Board. And, the faculty has not reviewed that one. The faculty from both the Lexington campus and the Medical Center has said that they would like a chance to discuss that before it is voted on. Therefore, the Ad Hoc Committee is proposing not to have that as a part of the change now. The issue for this current committee is basically mute. Of the three faculty members already elected by the faculty election process, one of those is from the Medical Center.

President Wethington explained that this is a proposed amendment to the Governing Regulation and when the Board takes action at this meeting, if the Board in turn passes the

proposed amendment, then it will lay on the table until the March Board meeting and be considered by the Board in final form at that time. This recommendation does, in large measure, carry out what he was trying to get done in the first recommendation and that is to support the faculty proposal for a staff member on the joint committee and to respond positively to the wishes of the students who felt very strongly as the proposal came through the Faculty Senate, that there ought to be additional student representation on the committee. And the Ad Hoc Committee has done that.

In the Governing Regulations currently, there has not been and is not currently any provision for alumni representation on the search committee other than as the Chair might decide to put someone on when he or she appoints the committee. The Ad Hoc Committee has resolved that issue by this recommendation in that you have mandated alumni representation on the committee, and you have mandated additional student representation on the committee. He noted the principle differences between what he recommended and what the Ad Hoc Committee is recommending is the method of selection of these individuals and the dropping of the two additional Board members. That is clearly a matter of decision by the Board, and the importance of inclusion at this stage, getting students and alumni comfortable with the joint committee, in his opinion, is the most critical part of the process. And the Ad Hoc Committee has addressed that in a very responsible fashion.

Dr. Reedy said that, in his opinion, this is very worthy of support. It is a very reasonable solution and has very good representation built in to it.

Mr. Miles assured the Board that the three officers would make a unanimous decision in selecting the representatives.

Dr. Mather continued and requested a vote to accept the amended PR 3B as a first reading. Dr. Stumbo seconded the motion, and it carried.

Dr. Mather continued with the second item, the Board workshop. He said the Ad Hoc Committee had spent a fair amount of time discussing a primary charge to the committee, and that is holding a Board workshop. Assuming the Board accepts the report at this meeting, the Board workshop will be February 18<sup>th</sup> and 19<sup>th</sup>. The workshop will begin at noon, include a Friday evening session, and will conclude by noon on Saturday, February 19<sup>th</sup>. John Byrne is the person the Ad Hoc Committee feels will do an excellent job. He is Emeritus Professor and Emeritus President at Oregon State University. More recently, he is Executive Director of the Kellogg Commission on the future of State and Land Grant Institutions. They are ending a major study about the future of institutions such as UK. He distributed a brief bio of Dr. Byrne and a list of people who are members of the Kellogg Commission. It is a four star group in terms of Presidents from Penn State, Texas A&M, Iowa State, Ohio State, Rutgers, Florida, Michigan State, etc. It is a very impressive group. Dr. Byrne has consented to come and lead the workshop.

Dr. Mather said the actual topics are still somewhat flexible. The workshop will probably begin with an opening session by Dr. Byrne leading the Board in a discussion and a presentation on the role of a land grant, public university such as UK and its role as a learning society of the

future that basically is the thrust of the Kellogg Commission Report. Secondly, what are the implications of this to the Board in the way the Board conducts its business and perhaps to the committee structure, function, and performance as well as the role the Board might serve in helping UK pursue its "Top-20" status. Dr. Byrne will give the Board the vision for where the Kellogg Commission sees public institutions moving in the future, what is the Board's role in this as a Board to support the institution, the administration, the faculty, staff, and students.

He noted that Dr. Byrne would not be a stranger to campus. Dr. Byrne was invited to campus last fall to provide a review and a critique on the President's Initiative on Undergraduate Education. From those that met him, they were highly impressed. It is the recommendation of the Ad Hoc Committee that Dr. Byrne be invited to lead the workshop. He moved that Dr. Byrne be invited to lead the workshop. Dr. Plattner seconded the motion, and it carried.

#### Z. Other Comments

President Wethington commented on the budget for higher education that has been recommended by the Council on Postsecondary Education and commented on by Governor Patton. He reported that the key ingredients of the budget recommendation that Governor Patton made for the University of Kentucky are the following: (1) there is a 2.4% increase in the state appropriation to the University of Kentucky, (2) there is a recommendation for the Research Challenge Trust Fund being reauthorized at \$120 million, \$100 million for UK/UL, 2/3 for the University of Kentucky and 1/3 for the University of Louisville, and (3) \$20 million, which is an increase of \$10 million for the Regional University Trust Fund. In addition, the Governor has indicated that he will support the Council on Postsecondary Education's recommendation that the Bio-Medical Sciences Research Building be approved for the University of Kentucky.

President Wethington said he was pleased with the recommendation in regard to the Research Challenge Trust Fund. He believes that initiative will pay dividends for the University of Kentucky for a long time. He said he knew that the Governor is very strongly committed to it, and it would be sad if the University were not able to continue that initiative. He noted that the Council on Postsecondary Education has recommended it. He encouraged the Board to support its being there at the end when the Executive Budget is finally finished.

President Wethington said he had commented on the Biomedical Sciences Research Building many times, and he very much appreciated both the Council and the Governor recommending the building for consideration as the proposal goes before the General Assembly. The University of Kentucky will continue to push for full funding of the building because the recommendation is 60% to be funded by the state and 40% by the University. He said his principal reason for pushing this initiative for full funding is that it is simply a matter of how rapidly the University can move its research program along. The money that the University is currently spending on research is for the development of the research program to support faculty and their research. If that money were reallocated to buildings, there simply would not be the kind of resources devoted to the rest of the research program that the University currently is devoting. As the Governor indicated on January 24<sup>th</sup>, everyone in higher education may continue to work for an increase in the size of the pie.

President Wethington stated that he was not working to take money away from any other institution, but as a matter of fact, if the University of Kentucky's position can be enhanced, especially in regard to this Biomedical Sciences Research Building, then he would continue to encourage that, and he hoped the Board would also do that. It is absolutely critical to the University to get authority and approval for this building. In order to be able to recruit and keep the kind of Endowed Chairs and Professors for the University of Kentucky, there has to be research space for them. This building is absolutely essential in providing that research space.

He stated that he supported the Governor's recommendation as he described it on January 24<sup>th</sup>. He noted that the details of that recommendation are not yet in his hands and when he gets those recommendations he will let the Board know what they are in regard to the University of Kentucky's budget. He said, in his opinion, these three key pieces, the operating budget increase, the Research Challenge Trust Fund, and the Biomedical Sciences Research Building, are ones that are almost assuredly going to be in the Governor's budget recommendation. President Wethington reiterated that he would be very supportive of these recommendations, and he hoped the Board would be supportive as well.

Mr. Guthrie supported President Wethington by saying, "I think that it goes without question that this Board is very aware of what the Governor's financial commitment to higher education has meant to UK over the last two years and his dedication to postsecondary education for all of Kentucky's public universities and colleges. And of course, we now, are looking forward to the next two years. And I'd like to possibly suggest, if the Chairman concurs, and it is just a suggestion, that we officially communicate to Governor Patton our sincere appreciation for his outstanding leadership in this area. To let him know that the University of Kentucky Board of Trustees supports his efforts, and that we look forward to working with him in these next two to four years during his second term. I just think it might be a nice gesture. In principle, we agree, support and maybe a letter from the Chair acknowledging that and thanking him would be in order." Mr. Guthrie made the motion. Dr. Plattner seconded the motion, and the motion carried.

Ms. Sims commented that the baseball season is getting ready to open and extended to everyone a warm welcome to come to the baseball center this season.

Mr. Miles asked Ms. Way to see about getting a schedule of all of the sporting events from Mr. Newton for the Board. President Wethington assured Mr. Miles that it would be done.

Dr. Plattner requested from Ms. Way a schedule of the Theatre Arts events as well. President Wethington assured Dr Plattner that it would be sent to the Board members as well.

AA. Meeting Adjourned

There being no further business to come before the Board, the Chairperson adjourned the meeting at 2:58 p.m.

Respectfully submitted,

Daniel R. Reedy  
Secretary  
Board of Trustees

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

Office of the President  
January 25, 2000

1. UK Makes Impressive Gains in NSF Ranking

According to the National Science Foundation, UK has made a substantial increase in its national research ranking. Based on NSF's preliminary report on university research and development expenditures in fiscal year 1998, UK jumped from 46th place in 1997 to 32nd in 1998 among public universities and climbed from 67th to 49th place among all public and private universities combined. The University reported a 29 percent increase in its research expenditures, resulting in one of the largest gains in the rankings by any university. According to NSF, UK's total 1998 expenditure was \$161.3 million, an increase of more than \$36 million over the previous year. The NSF figures are regarded as one of the most widely accepted measures of research productivity, and demonstrate UK's progress toward achieving top-20 status.

2. UK Ranked 14<sup>th</sup> Nationally in Licensing Income and Patents

UK ranked 14<sup>th</sup> nationally among land-grant institutions, 22<sup>nd</sup> among public universities, and 38<sup>th</sup> overall in licensing revenue and patent activity for academic year 1998 according to a recent survey by the Association of University Technology Managers. UK reported \$2.36 million in royalties on 14 licenses for 1998. Top royalty-producing inventions included a nasal delivery method for pharmaceuticals, three vaccines for horses, and an implant device for treating eye diseases. Patent activity included 21 patents applied for and 18 patents issued.

3. Two UK Professors Receive Prestigious Humanities Fellowships

Sandy Isenstadt, Architecture, and Joanne Melish, History, have received National Endowment for the Humanities fellowships, among the most prestigious awards given in the humanities. Isenstadt will use the grant to complete a book titled "Spaciousness and Middleclass Identity: Modern American Domestic Architecture (1850-1950)," and Melish will explore the efforts by the Narragansett Indians of New England to re-establish and maintain their tribal identity.

4. Children's Hospital Studies Pain Medication for Premature Infants

The UK Children's Hospital and College of Medicine are participating in a nationwide study to determine if a low dose of morphine, administered continuously, would improve the clinical outcome of premature infants who require ventilators to help them breathe. UK's Neonatal Intensive Care Unit is one of 12 sites participating in the international study. Infants on ventilators routinely are not given pain medicine. In addition to the desire to reduce the pain felt by premature infants, pain medication also might improve the infants' clinical outcomes. This research study aims to confirm preliminary results showing the incidence of poor neurological outcomes is reduced in premature infants who are given pain medication while on ventilators.

5. Debate Coach Receives Lifetime Achievement Award

Communication professor and debate coach J.W. Patterson recently became one of only four coaches in the nation to earn the National Debate Coaches Association's Lifetime Achievement Award. The award honors those who have given more than 30 years of outstanding service to collegiate and high school debate. Patterson's achievements include the Tournament of Champions, which has become the nation's premier high school debate tournament since he started it in 1972 at UK. Between 1973 and 1999, 44 UK teams qualified for the collegiate National Debate Tournament.

6. THRI Receives Second Genetic Promoter Patent

Researchers at the Tobacco and Health Research Institute recently received a patent for a genetic promoter isolated from a plant virus (figwort mosaic virus). The patent covers the use of this promoter to direct the expression of new genes introduced into plants. This is the second promoter patent for the team of Professor Indu Maiti and Professor Emeritus Robert Shepherd. These promoters are frequently used at THRI to develop new uses for tobacco and to develop the next generation of crops enhanced through biotechnology.



7. Ph.D. Program Receives Prestigious USDA Fellowship

UK's Ph.D. program in nutritional sciences, soon to be a graduate center, is one of only three programs in the country to receive a fellowship from the U.S. Department of Agriculture in the human nutrition area. Linda Chen, director since the program began in 1989 in the College of Human Environmental Sciences, will receive two \$22,000 stipends per year for three years to recruit top pre-doctoral students. UK's program distinguished itself in the area of oxidative stress and nutrition, emphasizing nutrition's role in cancer, cardiovascular disease, and alcoholism.

8. Two Patents Awarded to CAER for Purifying Powders

John Stencil at the Center for Applied Energy Research recently received two patents in the area of emissions and power generation. The patents describe triboelectric processing, an apparatus and technology useful for purifying fine-sized, dry powders with particle sizes similar to talcum powder. The technology is useful for purifying minerals, foodstuffs, pigments, powdered metals, organic and inorganic powders, and energy materials. Currently, there is no commercial technology available that can handle such small-sized dry powders.

9. Cheerleaders Win Sixth Straight National Championship

The UK cheerleaders have won their sixth straight Universal Cheerleading Association national championship. Overall, this is the tenth national championship for the UK cheerleaders. In addition to this year's championship, the UK duo of Brooke Davis and Tim Passlacqua won the National Partner Stunt competition.

10. IHDI Researcher Serving in Federal Post

Kenneth Warlick of UK's Interdisciplinary Human Development Institute, a leader in the area of disability issues, has been named director of the Office of Special Education and Rehabilitative Services in the U.S. Department of Education. He began his special appointment January 3, overseeing the office that administers the Individuals with Disabilities Education Act, the law that protects the education rights of the nation's six million students with disabilities. Warlick's efforts directly affect the degree to which we can accommodate our students with disabilities.

11. Agriculture Cited for Excellence in Distance Learning

The College of Agriculture's Distance Learning program has won a national "Excellence in College and University Distance Education" award. The award includes a \$5,000 stipend for the college to strengthen and support distance education programs. College of Agriculture team members who won the award are Craig H. Wood, Carla G. Craycraft, Kim Ragland, Scott Hayes, Nathan Wilson and Lori Porter. Also recognized for their work were Carol Spence, UK Media Design and Production, and Liz Hobson, Kentucky Educational Television.

12. Report Analyzes Graduated Driver's License Program

The Graduated Driver's License (GDL) program that went into effect in Kentucky three years ago appears to be reducing the number of motor vehicle crashes involving 16-year-old drivers, according to preliminary data compiled by the Kentucky Injury Prevention and Research Center and the Kentucky Transportation Center, both part of UK. Researchers compared post-GDL crash data (1997-98) with pre-GDL crash data (1993-95). Since the program went into effect, crashes involving 16-year-olds have declined by more than 33 percent; fatal crashes are down almost 28 percent; and injury crashes involving 16-year-old drivers are down more than 34 percent. Teen alcohol-related crashes have declined by more than 30 percent since 1996. Overall, the rate of crashes for 16-year-old drivers has decreased from 19 crashes per 100 16-year-old drivers in 1995 to 11 crashes per 100 16-year-old licensed drivers in 1998.

13. Study Reports Weight Maintenance Better Than Expected

Individuals maintain weight losses significantly better after an intensive, very low calorie diet than after a modest weight-loss program, according to a study by UK's Health Management Resources Weight Management Program, headed by James W. Anderson, the program's director. The findings are published in the December issue of the *Journal of the American College of Nutrition*. Anderson reported results for 112 individuals who completed an intensive, low-calorie program intended for individuals more than 40 pounds overweight. These individuals initially lost an average of 65 pounds over five months and were monitored for two to seven years after completing the weight-loss program. On average, they maintained 23 percent of their weight loss for more than five years.

14. UK Center for Minimally Invasive Surgery Begins Training

The Center for Minimally Invasive Surgery opened this month, with the aim of becoming a model in minimally invasive surgery through the use of training devices and opportunities that are unique in the nation. The center will use interactive video technology to beam laparoscopic surgeries performed at UK Hospital to sites all over the world.

15. Student Awards and Honors

Monica Grant, Anthropology, received a Marshall Scholarship to study in Great Britain.

Bonnie Hern, Lexington Community College, received a Presidential Recognition certificate from LCC for her work on behalf of students with disabilities.

Galen Rasche, Electrical Engineering, was named National Cooperative Education Student of the Year by the Cooperative Education Division of ASEE and the Cooperative Education Association.

16. Significant Faculty and Staff Activities

John Anthony, Chemistry, received a \$160,000 CAREER Award from the National Science Foundation.

Ron Atwood, Curriculum and Instruction, received the Outstanding College and University Science Teacher Award from the Kentucky Science Teachers Association.

Art Cammers-Goodwin, Chemistry, received a \$250,000 CAREER Award from the National Science Foundation.

Sylvia Daunert, Chemistry, received a \$274,000 renewal grant from the National Science Foundation.

James S. Dinger, C. Douglas Graham and David R. Wunsch, Kentucky Geological Survey, published an article, "Predicting ground-water movement in large mine spoil areas in the Appalachian Plateau," in the *International Journal of Coal Geology*.

Holly Gallion, Obstetrics and Gynecology, was elected vice president of the Society of Gynecologic Oncologists.

Stephen F. Greb and John T. Popp, Kentucky Geological Survey, published an article, "Mining geology of the Pond Creek seam, Pikeville Formation, Middle Pennsylvanian, in part of the Eastern Kentucky Coal Field, U.S.A.," in the *International Journal of Coal Geology*.

Robert Grossman, Chemistry, received a \$261,000 CAREER Award from the National Science Foundation.

Thomas Guskey, had two books published: *Evaluating Professional Development* by Corwin Press and *Comprehensive School Reform: A Program Perspective* by Kendall/Hunt.

Lynn Harrison, Veterinary Sciences, received the Kentucky Veterinary Medical Association's Veterinarian of the Year Award.

Marlene Huff, Social Work, received the \$10,000 Hearn Award from the National Organization on Disability.

Folami Ladipo, Chemistry, received a \$348,000 CAREER Award from the National Science Foundation.

Ren-Cang Li, Mathematics, received a \$205,000 CAREER Award from the National Science Foundation.

Susan McDowell and David Music, Physical Medicine and Rehabilitation, won the Athena Best Paper Presentation Award at the Association of Academic Physiatry meeting.

Michael Nelson, Special Education and Rehabilitation Counseling, received the Outstanding Service Award from the Midwest Symposium for Leadership in Behavior Disorders.

Virginia Davis Nordin, Educational Policy, received a Fulbright grant to study and teach for a year in the Republic of Georgia.

John Timoney, Veterinary Sciences, received the American Veterinary Medical Association Excellence in Equine Research Award.

Danzhou Yang, Chemistry, received a five-year \$586,000 grant from National Institute of Health Career Development Award.

# PR 2

Office of the President  
January 25, 2000

Members, Board of Trustees:

## PERSONNEL ACTIONS

Recommendation: that approval be given to the attached appointments, actions and/or other staff changes which require Board action; and that the report relative to appointments and/or changes already approved by the administration be accepted.

Background: The attached recommended appointments and/or other staff changes require approval by the Board of Trustees in accordance with Part VIII-B of the Governing Regulations of the University. These recommendations are transmitted to the Board by the appropriate chancellor through the President and have the President's concurrence.

Under the Governing Regulations, the authority to make certain appointments and/or other staff changes is delegated to the President or other administrators who are required to report their actions to the Board. These items of report follow the recommendations requiring Board approval.

---

Action taken: ☒ Approved    ☐ Disapproved    ☐ Other \_\_\_\_\_

## **CENTRAL ADMINISTRATION**

### **I. BOARD ACTION**

#### **A. ADMINISTRATIVE APPOINTMENTS**

##### **Vice President for Management and Budget**

Pinner, Ray M., Associate Vice President for Management and Budget, effective 3/1/00.

#### **B. LEAVES OF ABSENCE**

##### **Vice President for Information Systems**

Welch, Mary H., Librarian I (with tenure), University Libraries, medical leave at full pay, effective 7/1/99 through 3/31/00.

#### **C. POST-RETIREMENT APPOINTMENTS**

##### **Vice President for Fiscal Affairs**

Sandford, William C., General Electrician (part-time), Physical Plant Division, 1/24/00 through 6/30/00.

### **II. ADMINISTRATIVE ACTION**

#### **A. ADMINISTRATIVE APPOINTMENTS**

##### **Vice President for Research and Graduate Studies**

Kearns, Jacqueline F., Disability Program Administrator Associate, Interdisciplinary Human Development Institute, effective 1/1/00.

#### **B. CHANGES**

##### **Vice President for Fiscal Affairs**

Barbella, Richard A., from Manager of Finance, Office of Fiscal Affairs to Acting Director of Operations, Human Resource Services, effective 1/1/00 through 1/1/01.

Miles, Jennifer, from Accounting Manager II to Accounting Manager Senior, Sponsored Projects Accounting, Office of Controller and Treasurer, effective 12/1/99.

**C. LEAVES OF ABSENCE**

Vice President for Research and Graduate Studies

Warlick, Kenneth, Disability Program Administrator III, Interdisciplinary Human Development Institute, leave without pay, effective 1/4/00 through 12/31/00.

**LEXINGTON CAMPUS**

**I. BOARD ACTION**

**A. ACADEMIC APPOINTMENTS**

**College of Arts and Sciences**

Zhang, Ying, Visiting Professor, Mathematics, 1/1/00 through 6/30/00.

**College of Business and Economics**

Chung, Chen, Professor (with tenure), Management, named to the Gatton Endowed Professorship, 7/1/00 through 6/30/03.

Garen, John, Professor (with tenure), Economics, named to the Gatton Endowed Professorship, 7/1/00 through 6/30/03.

Muralidhar, Krish, Associate Professor (with tenure), Management, named to the Gatton Endowed Professorship, 7/1/00 through 6/30/03.

Scott, Frank, Professor (with tenure), Economics, named to the Gatton Endowed Professorship, 7/1/00 through 6/30/03.

Tepper, Ben, Associate Professor (with tenure), Management, named to the Gatton Endowed Professorship, 7/1/00 through 6/30/03.

**College of Education**

Hasselbring, Ted, Professor (with tenure), Special Education and Rehabilitation Counseling, and named to an Endowed Chair in Special Education, effective 1/1/00.

**College of Engineering**

Dietz, Henry Gordon, Professor (with tenure), Electrical Engineering, and named to the James F. Hardyman Chair in Network Engineering, effective 1/1/00.

Douglas, Craig C., Professor (with tenure), Computer Science, and joint appointment as Professor (without tenure), Mechanical Engineering, effective 1/1/00.

Honaker, Ricky Q., Associate Professor (without tenure), Mining Engineering, 1/1/00 through 12/31/01.

Singh, Vijay P., Professor (with tenure), Electrical Engineering, and named to the Robinson Chair in Electrical Engineering, effective 1/1/00.

Zhang, Yu-Ming, Associate Professor (without tenure), Electrical Engineering, 1/1/00 through 12/31/01.

**College of Law**

Vestal, Allan Walker, Professor (with tenure), Law, effective 7/1/00.



## **B. ADMINISTRATIVE APPOINTMENTS**

### College of Engineering

Singh, Vijay P., Professor (with tenure), Electrical Engineering, appointed Chair, Electrical Engineering, 1/10/00 through 6/30/03.

## **C. REAPPOINTMENTS**

### College of Arts and Sciences

Cobb, James C., Associate Adjunct Professor, Geological Sciences, 1/1/00 through 6/30/02.

### College of Engineering

Kleinert, Harold, Associate Adjunct Professor, Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

## **D. RETIREMENTS**

### College of Arts and Sciences

Allen, John, Professor (with tenure), Spanish and Italian, after 16 years and 6 months of consecutive service, under Section III.B of AR II-1.6-1, effective 12/31/99.

### College of Engineering

Wittwer, A. L., Industrial Extension Specialist II, Center for Robotics and Manufacturing Systems, after 12 years and 6 months of consecutive service, under Section III.B of AR II-1.6-1, effective 1/3/00.

### Vice Chancellor for Administration and Outreach

Drury, Edward, Building Operator III, Housing, Auxiliary Services, disabled staff, Employee Benefits, after 25 years and 10 months of consecutive services, under Section III.B of AR II-1.6-1, effective 11/30/99.

Pfanstiel, E. Earl, Director, Independent Study Program, University Extension, after 28 years and 7 months of consecutive service, under Section III.B of AR II-1.6-1, effective 1/31/00.

## **E. EARLY RETIREMENTS**

### College of Engineering

Meade, Bobby W., Transportation Research Investigator, Kentucky Transportation Center, after 27 years and 10 months of consecutive service, under Section III.A.2 of AR II-1.6-1, effective 12/20/99.

### Lexington Community College

Boyatt, Iva Dean, Professor (with tenure), Lexington Community College, after 21 years and 5 months of consecutive service and a total of 23 years and 8 months of service, under Section III.A.2 of AR II-1.6-1, effective 1/7/00.

### Vice Chancellor for Administration and Outreach

Smith, Kathy M., Staff Support Associate II, Housing, Auxiliary Services, after 27 years and 7 months of consecutive service, under Section III.A.2 of AR II-1.6-1, effective 2/18/00.

## **F. POST-RETIREMENT APPOINTMENTS**

### College of Arts and Sciences

Sands, Donald, Professor (part-time), Chemistry, 1/1/00 through 6/30/00.

## **II. ADMINISTRATIVE ACTION**

### **A. ACADEMIC APPOINTMENTS**

#### College of Arts and Sciences

Darrat, Suleiman A., Lecturer, Russian and Eastern Studies, 1/1/00 through 6/30/00.  
Hale, Frank B., Instructor (temporary), Philosophy, 1/1/00 through 5/31/00.  
Hayes, Harold, Instructor (temporary), German, 1/1/00 through 5/31/00.  
Saveau, Patrick, Assistant Professor (temporary), French, 1/1/00 through 6/30/00.

#### College of Business and Economics

Frunza, Viorica, Instructor (part-time), Management, 1/1/00 through 5/15/00.

#### College of Fine Arts

Manion, Liz, Instructor (part-time), Theater, 1/15/00 through 5/15/00.

College of Human Environmental Sciences

Hunter, Pauline, Instructor (part-time), Nutrition and Food Science, 1/1/00 through 5/15/00.

McClanahan, Brenda, Instructor (part-time), Interior Design, Merchandising and Textiles, 1/1/00 through 5/15/00.

Noble, Andrea, Instructor (part-time), Nutrition and Food Science, 1/1/00 through 5/15/00.

College of Social Work

Bass, Stephanie S., Instructor (part-time), Social Work, 1/1/00 through 5/15/00.

Conklin, Barbara A., Instructor (part-time), Social Work, 1/1/00 through 5/15/00.

Groeber, Chris, Assistant Clinical Professor, Social Work, 1/1/00 through 6/30/00.

Hesterberg, Latonya J., Assistant Clinical Professor, Social Work, 1/1/00 through 6/30/00.

Otis, Melanie D., Assistant Professor, Social Work, 1/1/00 through 6/30/00.

Lexington Community College

Human, Renee, Instructor, Lexington Community College, 1/3/00 through 6/30/00.

Zeren, Kimberly L., Instructor, Lexington Community College, 1/3/00 through 6/30/00.

**B. ADMINISTRATIVE APPOINTMENTS**

College of Arts and Sciences

Scaife, Allen R., Associate Professor (with tenure), Classics, appointed Acting Chair, Classics, 1/1/00 through 6/30/00.

Stanton, Edward, Professor (with tenure), Spanish and Italian, appointed Acting Chair, Spanish and Italian, 1/1/00 through 6/30/00.

College of Fine Arts

Carpenter, Dennis, Associate Professor (with tenure), Art, appointed Acting Chair, Art, 1/1/00 through 6/30/00.

**C. REAPPOINTMENTS**

College of Agriculture

Gorton, William T. III, Lecturer (part-time), Agricultural Economics, 1/12/00 through 5/5/00.

College of Arts and Sciences

Drahovzal, James A., Assistant Adjunct Professor, Geological Sciences, 1/1/00 through 6/30/02.

Martin, Andrew D., Instructor (temporary), Mathematics, 1/1/00 through 5/31/00.

College of Business and Economics

Wertzler, Jon, Instructor (part-time), Management, 1/1/00 through 5/15/00.

College of Education

Allen, Jeffrey, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

Bell, Jennifer, Instructor (part-time), Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

Cleveland, Roger, Instructor (part-time), Educational and Counseling Psychology, 1/1/00 through 5/15/00.

Cole, Kathleen, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

Daniels, Linda Yeatts, Instructor (part-time), Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

Daopoulos, James, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

Geldhof, Eric, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

Hale, Betty, Instructor (part-time), Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

McFarland, Martha, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

Meyer, Staci, Instructor (part-time), Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

Rankin, Stephanie, Instructor (part-time), Special Education and Rehabilitation Counseling, 1/1/00 through 5/15/00.

Sprague, Dennis, Instructor (part-time), Kinesiology and Health Promotion, 1/1/00 through 5/15/00.

College of Human Environmental Sciences

Sullivan, Cynthia, Instructor (part-time), Nutrition and Food Science, 1/1/00 through 5/15/00.

College of Social Work

Hackney, Edwin, Instructor (part-time), Social Work, 1/1/00 through 5/15/00.

Rolland, Susanne M., Assistant Professor (part-time), Social Work, 8/16/99 through 5/15/00.

#### **D. TERMINAL REAPPOINTMENTS**

##### College of Agriculture

Larson, Brian Thomas, Assistant Professor, Animal Sciences, 11/15/99 through 11/14/00.

#### **E. LEAVES OF ABSENCE**

##### College of Agriculture

Paratley, Rob, Research Specialist, Forestry, Scholarly fellowship leave with partial salary, 1/15/00 through 7/14/00.

Stobaugh, David, County Extension Agent, Cooperative Extension Service, Educational leave with half salary, 5/29/00 through 11/30/00.

##### College of Business and Economics

Fackler, James, Professor (with tenure), Economics, Sabbatical leave with full salary, 7/1/00 through 12/31/00.

Gillette, J. Robert, Associate Professor (with tenure), Economics, Sabbatical leave with full salary, 1/1/01 through 6/30/01.

##### College of Human Environmental Sciences

Carll, Allison, Professor (with tenure), Interior Design, Merchandising and Textiles, Sabbatical leave with full salary, 1/1/00 through 6/30/00.

Easter, Elizabeth, Professor (with tenure), Interior Design, Merchandising and Textiles, Sabbatical leave with full salary, 1/1/00 through 6/30/00.

**MEDICAL CENTER**

**I. BOARD ACTION**

**A. ACADEMIC APPOINTMENTS**

**College of Allied Health Professions**

Fisher, Steve B., Assistant Professor\*, Clinical Sciences, 1/1/00 through 6/30/00.

**College of Dentistry**

Ebersole, Jeffrey L., Professor (with tenure), Oral Health Practice, joint appointment as Professor (without tenure), College of Medicine, Department of Microbiology and Immunology, effective 1/1/00, and named to the Alvin L. Morris Professorship in Oral Health Research, effective 1/1/00.

**College of Medicine**

Evans, Arthur T., Professor\* (with tenure), Obstetrics and Gynecology, effective 3/1/00.

Fragneto, Regina Y., Associate Professor\* (without tenure), Anesthesiology, 1/26/00 through 6/30/00.

Toadvine, Steven K., Associate Professor (voluntary), Family Practice, 1/26/00 through 6/30/00.

Zinda, Michael W., Clinical Associate Professor, Radiation Medicine, 2/1/00 through 6/30/00.

**College of Pharmacy**

Anderson, Bradley D., Professor (with tenure), effective 3/1/00, and named to the H. B. Kaustenbauder Professorship in Pharmaceutical Sciences, effective 3/1/00.

Thorn, Deborah B., Associate Adjunct Professor, 12/15/99 through 6/30/00.

**B. ADMINISTRATIVE APPOINTMENTS**

**College of Dentistry**

Ebersole, Jeffrey L., Research Professor, Oral Health Practice, named Director, Center for Oral Health Research (COHR), and named Assistant Dean for Research and Graduate Studies, effective 1/1/00.

---

\*Special Title Series

### **C. JOINT APPOINTMENTS**

#### College of Medicine

Jacob, Robert J., Associate Professor (with tenure), Microbiology and Immunology, joint appointment as Associate Professor (without tenure), College of Dentistry, Department of Oral Health Practice, effective 2/1/00.

### **D. PROMOTIONS**

#### College of Medicine

Whiteheart, Sidney W., Assistant Professor, Biochemistry, to Associate Professor (with tenure), Biochemistry, effective 1/1/00.

### **E. CHANGES**

#### College of Medicine

Fuhrman, Thomas M., from Professor (temporary), Anesthesiology, to Professor\* (without tenure), Anesthesiology, joint appointment as Professor\* (without tenure), Surgery, 2/1/00 through 1/31/01.

Van Meter, Woodford S., from Associate Professor (voluntary), Ophthalmology, to Associate Professor (part time), Ophthalmology, 1/26/00 through 6/30/00.

Wyatt, Stephen W., from Associate Adjunct Professor, Preventive Medicine and Environmental Health, to Associate Professor\* (with tenure), Preventive Medicine and Environmental Health, effective 4/1/00.

### **F. LEAVES OF ABSENCE**

#### College of Medicine

Matheny, Samuel C., Professor\*, Family Practice, and Chair, Department of Family Practice, miscellaneous leave with pay, 1/26/00 through 4/26/00.

Swain, Julie A., Professor, Surgery, miscellaneous leave with pay, 1/15/00 through 1/14/01.

### **G. RETIREMENTS**

#### College of Medicine

Snyder, Ruth, Staff Assistant VII, Diagnostic Radiology, after 17 years, 4 months of consecutive service, under AR II-1.6-1, Section III.B, effective 12/30/99.

---

\*Special Title Series

## **H. EARLY RETIREMENTS**

### College of Nursing

Padgett, Dona J., Staff Support Associate II, after 17 years, 4 months of consecutive service and a total of 24 years, 8 months of service, under AR II-1.6-1, Section III.A.2, effective 12/3/99.

## **II. ADMINISTRATIVE ACTION**

### **A. ACADEMIC APPOINTMENTS**

#### College of Dentistry

Baechtold, Leslie L., Assistant Professor (voluntary), Oral Health Practice, 1/26/00 through 6/30/00.

Erena, Gregory R., Assistant Professor (voluntary), Oral Health Science, 1/26/00 through 6/30/00.

Mortenson, Brent W., Assistant Professor (voluntary), Oral Health Science, 1/26/00 through 6/30/00.

Murphy, Michael T., Assistant Professor (voluntary), Oral Health Science, 1/26/00 through 6/30/00.

#### College of Medicine

Bognar, Benedek, Assistant Adjunct Professor, Diagnostic Radiology, 2/1/00 through 6/30/00.

Eberly, Steven M., Assistant Professor (part time, temporary), Diagnostic Radiology, 2/1/00 through 6/30/00.

Fellows, Richard A., Assistant Professor (part time, temporary), Diagnostic Radiology, 2/1/00 through 6/30/00.

Foster, James M., Assistant Professor (voluntary), Emergency Medicine, 1/26/00 through 6/30/00.

Hackett, Michael T., Assistant Professor (voluntary), Internal Medicine, 1/26/00 through 6/30/00.

Huerta, Christopher L., Assistant Professor (voluntary), Emergency Medicine, 1/26/00 through 6/30/00.

Joyce, Margie R., Assistant Professor (part time, temporary), Diagnostic Radiology, 2/1/00 through 6/30/00.

Maxfield, Charles M., Assistant Professor (part time, temporary), Diagnostic Radiology, 2/1/00 through 6/30/00.

Shearer, Loretta T., Assistant Professor (part time, temporary), Diagnostic Radiology, 2/1/00 through 6/30/00.



College of Pharmacy

Deitemeyer, Ralph G., Assistant Professor (voluntary), 1/26/00 through 6/30/00.

Greenstein, Lisa, Instructor (voluntary), 1/26/00 through 6/30/00.

Lawrence, Christy, Instructor (voluntary), 1/26/00 through 6/30/00.

**B. ADMINISTRATIVE APPOINTMENTS**

College of Allied Health Professions

Olesinski, Raymond L., Associate Professor\*, Clinical Sciences, named Acting Chair,  
Department of Clinical Sciences, 1/14/00 through 6/30/00.

College of Medicine

Young, A. Byron, Professor, Surgery, named Acting Associate Dean for Clinical  
Affairs and Acting Chief of Staff, 1/4/00 through 6/30/00.

College of Pharmacy

Akers, Paige, Clinical Pharmacist, effective 1/18/00.

**C. JOINT APPOINTMENTS**

College of Medicine

Smith, Cynthia A., Clinical Assistant Professor, Neurology, joint appointment as  
Clinical Assistant Professor, College of Arts and Sciences, Department of  
Psychology, 1/1/00 through 6/30/00.

**D. REAPPOINTMENTS**

College of Pharmacy

Mumper, Russell J., Assistant Professor, 7/1/99 through 6/30/00.

**E. PROMOTIONS WITHOUT TENURE**

College of Medicine

Hanna, Marie N., Clinical Instructor, Anesthesiology, to Clinical Assistant Professor,  
Anesthesiology, 7/1/00 through 6/30/01.

---

\*Special Title Series

## **F. CHANGES**

### College of Medicine

Campbell, Jeffrey P., from Assistant Professor, Surgery, to Assistant Professor (part time), Surgery, 2/1/00 through 4/30/00.

Sinai, Anthony P., from Assistant Professor, Microbiology and Immunology, effective 11/1/99 through 6/30/00, to Assistant Professor, Microbiology and Immunology, effective 12/1/99 through 6/30/00.

Spears, Vivian G., from Assistant Research Professor, Psychiatry, to Clinical Assistant Professor, Psychiatry, 7/01/00 through 6/30/01.

## **G. TERMINAL REAPPOINTMENTS**

### College of Medicine

Cowen, David E., Assistant Professor, Ophthalmology, 1/1/00 through 12/31/00.

## **H. LEAVES OF ABSENCE**

### College of Allied Health Professions

Kelly, Deborah G., Associate Professor\* (with tenure), Health Services, sabbatical leave at full salary, 5/1/00 through 7/31/00 and 3/1/01 through 5/31/01.

### College of Medicine

Katz, Wendy S., Assistant Professor, Biochemistry, miscellaneous leave without pay, 3/1/00 through 2/28/01.

Kohler, Heinz, Professor, Microbiology and Immunology, sabbatical leave at full salary, 1/1/00 through 6/30/00.

Waechter, Charles J., Professor (with tenure), Biochemistry, sabbatical leave at full salary, 6/1/00 through 11/30/00.

### College of Nursing

Assell, Ruth A., Associate Professor\* (with tenure), sabbatical leave at full salary, 1/1/00 through 6/30/00.

### Graduate School

Bruce, Eugene N., Professor (with tenure), Biomedical Engineering, miscellaneous leave without pay, 1/1/00 through 12/31/00.

---

\*Special Title Series

# PR 3A

Office of the President  
January 25, 2000

Members, Board of Trustees:

LUCILLE CAUDILL LITTLE  
FINE ARTS LIBRARY AND LEARNING CENTER

Recommendation: that the Board of Trustees approve the naming of the building that has been unofficially called "King Library North" the Lucille Caudill Little Fine Arts Library and Learning Center.

Background: Mrs. Lucille Caudill Little, a Lexington philanthropist, has made a gift of \$1,000,000 for the establishment of a new fine arts library, to be located in the 1974 library building. Mrs. Little's gift was matched by the University, as agreed by Mrs. Little and was accepted by the Board. This gift renovated the 1974 library building for the purpose of creating a fine arts library. Mrs. Little is a long-time supporter of the arts, and she starred in numerous UK Theater productions in the early years of the Guignol Theater. She was an early supporter of the UK Library Campaign and she serves on the executive committee of the UK Library Association. Mrs. Little is a graduate of Ohio State University, did graduate work at Columbia University, and was a student of music at the Julliard School of Music in New York.

The naming of this new facility in honor of Mrs. Little meets the guidelines in the Administrative Regulations. Mrs. Little's many contributions to the University, both financially and professionally, warrant this notable tribute. The Vice President of Information Systems, Library Director, and Committee on Naming University Buildings support this recommendation.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

# PR 5A

Office of the President  
January 25, 2000

Members, Board of Trustees:

## APPOINTMENT OF DEAN OF THE COLLEGE OF LAW

Recommendation: that Professor Allan Walker Vestal be named Dean of the College of Law effective July 1, 2000.

Background: Professor David Shipley resigned as Dean of the College of Law in June 1998. Professor Robert Schwemm served as interim Dean in 1998-99 and Professor Eugene Gaetke is serving as interim Dean in 1999-00. A national search led to an outstanding pool of candidates. Four finalists visited campus in November and December 1999. Professor Vestal was chosen to join our University community in this important role.

Allan Walker Vestal is currently Associate Dean and Professor at the Washington and Lee University School of Law. He received his B.A. and J.D. from Yale University. Following law school, he worked as an associate for Foley & Lardner in Milwaukee, Wisconsin and as an associate and partner with Shuttleworth & Ingersoll in Cedar Rapids, Iowa. He joined the Washington and Lee faculty in 1989. Dean Vestal has also served as a Visiting Professor at the University of Maine Law School. A member of the American Law Institute, Dean Vestal has focused his scholarly activities on Partnership Law. He is a nationally known scholar in the area, having co-authored two books on Partnership Law, a Chapter in a book on Company Law, and 15 articles and reviews on a range of topics. At Washington and Lee, Dean Vestal has organized symposia that have involved scholars from around the country in colloquies on important issues of partnership law. He is a frequent speaker on corporate and commercial topics at programs for members of the bar and the academy.

The University is fortunate to attract a person so well qualified as Professor Vestal to provide this important leadership for the College of Law.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

# PR 6A

Office of the President  
January 25, 2000

Members, Board of Trustees:

## PROPOSED NEW DOCTOR OF NURSING PRACTICE

Recommendation: that the Board of Trustees approve the new degree program, Doctor of Nursing Practice.

Background: The proposed degree program is a professional program designed to prepare nurses for senior leadership positions in health systems. Learning experiences include an innovative, evidence-based practice residency. This unique program builds on the advanced practice of nursing at the masters level and develops nursing leaders to improve health care by improving outcomes at the individual, client, population and systems levels. Graduates will be prepared to continue learning throughout their lives, will enhance human and economic development through their leadership activities in the health care arena, and will provide a public service as they work to improve the health of the residents of Kentucky.

The proposed program has been reviewed and recommended by the Senate's Academic Programs Committee, the Senate Council and the University Senate. Approval by the Board of Trustees is required prior to submission to the Council on Postsecondary Education.

---

Action taken:



☒ Approved

☐ Disapproved

☐ Other \_\_\_\_\_

# PR 6B

Office of the President  
January 25, 2000

Members, Board of Trustees:

## PROPOSED NEW DOCTOR OF PUBLIC HEALTH PROGRAM

Recommendation: that the Board of Trustees approve the new degree program, Doctor of Public Health (Dr.P.H.), for submission to the Council on Postsecondary Education.

Background: The proposed degree program is an advanced professional practice degree designed to prepare students for careers as senior level administrators, applied researchers, policy makers, and educators addressing public health issues. The program is structured to link theory with practice, to offer an extensive array of courses based on the body of public health knowledge of the profession, and to integrate course work with extensive supervised field experience. Graduates will be prepared to integrate new knowledge and methods into public health. The program will enhance the University's stature, its academic excellence, its scholarship, its research endeavors and its ability to contribute to the Commonwealth.

The proposed program has been reviewed and recommended by the Senate's Academic Programs Committee, the Senate Council and the University Senate. Approval by the Board of Trustees is required prior to submission to the Council on Postsecondary Education.

---

Action taken:



Approved

☐ Disapproved

☐ Other

\_\_\_\_\_

# FCR 1

Office of the President  
January 25, 2000

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT FOR THE  
UNIVERSITY OF KENTUCKY FOR THE SIX MONTHS ENDED  
DECEMBER 31, 1999

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the six months ended December 31, 1999.

Background: The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations, consisting of the University of Kentucky Research Foundation, The Fund for Advancement of Education and Research in the University of Kentucky Medical Center, University of Kentucky Athletic Association, University of Kentucky Mining Engineering Foundation, University of Kentucky Business Partnership Foundation, University of Kentucky Humanities Foundation, University of Kentucky Equine Research Foundation, University of Kentucky Center on Aging Foundation, and Health Care Collection Service.

As of December 31, 1999, the University had realized income of \$584,221,000 representing 51% of the 1999-00 estimate of \$1,141,468,000. Expenditures and commitments total \$562,347,000 or 49% of the approved budget of \$1,141,468,000.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

**CONSOLIDATED BALANCE SHEET**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**DECEMBER 31, 1999**  
with comparative totals for December 31, 1998  
(in thousands)

|                                                                 | 1999-00                          |                                |                  |                    |                     | 1998-99             |                     |
|-----------------------------------------------------------------|----------------------------------|--------------------------------|------------------|--------------------|---------------------|---------------------|---------------------|
|                                                                 | Current<br>Unrestricted<br>Funds | Current<br>Restricted<br>Funds | Loan<br>Funds    | Endowment<br>Funds | Plant<br>Funds      | Totals              | Totals              |
| <b>ASSETS</b>                                                   |                                  |                                |                  |                    |                     |                     |                     |
| Cash and cash equivalents                                       | \$ 100,253                       | \$                             | \$ 3,660         | \$ 272             | \$ 104,206          | \$ 208,391          | \$ 252,076          |
| Notes, loans, and A/R (less bad<br>debt allowances of \$9,414)  | 125,121                          | 19,587                         | 22,614           | 873                | 710                 | 168,905             | 164,563             |
| Investments                                                     | 30,207                           | 141,610                        |                  | 342,888            | 42,033              | 556,738             | 410,511             |
| Property, plant, and equipment                                  |                                  |                                |                  |                    | 1,316,248           | 1,316,248           | 1,239,095           |
| Inventories and other                                           | 12,932                           | 57                             |                  |                    |                     | 12,989              | 14,747              |
| <b>Total Assets</b>                                             | <b>\$ 268,513</b>                | <b>\$ 161,254</b>              | <b>\$ 26,274</b> | <b>\$ 344,033</b>  | <b>\$ 1,463,197</b> | <b>\$ 2,263,271</b> | <b>\$ 2,080,992</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                            |                                  |                                |                  |                    |                     |                     |                     |
| <b>Liabilities</b>                                              |                                  |                                |                  |                    |                     |                     |                     |
| Accounts payable                                                | \$ 27,143                        | \$ 1,232                       | \$ 331           |                    | \$ 2,694            | \$ 31,400           | \$ 28,487           |
| Employee withholdings and<br>deposits                           |                                  | 13,491                         |                  |                    |                     | 13,491              | 20,646              |
| Other liabilities                                               | 5,431                            | 3,463                          |                  | \$ 6,527           | 2,076               | 17,497              | 17,073              |
| Liability for self insurance                                    | 52,598                           |                                |                  |                    |                     | 52,598              | 50,088              |
| Deferred income                                                 | 24,544                           | 12,692                         |                  |                    |                     | 37,236              | 37,776              |
| Bonds payable                                                   |                                  |                                |                  |                    | 195,551             | 195,551             | 214,831             |
| Capitalized lease obligation                                    |                                  |                                |                  |                    | 28,581              | 28,581              | 28,797              |
| <b>Total Liabilities</b>                                        | <b>109,716</b>                   | <b>30,878</b>                  | <b>331</b>       | <b>6,527</b>       | <b>228,902</b>      | <b>376,354</b>      | <b>397,698</b>      |
| <b>Interfund Balances</b>                                       | <b>(40,849)</b>                  | <b>84,682</b>                  |                  |                    | <b>(43,833)</b>     |                     |                     |
| <b>Net deferred revenues and<br/>appropriated fund balances</b> | <b>32,498</b>                    | <b>(4,442)</b>                 |                  |                    |                     | <b>28,056</b>       | <b>24,454</b>       |
| <b>Fund Balances</b>                                            |                                  |                                |                  |                    |                     |                     |                     |
| <b>Current unrestricted</b>                                     |                                  |                                |                  |                    |                     |                     |                     |
| Working capital                                                 | 159,337                          |                                |                  |                    |                     | 159,337             | 134,101             |
| Future operating purposes                                       | 4,910                            |                                |                  |                    |                     | 4,910               | 6,929               |
| Other                                                           | 2,901                            |                                |                  |                    |                     | 2,901               | 2,278               |
| <b>Current restricted</b>                                       |                                  | 50,136                         |                  |                    |                     | 50,136              | 44,975              |
| Loan                                                            |                                  |                                | 25,943           |                    |                     | 25,943              | 24,686              |
| True endowments                                                 |                                  |                                |                  | 255,280            |                     | 255,280             | 150,874             |
| Term endowments                                                 |                                  |                                |                  | 5,620              |                     | 5,620               | 6,321               |
| Quasi endowments                                                |                                  |                                |                  | 76,606             |                     | 76,606              | 75,124              |
| <b>Plant</b>                                                    |                                  |                                |                  |                    |                     |                     |                     |
| Retirement of indebtedness                                      |                                  |                                |                  |                    | 28,524              | 28,524              | 32,766              |
| Renewal and replacement                                         |                                  |                                |                  |                    | 9,590               | 9,590               | 16,152              |
| Allocated for designated<br>projects                            |                                  |                                |                  |                    | 209,213             | 209,213             | 188,339             |
| Net investment in plant                                         |                                  |                                |                  |                    | 1,030,801           | 1,030,801           | 976,295             |
| <b>Total Fund Balances</b>                                      | <b>167,148</b>                   | <b>50,136</b>                  | <b>25,943</b>    | <b>337,506</b>     | <b>1,278,128</b>    | <b>1,858,861</b>    | <b>1,658,840</b>    |
| <b>Total Liabilities and<br/>Fund Balances</b>                  | <b>\$ 268,513</b>                | <b>\$ 161,254</b>              | <b>\$ 26,274</b> | <b>\$ 344,033</b>  | <b>\$ 1,463,197</b> | <b>\$ 2,263,271</b> | <b>\$ 2,080,992</b> |



**CONSOLIDATED STATEMENT OF CURRENT FUNDS REVENUES AND APPROPRIATED FUND BALANCES**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 1999**  
with comparative totals for December 31, 1998  
(in thousands)

|                     |                                | <b>1999-00</b>             |                           |                             |          | <b>1998-99</b>              |          |
|---------------------|--------------------------------|----------------------------|---------------------------|-----------------------------|----------|-----------------------------|----------|
|                     |                                | <b>Original<br/>Budget</b> | <b>Revised<br/>Budget</b> | <b>Realized<br/>To Date</b> | <b>%</b> | <b>Realized<br/>To Date</b> | <b>%</b> |
| <b>General Fund</b> |                                |                            |                           |                             |          |                             |          |
| (1)                 | State appropriations           | \$ 290,835                 | \$ 290,835                | \$ 145,095                  | 50       | \$ 143,271                  | 50       |
| (2)                 | Student fees                   | 119,290                    | 119,855                   | 68,814                      | 57       | 62,827                      | 57       |
| (3)                 | Federal appropriations         | 15,519                     | 15,519                    | 9,054                       | 58       | 6,239                       | 41       |
| (4)                 | County appropriations          | 7,151                      | 7,674                     | 2,960                       | 39       | 2,465                       | 34       |
| (5)                 | Endowment income               | 902                        | 902                       | 284                         | 31       | 274                         | 30       |
| (6)                 | Investment income              | 8,978                      | 8,978                     | 6,647                       | 74       | 5,819                       | 68       |
|                     | Gifts and grants               |                            |                           |                             |          |                             |          |
| (7)                 | Affiliated corporations        | 14,319                     | 14,319                    | 6,869                       | 48       | 6,415                       | 46       |
| (8)                 | Other                          | 60,708                     | 57,712                    | 21,629                      | 37       | 27,378                      | 43       |
| (9)                 | Sales and services             | 54,748                     | 60,356                    | 24,346                      | 40       | 22,289                      | 42       |
| (10)                | Fund balance                   | 20,582                     | 28,303                    | 28,303                      | 100      | 19,428                      | 100      |
| (11)                | Total General Fund             | 593,032                    | 604,453                   | 314,001                     | 52       | 296,405                     | 51       |
| (12)                | <b>Auxiliary Enterprises</b>   | 32,569                     | 32,703                    | 18,362                      | 56       | 17,684                      | 55       |
| (13)                | <b>Restricted Funds</b>        | 67,303                     | 67,387                    | 24,353                      | 36       | 22,992                      | 40       |
| (14)                | <b>Affiliated Corporations</b> | 159,977                    | 160,761                   | 81,694                      | 51       | 71,106                      | 48       |
| <b>Hospital</b>     |                                |                            |                           |                             |          |                             |          |
| (15)                | Revenues                       | 276,164                    | 276,164                   | 145,811                     | 53       | 135,631                     | 51       |
| (16)                | Fund balance                   |                            |                           |                             |          |                             |          |
|                     | Total Revenues and             |                            |                           |                             |          |                             |          |
| (17)                | Appropriated Fund Balances     | <u>\$ 1,129,045</u>        | <u>\$ 1,141,468</u>       | <u>\$ 584,221</u>           | 51       | <u>\$ 543,818</u>           | 50       |

**CONSOLIDATED STATEMENT OF CURRENT FUNDS EXPENDITURE SUMMARY BY PROGRAM - ALL FUNDS**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 1999**  
with comparative totals for December 31, 1998  
(in thousands)

|                                        | 1999-00             |                     |                                    |     | 1998-99                            |     |
|----------------------------------------|---------------------|---------------------|------------------------------------|-----|------------------------------------|-----|
|                                        | Original<br>Budget  | Revised<br>Budget   | Expended/<br>Encumbered<br>To Date | %   | Expended/<br>Encumbered<br>To Date | %   |
| (1) Instruction                        | \$ 244,822          | \$ 240,224          | \$ 113,035                         | 47  | \$ 111,170                         | 48  |
| (2) Research                           | 152,232             | 152,265             | 63,486                             | 42  | 62,732                             | 42  |
| (3) Public service                     | 147,479             | 148,791             | 74,668                             | 50  | 67,057                             | 47  |
| (4) Academic support                   | 68,771              | 71,774              | 36,770                             | 51  | 32,275                             | 50  |
| (5) Student services                   | 20,460              | 23,481              | 9,553                              | 41  | 11,010                             | 51  |
| (6) Institutional support              | 45,507              | 54,019              | 24,650                             | 46  | 25,315                             | 57  |
| (7) Student financial aid              | 46,602              | 46,622              | 27,881                             | 60  | 24,654                             | 59  |
| (8) Operation and maintenance          | 41,125              | 42,111              | 18,451                             | 44  | 16,779                             | 42  |
| (9) Mandatory transfers (debt service) | 16,572              | 16,572              | 16,572                             | 100 | 18,486                             | 100 |
| (10) Hospital                          | 276,436             | 276,436             | 136,478                            | 49  | 121,996                            | 46  |
| (11) Auxiliary enterprises             | 69,039              | 69,173              | 40,803                             | 59  | 34,606                             | 56  |
| (12) Total Expenditure by Program      | <u>\$ 1,129,045</u> | <u>\$ 1,141,468</u> | <u>\$ 562,347</u>                  | 49  | <u>\$ 526,080</u>                  | 49  |

**EXPENDITURE SUMMARY BY CATEGORY OF EXPENDITURE**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 1999**  
with comparative totals for December 31, 1998  
(in thousands)

|                                         | 1999-00             |                     |                                    |    | 1998-99                            |    |
|-----------------------------------------|---------------------|---------------------|------------------------------------|----|------------------------------------|----|
|                                         | Original<br>Budget  | Revised<br>Budget   | Expended/<br>Encumbered<br>To Date | %  | Expended/<br>Encumbered<br>To Date | %  |
| (13) Personnel costs                    | \$ 641,914          | \$ 642,311          | \$ 310,951                         | 48 | \$ 304,154                         | 50 |
| (14) Operating expenses                 | 421,286             | 428,002             | 195,162                            | 46 | 178,158                            | 44 |
| (15) Mandatory transfers (debt service) | 27,567              | 27,567              | 20,254                             | 73 | 23,572                             | 86 |
| (16) Capital outlay                     | 38,278              | 43,588              | 35,980                             | 83 | 20,196                             | 54 |
| (17) Total Expenditure by Category      | <u>\$ 1,129,045</u> | <u>\$ 1,141,468</u> | <u>\$ 562,347</u>                  | 49 | <u>\$ 526,080</u>                  | 49 |

**CONSOLIDATED SUMMARY OF NET DEFERRED REVENUES AND APPROPRIATED FUND BALANCES**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 1999**  
 with comparative totals for December 31, 1998  
 (in thousands)

|                                                                            | <u>1999-00</u>   | <u>1998-99</u>   |
|----------------------------------------------------------------------------|------------------|------------------|
| (1) <b>Realized Revenues</b>                                               | \$ 555,918       | \$ 524,390       |
| <b>Appropriated Fund Balances</b>                                          |                  |                  |
| (2) Current Unrestricted Fund                                              | \$ 28,303        | 19,428           |
| (3) University Hospital                                                    |                  |                  |
| (4) <b>Total Appropriated Fund Balances</b>                                | <u>28,303</u>    | <u>19,428</u>    |
| (5) <b>Total Revenues and Appropriated Fund Balances</b>                   | <u>584,221</u>   | <u>543,818</u>   |
| (6) <b>Expenditures/Encumbrances</b>                                       | 562,347          | 526,080          |
| (7) Less: Reserve for Encumbrances                                         | <u>(9,428)</u>   | <u>(6,371)</u>   |
| (8) <b>Total Expenditures</b>                                              | <u>552,919</u>   | <u>519,709</u>   |
| (9) <b>Excess/(Deficit) Restricted Receipts Over Transfers to Revenues</b> | <u>(3,246)</u>   | <u>345</u>       |
| (10) <b>Net Deferred Revenues and Appropriated Fund Balances</b>           | <u>\$ 28,056</u> | <u>\$ 24,454</u> |

# FCR 2

Office of the President  
January 25, 2000

Members, Board of Trustees:

## APPOINTMENT OF EXTERNAL AUDITOR

Recommendation: that the Board of Trustees engage the firm of Deloitte & Touche, Certified Public Accountants, to perform the annual independent audits of the University of Kentucky and Affiliated Corporations for the fiscal years ending June 30, 2000 and 2001, for an annual fee, including expenses, of \$85,000 for the first year, adjusted by the change in the Consumer Price Index (CPI) for the second year. Exhibit I, Scope of Audit, provides a summary of work with a listing of the entities and programs to be audited and other reports required.

Background: KRS 164A.570 and 164A.610 require the University of Kentucky to engage a qualified firm of certified public accountants experienced in the auditing of institutions of higher education to conduct an annual examination of the financial statements for the purpose of submitting an independent opinion, preparing a report of findings and recommendations concerning internal accounting controls and procedures and compliance with KRS 164A.555 to 164A.630 (House Bill 622).

Deloitte & Touche has served as external auditor for the previous four fiscal years, beginning in 1995-96, and has performed in a highly satisfactory manner. The extensive Scope of Audit and related reports require an audit firm with a large staff, extensive resources and professional capabilities. Deloitte & Touche is a national accounting firm and has demonstrated the ability to perform the external audit in a highly competent manner.

---

Action taken:



Approved

☐ Disapproved

☐ Other \_\_\_\_\_

## EXHIBIT 1

### SCOPE OF AUDIT

The Certified Public Accountants will make an examination of the accounting records and financial data of the following entities of the University of Kentucky:

University of Kentucky (consolidated and unconsolidated)

Its affiliated corporations –

University of Kentucky Research Foundation

University of Kentucky Athletic Association

The Fund for Advancement of Education and Research in the

University of Kentucky Medical Center

Health Care Collection Service, Inc.

University of Kentucky Mining Engineering Foundation, Inc.

University of Kentucky Business Partnership Foundation, Inc.

University of Kentucky Equine Research Foundation, Inc.

University of Kentucky Humanities Foundation, Inc.

University of Kentucky Center on Aging Foundation, Inc.

The Certified Public Accountants will also audit and issue opinions on the separate financial statements of the following units of the University:

University of Kentucky Hospital

University of Kentucky Housing and Dining System

University of Kentucky Tobacco and Health Research Institute

WUKY-FM Radio

The Certified Public Accountants will issue an opinion on the Annual Financial Report to the Corporation for Public Broadcasting for radio station WUKY.

The Certified Public Accountants will audit the financial statements of the following entities which are related to the University but are not included in the consolidated financial statements:

University of Kentucky Alumni Association

University of Kentucky Hospital Auxiliary

University of Kentucky Credit Union (as of and for the years ended December 31, 2000 and 2001)

The Certified Public Accountants will audit the combined statement of revenues and expenditures of the University of Kentucky Intercollegiate Athletics Program, conducted in accordance with the auditing standards and guidelines as identified in the *NCAA Financial Audit Guide*. The review of the related booster organizations will be limited to the minimum scope as defined in the NCAA audit guide.

## EXHIBIT 1, Continued

The Certified Public Accountants will audit the separate reports for the Lexington Community College.

Examination of the financial statements of these entities and programs will be made in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget (OMB) Circular A-133.

*Audits of Institutions of Higher Education and Other Non-Profit Institutions.* The objective of such an examination is to enable the Certified Public Accountants to express an independent opinion on whether the statements present fairly, in all material respects, the consolidated financial position, the changes in fund balances and the current funds revenues, expenditures and other changes in conformity with generally accepted accounting principles.

As a part of the examination, the Certified Public Accountants will make a study and evaluation of the University's system of internal accounting control to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards and *Governmental Auditing Standards*. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for the auditor in planning and performing the examination of the financial statements.

In addition to the examination of the basic financial statements, the Certified Public Accountants will issue the following letter reports:

Letter report expressing an opinion as to the University's compliance with KRS 164A.555 to 164A.630 based upon the minimum audit scope as established by the Finance and Administration Cabinet Secretary of the Commonwealth of Kentucky.

Letter report to the Secretary of Finance and Administration Cabinet regarding the financial data and information provided by the University on Forms AFR 80 to 126.

Letter report to the Auditor of Public Accounts reporting the results of an audit of subsequent events from the date of the report on the University's financial statements until December 2000 and 2001.

Letter report to the Auditor of Public Accounts representing that the firm is in compliance with the generally accepted auditing standards and the Government Auditing Standards concerning continuing education requirements, independence and peer review.

## **EXHIBIT 1, Continued**

Letter report on the compliance of the University to the contract agreement between the University of Kentucky and Kentucky Medical Services Foundation.

In accordance with OMB Circular A-133 Audit of Federally Sponsored Programs including research and other programs, Basic Education Opportunity Grant Program (Pell Grants), National Direct Student Loan, College Work Study, Supplemental Educational Opportunity Grant Programs, and Health Profession Student Loan Programs, the Certified Public Accountants will prepare the following separate written reports:

- Report on Schedule of Expenditures of Federal Awards
- Report on Compliance and on Internal Control Over Financial Reporting
- Report on Compliance and Internal Control Over Compliance Applicable to Major Federal Award Program

Furthermore, the Certified Public Accountants agree to comply with the requirements to be set forth in a letter from the Auditor of Public Accounts of the Commonwealth of Kentucky to Dr. Charles Wethington, Jr. This letter has not yet been received by Dr. Wethington, however, the University does not expect the requirements to differ from those listed in this Scope of Audit. If the scope changes significantly, the Certified Public Accountants and the University will mutually revise the estimated fee to reflect additional services required to meet the requirements of the letter.

# FCR 3

Office of the President  
January 25, 2000

Members, Board of Trustees:

## REPORT OF LEASES

Recommendation: that the Board accept the President's Report of the following lease agreements in accordance with Board Policy:

A new lease between the University of Kentucky (Center for Drug & Alcohol Research) and R. Michael Thomas, 451 Drakesborough Drive, Bowling Green, Kentucky, for space located at 622 State Street, Bowling Green, Kentucky, effective January 15, 2000 through June 30, 2000, for the use of office space at an annual rate of \$7,200.00, be accepted and made a matter of record.

A new lease between the University of Kentucky (College of Architecture) and FBM Properties, 333 Guthrie, Louisville, Kentucky, for space located at 507 South Third Street, Louisville, Kentucky, effective January 1, 2000 through June 30, 2000, for the use of space as a design studio at an annual rate of \$17,200, be accepted and made a matter of record.

Background: FCR 5, dated October 5, 1985, authorized the President or his designated representative to enter into leases and easements not exceeding \$30,000 in value and required that all leases entered into under this authority be reported to the Board.

---

Action taken: ☒ Approved      ☐ Disapproved      ☐ Other \_\_\_\_\_



# FCR 4

Office of the President  
January 25, 2000

Members, Board of Trustees:

1999-2000 Budget Revisions  
Central Administration

Recommendation: that the following revisions to the 1999-2000 budget be authorized and approved.

|                                    | <u>Approved<br/>Budget</u> | <u>Revised<br/>Budget</u> | <u>Change</u>         |
|------------------------------------|----------------------------|---------------------------|-----------------------|
| <b>A. <u>GENERAL FUND</u></b>      |                            |                           |                       |
| 1. Income Estimates                |                            |                           |                       |
| Student Fees                       |                            |                           |                       |
| General                            |                            |                           |                       |
| Regular-University System          | \$ 85,361,800              | \$ 81,161,800             | \$ (4,200,000)        |
| Summer Session-University System   | 5,731,000                  | 5,431,000                 | (300,000)             |
|                                    |                            |                           | <u>\$ (4,500,000)</u> |
| 2. Expenditures                    |                            |                           |                       |
| Lexington Campus                   |                            |                           |                       |
| Student Fee Scholarships           | 8,524,000                  | 7,524,000                 | (1,000,000)           |
| Nonrecurring Funds                 | 5,166,100                  | 3,266,100                 | (1,900,000)           |
| Medical Center                     |                            |                           |                       |
| Nonrecurring Funds                 | 10,038,000                 | 9,838,000                 | (200,000)             |
| University-Wide                    |                            |                           |                       |
| Nonrecurring Operating Contingency | 2,500,000                  | 1,100,000                 | (1,400,000)           |
|                                    |                            |                           | <u>\$ (4,500,000)</u> |

3. Comments - The overall fall 1999 enrollment for the University, including the Lexington Community College, increased slightly; however, the headcount enrollment in the Lexington Campus and Medical Center was down from fall 1998 by 652 students while the enrollment at Lexington Community College increased by 689, resulting in an underrealization of estimated tuition revenue. Based on this fall 1999 experience, the estimate for spring 2000 is also being reduced by assuming spring enrollment will be 91% of the fall.

Summer School enrollment for 1999 was also lower than estimated, resulting in lower student fees.

The President's Operating Contingency is being used to offset a portion of this revenue shortfall. The Student Fee Scholarship adjustment is the result of a lower enrollment which results in a decreased demand for teaching assistants.

A. GENERAL FUND (continued)

Comments (continued)

The Lexington Campus will reduce expenditures for part-time instruction; reduce the level of nonrecurring expenditures from funds in vacant positions; reduce nonrecurring expenditures that would otherwise be made from salary savings; reduce operating expense budgets; and delay planned one-time expenditures such as the purchase of equipment and renovation projects.

The Medical Center will reduce its nonrecurring contingency. This reduction will impact renovations and/or equipment purchases.

---

Action taken:



☒ Approved

☐ Disapproved

☐ Other \_\_\_\_\_

# FCR 5

Office of the President  
January 25, 2000

Members, Board of Trustees:

## PATENT ASSIGNMENT REPORT

Recommendation: that the patent assignment report for the period October 1 through December 31, 1999, be accepted.

Background: FCR 5, dated March 4, 1997, authorized that all future copyright and patent filings and prosecutions be conducted by the University of Kentucky Research Foundation (UKRF), and that the Vice President for Research and Graduate Studies or his designee be authorized to execute any needed documents to obtain appropriate patent or copyright protection. Quarterly reports on patent and copyright applications are to be submitted to the Finance Committee of the Board.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

PATENT ASSIGNMENT  
QUARTERLY REPORT FOR THE PERIOD OCTOBER 1 THROUGH DECEMBER 31, 1999

Patents

The following assignments on behalf of the Board of Trustees to the University of Kentucky Research Foundation have been executed:

1. U.S. Patent Serial Number: (To be assigned), filed (To be filed), titled "USE OF BACTERIAL ACETATE KINASE AND THEIR GENES FOR PROTECTION OF PLANTS AGAINST DIFFERENT PATHOGENS." Inventors: Arthur G. Hunt, Glenn B. Collins, Christopher Lawrence, Qingshun Li, and Santanu Dasgupta. This invention discloses an isolated gene fragment that encodes for acetate kinase, which confers disease resistance in plants. The gene can be cloned into an expression vector to produce a recombinant DNA expression system suitable for insertion into cells to form a transgenic plant transformed with the gene fragment. The invention also discloses a method for conferring disease resistance in plants that consists of growing plant host cells transformed with the expression system and expressing the gene conferring disease resistance to impart such resistance to host cells.
2. U.S. Patent Serial Number: (To be assigned), filed (To be filed), titled "SILICA-BASED MEMBRANE SORBENT FOR HEAVY METAL SEQUESTRATION." Inventor: Dibakar Bhattacharyya. This invention provides an apparatus for metal ion/nitrate entrapment and comprises a chemically activated, microfiltration, composite polymer and silica-based membrane including a polyamino acid attached thereto through reaction of a terminal amine group of the polyamino acid with the membrane. A method for preparing such a chemically activated or polyamino acid functionalized membrane includes the steps of permeating the silica-based membrane with a solution of silane and a solvent so as to react methoxy groups of the silane with silanol groups of the membrane to incorporate epoxide groups and attaching a polyamino acid to the membrane by reacting a terminal amine group of the polyamino acid with one of the epoxide groups on the membrane.
3. U.S. Patent Serial Number: (To be assigned), filed (To be filed), titled "USE OF HrmA PROTEINS AND THEIR GENES FOR BROAD RANGE PROTECTION OF PLANTS AGAINST BACTERIAL, FUNGAL AND VIRAL PATHOGENS." Inventors: Qingshun Li, Arthur G. Hunt, and Sheng Yang He. This invention provides for the use of an avr gene hrmA to induce systematic acquired resistance in plant cells, plant seeds, plant tissues and plants. Also provided is the use of low level expression of promoters in combination with the hrmA gene to provide broad-spectrum pathogen resistance in plant cells, plant seeds, plant tissues and plants.

4. U.S. Patent Serial Number: (To be assigned), filed (To be filed), titled "PUMPING OR MIXING SYSTEM USING A LEVITATING MAGNETIC BEARING." Inventor: Alexandre N. Terentiev. This invention provides a cryostat that enables superconducting levitation of a magnetized rotor in a room temperature environment. The superconducting stator, consisting of a melt-textured superconductor, is placed in the vacuum jacket of the cryostat. The levitated rotor is thermally separated from the cold stator. The invention has applications in pumps and levitating platforms for clean room application.

# FCR 6

Office of the President  
January 25, 2000

Members, Board of Trustees:

## GEORGE AND BETTY BLANDA GIFT

Recommendation: that the Board of Trustees accept a gift of \$100,000 from George and Betty Blanda of La Grange Park, Illinois, to create and endow the George and Betty Blanda Professorship in Education in the College of Education and a gift of \$4,105 to the UK Dance Ensemble, a program in the Department of Kinesiology and Health Promotion in the College of Education.

Background: The Blandas are College of Education graduates. Betty Blanda graduated in 1947 and George Blanda received his degree in 1951, three years after leaving the University to begin what was to become the longest-ever career as a professional football player. Mrs. Blanda was a member of a modern dance group known as Tau Sigma of Orchesis, the predecessor organization of the UK Dance Ensemble, when she was a student. Mr. Blanda lettered at UK as a quarterback, punter and kicker from 1945 through 1948. He played professionally for the Chicago Bears, Baltimore Colts, Houston Oilers and the Oakland Raiders. His 26-season career is still a record. He retired in 1975 at the age of 48. He was the first professional to score 2,000 points and was elected to the professional football Hall of Fame in 1981. He was enshrined in the UK Alumni Association's Hall of Distinguished Alumni in 1985 and named to the College of Education's Hall of Fame in 1998.

The holder of the Blanda professorship will be selected annually by a committee appointed by the dean of the College of Education.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

# FCR 7

Office of the President  
January 25, 2000

Members, Board of Trustees:

## LEXMARK INTERNATIONAL, INC. PLEDGE

Recommendation: that the Board of Trustees accept a pledge of equipment valued at \$250,000 from Lexmark International, Inc. of Lexington, Kentucky, to the College of Engineering's new Mechanical Engineering/Student Commons Building.

Background: The Lexmark gift of computer and printer equipment will support the most demanding requirements of faculty and students working in a research environment. Lexmark's relationship with the College of Engineering is fostered not only by this financial commitment, but also by the ongoing active personal support of many Lexmark employees through service on various college advisory councils, cooperative education opportunities, individual financial contributions and the Lexmark matching gift program.

---

Action taken:



Approved



Disapproved



Other \_\_\_\_\_

# FCR 8

Office of the President  
January 25, 2000

Members, Board of Trustees:

## BROWN & WILLIAMSON TOBACCO CORPORATION GIFT AND PLEDGE

Recommendation: that the Board of Trustees accept a gift of \$25,000 and a pledge of \$75,000 from Brown & Williamson Tobacco Corporation of Louisville, Kentucky, for the Wendell H. Ford Professorship in Public Policy in the James W. Martin School of Public Policy and Administration and for the Wendell H. Ford Research Center and Public Policy Archives in the William T. Young Library.

Background: Brown & Williamson Tobacco Corporation is a long-time and generous supporter of the University. The gift and pledge are given in tribute to the Honorable Wendell H. Ford's public service to Kentucky that included terms as U.S. senator, governor, lieutenant governor and state senator. The pledge will be paid in three annual installments of \$25,000 through 2002.

The Martin School of Public Policy is a program of national distinction that engages in research in management, finance, economics, political science, public policy and health administration. The Wendell H. Ford Research Center and Public Policy Archives is building the University's extensive collection of modern political and public policy papers.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_



# FCR 9

Office of the President  
January 25, 2000

Members, Board of Trustees:

## PHILIP MORRIS COMPANIES, INC. GIFT AND PLEDGE

Recommendation: that the Board of Trustees accept a gift of \$20,000 and a pledge of \$80,000 from Philip Morris Companies, Inc. of Richmond, Virginia, for the Wendell H. Ford Professorship in Public Policy in the James W. Martin School of Public Policy and Administration and for the Wendell H. Ford Research Center and Public Policy Archives in the William T. Young Library.

Background: Philip Morris Companies, Inc., is one of the University's most generous corporate contributors. The gift and pledge are given in tribute to the Honorable Wendell H. Ford's public service to Kentucky that included terms as U.S. senator, governor, lieutenant governor and state senator. The pledge will be paid in four annual installments of \$20,000 through 2003.

The Martin School of Public Policy is a program of national distinction that engages in research in management, finance, economics, political science, public policy and health administration. The Wendell H. Ford Research Center and Public Policy Archives is building the University's extensive collection of modern political and public policy papers.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

# FCR 10

Office of the President  
January 25, 2000

Members, Board of Trustees:

## R. J. REYNOLDS TOBACCO COMPANY PLEDGE

Recommendation: that the Board of Trustees accept a pledge of \$100,000 from R. J. Reynolds Tobacco Company of Winston-Salem, North Carolina, for the Wendell H. Ford Professorship in Public Policy in the James W. Martin School of Public Policy and Administration and for the Wendell H. Ford Research Center and Public Policy Archives in the William T. Young Library.

Background: R. J. Reynolds Tobacco Company is one of the University's most generous corporate benefactors. This pledge is given in tribute to the Honorable Wendell H. Ford who served Kentucky as U.S. senator, governor, lieutenant governor and state senator. The pledge will be paid in five annual installments of \$20,000.

The Martin School of Public Policy is a program of national distinction that engages in research in management, finance, economics, political science, public policy and health administration. The Wendell H. Ford Research Center and Public Policy Archives is building the University's extensive collection of modern political and public policy papers.

---

Action taken:



Approved



Disapproved



Other \_\_\_\_\_

# FCR 11

Office of the President  
January 25, 2000

Members, Board of Trustees:

## CHRIS T. SULLIVAN PLEDGE

Recommendation: that the Board of Trustees accept a pledge of \$1,000,000 from Chris T. Sullivan of Tampa, Florida, to the University of Kentucky for the Sigma Alpha Epsilon fraternity house construction fund.

Background: Mr. Sullivan is a 1972 graduate of the University of Kentucky and was a member of Sigma Alpha Epsilon (SAE) fraternity. A native of Florida, he founded Outback Steak House, Inc., a national restaurant chain. He was named to the Carol Martin Gatton College of Business and Economics Hall of Fame in 1994. Mr. Sullivan recently agreed to serve as a vice chairman of the UK capital campaign.

Mr. Sullivan is one of the more than 500 SAE's who made gifts or pledges to the SAE Construction Fund that resulted in the new fraternity house on Rose Lane. The house was opened in the fall of 1999. This pledge, which will be paid in 2001, is in addition to previous gifts and pledges Mr. Sullivan made to this project.

---

Action taken:



Approved

☐ Disapproved

☐ Other

# FCR 12

Office of the President  
January 25, 2000

Members, Board of Trustees:

## GIFT FROM THE ESTATE OF FARRELL R. WORLEY

Recommendation: that the Board of Trustees accept proceeds totaling \$265,000 from the estate of Farrell R. Worley, whose Will directed the gift to be an undesignated contribution to the University of Kentucky.

Background: Mr. Worley was a native of Ashland, Kentucky, and graduated from the University in 1935 with a degree in mechanical engineering. His career included military service, including a tour of duty in the Pentagon, and private industry. He retired to Southern Pines, North Carolina, where he died in May, 1998, without survivors. Mr. Worley began making contributions to the University in 1971 and in 1989 he was recognized as a UK Fellow.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

# FCR 13

Office of the President  
January 25, 2000

Members, Board of Trustees:

## NOTICE OF FEDERAL INTEREST REQUIREMENT

Recommendation: that the Vice President for Fiscal Affairs be authorized and directed to execute and record with the Fayette County Clerk's Office the attached NOTICE OF FEDERAL INTEREST to comply with federal grant conditions and requirements.

Background: This filing requirement is necessitated by Grant Number 1 C06 RR11180-01 awarded to the University of Kentucky. The grant provided federal funds for expansion of the Biomedical Research Laboratory Facilities of the Sanders-Brown Center of Excellence in Aging at Lexington, Kentucky.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

## **NOTICE OF FEDERAL INTEREST**

On September 30, 1995, the National Center for Research Resources (NCRR) awarded Grant Number 1 C06 RR11180-01 to the University of Kentucky. The grant provided Federal funds for expansion of the Biomedical Research Laboratory Facilities of the Sanders-Brown Center of Excellence in Aging, which is located on the following described land in Fayette County, State of Kentucky, particularly described as follows:

### **Tract I**

Beginning at a point in the easterly right-of-way line of South Limestone Street, said point being a corner to the Fayette County Board of Education property; thence with said easterly right-of-way line of South Limestone Street for two calls, S 19° 59' W 11.85 feet to a point and S 14° 09' W 123.05 feet to a point, said point being a corner to the University of Kentucky property; thence with the University of Kentucky property S 58° 43' E 213.11 feet to a point, said point being a corner to the University of Kentucky property (formerly Kentucky High School Athletic Association); thence with the University of Kentucky (formerly Kentucky High School Athletic Association) for two calls, N 31° 17' E 50.0 feet and S 58° 43' E 114.98 feet to a point in the westerly right-of-way line of Rose Street; thence with the westerly right-of-way line of Rose Street N 47° 55' E 93.82 feet to a point, said point being a corner to the Fayette County Board of Education property; thence with the Fayette County Board of Education N 60° 16' 19" W 393.66 feet to the beginning and containing 0.9695 acres.

Being the same property conveyed to the Commonwealth of Kentucky for the use and benefit of the University of Kentucky from Borden, Inc. by deed dated June 30, 1972, and of record in Deed Book 1050, Page 585, in the Fayette County Court Clerk's Office.

### **Tract II**

All that tract or parcel of land situated on the easterly side of South Limestone Street and the westerly side of Rose Street in Lexington, Fayette County, Kentucky and more fully described and bounded as follows, to wit:

Beginning at a point in the easterly right-of-way of South Limestone Street, said point being an iron pin in line with the University of Kentucky property (formerly Borden Co.); thence with the easterly right-of-way of South Limestone Street for six calls, N 24° 52' 21" E 12.68 feet to an iron pin, N 20° 45' 01" E 100.01 feet to an iron pin, N 14° 36' 25" E 26.81 feet, N 14° 13' 59" E 24.30 feet to an iron pin, N 08° 58' 36" E 99.96 feet to an iron pin, and N 15° 11' 30" E 144.03 feet to an iron pin in the line of

Return to Preparer

the University of Kentucky (formerly Porter Memorial Baptist Church); thence with the University of Kentucky for two calls, S 66° 19' 12" E 266.17 feet to an iron pin; and N 22° 52' 00" E 6.0 feet to an iron pin in the south extremity of Avalon Park; thence with the south extremity of Avalon Park and continuing with the University of Kentucky S 64° 28' 54" E 394.10 feet to an iron pin in the west property line of Rose Street; thence with the west property line of Rose Street S 48° 50' 00" W 489.61 feet to an iron pin, corner to the University of Kentucky (formerly Borden Co.); thence with the University of Kentucky (formerly Borden Co.) N 59° 23' 15" W 395.07 feet to the beginning and containing 5.1558 acres.

Being the same property conveyed to the Commonwealth of Kentucky for the use and benefit of the University of Kentucky by the Board of Education of Fayette County, Kentucky by deed dated July 15, 1974 and of record in Deed Book 1108, Page 497 in the Fayette County Clerk's Office.

The grant incorporated conditions which includes restrictions on usage of the aforementioned property and provided for a continuing Federal interest in the property from the date of occupancy, June 29, 1998 to the end of the 20-year usage period, June 28, 2018. Specifically, the property may not be (1) used for any purpose inconsistent with that authorized by the grant program statute and applicable regulations, (2) mortgaged or otherwise used as collateral without the written permission of the NCRR or (3) sold or transferred to another party without the written permission of the NCRR. These conditions are in accordance with the statutory provisions set forth in 45 Code of Federal Regulations Part 74 and the National Institutes of Health grants policy.

These grant conditions and requirements cannot be nullified or voided through a transfer of ownership. Therefore, advance notice of any proposed change in usage or ownership must be given to the Chief Grants Management Officer, NCRR.

Signature: \_\_\_\_\_  
Name (typed): George DeBin  
Title: Vice President for Fiscal Affairs  
Date: \_\_\_\_\_

State of Kentucky                    )  
                                              )ss:  
County of Fayette                    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, before me, the undersigned, a Notary Public, State at Large, personally appeared George DeBin, of the University of Kentucky, and known to me to be the person who executed the within instrument on behalf of said University, and acknowledged to me that he executed the same as the free act and deed of said University.

Witness my hand and Official Seal.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public, State at Large

This Instrument Prepared By:

\_\_\_\_\_  
Gay M. Elste  
Associate Counsel  
University of Kentucky  
A301 Kentucky Clinic  
Lexington, KY 40536-0284  
Phone: 606-323-1161

Attorney at Law



# FCR 14

Office of the President  
January 25, 2000

Members, Board of Trustees:

RESOLUTION APPROVING A FINANCING/LEASE AGREEMENT FOR  
APPROVED EDUCATIONAL BUILDING PROJECTS

Recommendation: that the Board of Trustees adopt the Resolution attached hereto approving a financing/lease agreement among the University of Kentucky, the Kentucky Asset/Liability Commission, the Finance and Administration Cabinet, and the State Property and Buildings Commission, for the purpose of providing interim and permanent financing for the following educational building projects: (1) Aging/Allied Health Building, Phase II and (2) Crisp Building replacement.

Background: The 1998 General Assembly authorized the issuance of revenue bonds to finance the construction projects listed above. The attached resolution (a) requests that the Kentucky Asset/Liability Commission and the State Property and Buildings Commission issue notes and bonds, respectively, for the purpose of providing interim (short-term) and permanent financing for the projects, (b) authorizes the execution and delivery of a Financing/Lease Agreement necessary to implement the financing for the projects, and (c) authorizes the Chairman to execute, acknowledge, and deliver, on behalf of the Board, the Financing/Lease Agreement.

---

Action taken: ☒ Approved ☐ Disapproved ☐ Other \_\_\_\_\_

**FINANCING/LEASE AGREEMENT**

by and between

KENTUCKY ASSET/LIABILITY COMMISSION

and

FINANCE AND ADMINISTRATION CABINET  
OF THE COMMONWEALTH OF KENTUCKY

and

THE COMMONWEALTH OF KENTUCKY  
STATE PROPERTY AND BUILDINGS COMMISSION

and

UNIVERSITY OF KENTUCKY

Dated as of \_\_\_\_\_

## TABLE OF CONTENTS

|              |                                                                                                                                                                                               |    |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| ARTICLE I    | DEFINITIONS.....                                                                                                                                                                              | 2  |
| ARTICLE II   | AGREED RECITATION OF ESTIMATED TOTAL COSTS<br>OF THE PROJECT .....                                                                                                                            | 4  |
| ARTICLE III  | APPLICATION AND REQUEST OF STATE AGENCY THAT<br>SPBC AUTHORIZE IN SPBC'S OWN NAME BONDS<br>IN AMOUNT OF THE COSTS OF THE PROJECT AND REQUEST<br>OF SPBC THAT THE COMMISSION ISSUE NOTES ..... | 4  |
| ARTICLE IV   | AGREEMENT OF SPBC TO ISSUE ITS BONDS AND<br>COMMISSION TO ISSUE ITS NOTES AND<br>APPLY THE PROCEEDS THEREOF TO THE<br>ACQUISITION OF THE PROJECT .....                                        | 5  |
| ARTICLE V    | INITIAL TERMS; OPTIONAL RENEWALS; FINANCING<br>PAYMENTS; RENT .....                                                                                                                           | 5  |
| ARTICLE VI   | EFFECT OF STATE AGENCY'S EXERCISE OF ITS<br>OPTION TO RENEW .....                                                                                                                             | 9  |
| ARTICLE VII  | EFFECT OF STATE AGENCY'S ELECTION NOT TO RENEW.....                                                                                                                                           | 10 |
| ARTICLE VIII | STATE AGENCY TO HAVE PEACEFUL POSSESSION SO LONG<br>AS THE FINANCING/LEASE AGREEMENT IS IN FULL<br>FORCE AND EFFECT .....                                                                     | 10 |
| ARTICLE IX   | STATE AGENCY TO REQUIRE SUFFICIENT AMOUNTS IN<br>ITS BUDGET IN ORDER FOR FINANCING<br>PAYMENTS AND RENT TO BE MADE .....                                                                      | 10 |
| ARTICLE X    | EVENTS OF DEFAULT AND REMEDIES .....                                                                                                                                                          | 11 |
| ARTICLE XI   | PROVISIONS OF FINANCING/LEASE AGREEMENT ARE<br>FOR BENEFIT OF THE HOLDERS OF THE NOTES AND BONDS<br>AS THIRD PARTY BENEFICIARIES .....                                                        | 11 |
| ARTICLE XII  | TAX COVENANT .....                                                                                                                                                                            | 11 |
| ARTICLE XIII | TERMINATION OF FINANCING/LEASE AGREEMENT .....                                                                                                                                                | 12 |
| ARTICLE XIV  | SECURITY AND ASSIGNMENT .....                                                                                                                                                                 | 12 |
| ARTICLE XV   | PROVISIONS OF FINANCING/LEASE<br>AGREEMENT ARE SEVERABLE.....                                                                                                                                 | 13 |
| ARTICLE XVI  | INDEX AND HEADINGS PRECEDING SECTIONS<br>ARE NOT PART OF THE FINANCING/LEASE AGREEMENT .....                                                                                                  | 13 |

THIS FINANCING/LEASE AGREEMENT, made and entered into as of the date shown on the cover page hereto, by and among the KENTUCKY ASSET/LIABILITY COMMISSION (hereinafter sometimes referred to as the "Commission"), the FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY, a department and agency of the Commonwealth of Kentucky (hereinafter sometimes referred to as the "Cabinet"), the COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION ("SPBC") and the STATE AGENCY identified on the cover page hereto (the "State Agency").

WITNESSETH

THAT WHEREAS, the State Agency identified on the cover to this Financing Agreement constitutes a "State Agency" within the meaning and application of Sections 56.440, et seq., of the Kentucky Revised Statutes and the Finance and Administration Cabinet of the Commonwealth of Kentucky constitutes the "Cabinet" within the meaning of Section 56.8605 of the Kentucky Revised Statutes; and

WHEREAS, the Cabinet is authorized pursuant to the Act, as hereinafter defined, to take, acquire and hold property, the SPBC is authorized, pursuant to the Act to issue and sell revenue bonds on behalf of any State Agency, and the State Agency, to the extent described herein, is authorized to issue and sell revenue bonds, and the Commission is authorized to issue Project Notes, as defined in the Act, in anticipation of the issuance of such bonds in order to provide interim financing for projects and to carry out proper public purposes; and

WHEREAS, (i) the Cabinet and the State Agency, as applicable, have made appropriate application to the SPBC requesting the SPBC to provide for payment of the costs of the Project, hereinafter defined, pursuant to KRS 56.450 by the issuance of revenue bonds pursuant to the Act or (ii) the State Agency has determined to issue revenue bonds, as further described herein, and the SPBC or the State Agency, as applicable, has requested and authorized the Commission to issue Project Notes for the Project in anticipation of the issuance of such bonds; and

WHEREAS, to the extent applicable and as required by law, the Project has been approved by the SPBC and the SPBC has determined to issue revenue bonds for the Project, it being understood that the State Agency will enter into this Financing/Lease Agreement to provide (i) revenues for amortization of such Project Notes, (ii) for the issuance of the Bonds for the payment of the Project Notes which have not been amortized, (iii) for the transfer of the Project to the SPBC upon the issuance of Bonds by the SPBC; (iv) for the leasing of the Project by the State Agency from the SPBC, if applicable, to provide revenues for amortization of the Bonds, and (v) interim financing for the Project by issuance of the Project Notes by the Commission; and

WHEREAS, in order to provide revenues to reimburse the SPBC, if applicable, and the Commission for its commitment to amortize such bonds and notes, respectively, which are to be issued for purposes of providing funds for acquisition of the Project, it is necessary and appropriate that a Financing/Lease Agreement in respect of the Project be entered into by and between the Commission, the SPBC, the State Agency and the Cabinet;

NOW, THEREFORE, PURSUANT TO THE STATUTORY AUTHORITY CITED IN THE PREAMBLES TO THIS FINANCING/LEASE AGREEMENT, AND FOR OTHER GOOD

AND VALUABLE CONSIDERATIONS, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY BOTH PARTIES, AND IN FURTHER CONSIDERATION OF THE PREMISES, THE COMMISSION, THE SPBC, THE STATE AGENCY AND THE CABINET DO HEREBY COVENANT AND AGREE, EACH WITH THE OTHER, AS FOLLOWS:

## **ARTICLE I**

### **DEFINITIONS**

Section 1.01. As used in this Financing/Lease Agreement, unless the context requires otherwise:

"Act" means collectively, (i) Section 56.860, et. seq. of the Kentucky Revised Statutes, (ii) Section 56.440, et. seq. of the Kentucky Revised Statutes and (iii) Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

"Additional Payments" means additional payments as set forth in Section 5.06 hereof.

"Additional Rent" means additional rent as set forth in Section 5.06 hereof.

"Application" means that certain written instrument tendered to the SPBC by the State Agency pursuant to KRS 56.450(4), wherein and whereby the State Agency has requested the SPBC to provide for financing of the costs of the Project (hereinafter defined and identified), through application of the proceeds of the Bonds issued by the SPBC in its own name in the manner authorized by the Act. The Application, if applicable, is contained in this Financing/Lease Agreement.

"Bond Payment Fund" means the fund to be created by the Bond Resolution for the payment of the principal of, interest on, and premium, if any, on the Bonds.

"Bond Resolution" means the Bond Resolution or similar authorizing instrument to be adopted by the SPBC or State Agency, as applicable, authorizing the issuance of the Bonds.

"Bonds" means Bonds as defined in the Indenture.

"Budget Act" means H.B. 321 of the General Assembly of the Commonwealth of Kentucky, 1998 Regular Session.

"Cabinet" means the Finance and Administration Cabinet of the Commonwealth.

"Commission" means the Kentucky Asset/Liability Commission.

"Commonwealth" means the Commonwealth of Kentucky.

"Credit Facility" means Credit Facility as defined in the Indenture.

"Credit Facility Agreement" means Credit Facility Agreement as defined in the Indenture.

"Credit Facility Obligations" means obligations of the Commission under the Credit Facility Agreement, including without limitation, obligations to reimburse the Credit Facility Provider for drawings under the Credit Facility.

"Credit Facility Provider" means Credit Facility Provider as defined in the Indenture.

"Financing Expenses" means all costs associated with the financing of the Projects, as may be determined by the Cabinet, other than amounts payable as interest, Credit Facility Provider fees, Liquidity Facility Provider fees and Remarketing Agent fees hereunder, including, but not limited to, fees of the Trustee, Registrar and Paying Agents and unamortized Costs of Issuance.

"Financing/Lease Agreement" means this Financing/Lease Agreement, dated as of the date on the cover page hereto, by which interim and, if applicable, permanent financing for the Project is provided to the State Agency by the Commission and the SPBC, respectively.

"Financing Payments" means the payments required to be made by the Cabinet to the Commission pursuant to Sections 5.01, 5.02 and 5.08 of this Financing/Lease Agreement.

"Fiscal Year" means any period of twelve (12) months commencing July 1 of any year and ending June 30 of the ensuing year.

"Indenture" means the Trust Indenture dated as of August 1, 1998, between the Commission and the Trustee.

"KRS" means the Kentucky Revised Statutes of the Commonwealth of Kentucky as the same are in full force and effect at the date of the adoption of the Indenture, and any future amendments thereof to the extent that the same will not unconstitutionally impair the obligations of contracts created under the provisions of the Indenture.

"Liquidity Facility" means Liquidity Facility as defined in the Indenture.

"Liquidity Facility Obligations" means obligations of the Commission under the Liquidity Facility.

"Liquidity Facility Provider" means Liquidity Facility Provider as defined in the Indenture.

"Note Payment Fund" means the fund created by Sections 5.03 and 5.06 of the Indenture.

"Notes" means Notes as defined in the Indenture.

"Project" means the Projects identified in Annex A hereto.

"Project Fund" means the fund created by Sections 5.03 and 5.05 of the Indenture and, upon issuance of the Bonds, means the fund, if any, created by the Bond Resolution for the payment of costs of the Project.

"Proportionate Share" means a factor determined by dividing the principal portion of the State Agency's Debt Servicing Obligation by the principal amount of all Notes (other than any renewal Notes) issued under the Indenture.

"Registrar" means Registrar as defined in the Indenture.

"Related Bonds" means Bonds issued or to be issued for the purpose of financing the Project.

"Related Notes" means Notes issued or to be issued for the purpose of financing the Project.

"Renewal Term" means a period of two (2) years coinciding with the fiscal biennium of the Commonwealth, which commences on July 1 in each even-numbered year and ends on June 30 of the next ensuing even-numbered year unless hereafter modified by statute.

"Rent" means the payments requested to be made by the State Agency to the SPBC pursuant to Sections 5.01, 5.02 and 5.08 of this Financing/Lease Agreement.

"SPBC" means the State Property and Buildings Commission of the Commonwealth of Kentucky.

"State Agency" means the State Agency identified on the cover page hereto.

"Trustee" means Bank One, Kentucky, NA, Lexington, Kentucky, a national banking association organized under and existing by virtue of the laws of the Commonwealth of Kentucky, having proper trust powers, and having its principal office and place of business in the City of Lexington, Kentucky and including any successor trustee designated pursuant to the provisions of the Indenture.

Any terms not defined in this Financing/Lease Agreement but defined in the Indenture, if used herein, shall have the same meanings ascribed to them in the Indenture.

## **ARTICLE II**

### **AGREED RECITATION OF ESTIMATED TOTAL COSTS OF THE PROJECT**

Section 2.01. The Commission, the SPBC, the State Agency and the Cabinet agree that the aggregate of all costs of the Project to be funded from the proceeds of the Related Notes and Related Bonds will not exceed the amounts set forth in the Budget Act, which amounts are more specifically identified in Exhibit A hereto, plus Financing Expenses and Bond issuance costs, provisions for any debt service reserve fund, any capitalized interest, provisions of contingencies and discount in the sale of the Related Bonds and Related Notes.

### **ARTICLE III**

#### **APPLICATION AND REQUEST OF THE STATE AGENCY THAT SPBC AUTHORIZE IN SPBC'S OWN NAME BONDS IN AMOUNT OF THE COSTS OF THE PROJECT AND REQUEST OF SPBC THAT THE COMMISSION ISSUE NOTES**

Section 3.01. The State Agency hereby makes application to the SPBC pursuant to KRS 56.450, and requests that the SPBC authorize in SPBC's own name and offer, from time to time, SPBC's Bonds in the principal amount not to exceed the costs of the Project established in Section 2.01 hereof for the purpose of providing the costs of the Project, all as is more specifically provided in the Act and the Bond Resolution, it being understood that the Commission may issue Notes in anticipation of the issuance of the Bonds, in accordance with the Act.

Section 3.02. The SPBC hereby makes application, on behalf and at the direction of the State Agency, to the Commission, and requests that the Commission authorize in the Commission's own name and offer, from time to time, the Commission's Notes in the principal amount not to exceed the costs of the Project established in Section 2.01 hereof for the purpose of providing interim financing for the Project, all as is more specifically provided in the Act and the Indenture.

### **ARTICLE IV**

#### **AGREEMENT OF SPBC TO ISSUE ITS BONDS AND COMMISSION TO ISSUE ITS NOTES AND APPLY THE PROCEEDS THEREOF TO THE ACQUISITION OF THE PROJECT**

Section 4.01. SPBC hereby agrees that in accordance with its lawful authority and powers and according to the Act and the application and request of the State Agency pursuant to KRS 56.450, it will, responsive to such request, proceed with all reasonable dispatch to authorize in its own name and issue Bonds to finance the Project, at the time and in the amounts necessary, as determined by SPBC, to provide adequate financing for the Project and to retire, at or prior to maturity, Notes, subject to the limitations of the Act and the Budget Act. The SPBC in its sole discretion shall, based on sound financial practices, establish the interest rates, maturities, sale price and other terms and conditions of Bonds from time to time issued pursuant to this Financing/Lease Agreement and shall issue and deliver Bonds and apply the proceeds thereof to financing the acquisition of the Project or retirement of the Related Notes.

Section 4.02. The Commission hereby agrees that in accordance with its lawful authority and powers and according to the Act and the request and authorization of the SPBC, as applicable, the State Agency and the Cabinet pursuant to KRS 56.867, it will, responsive to such request, proceed with all reasonable dispatch to authorize in its own name and issue Notes to provide interim financing for the Project, at the time and in the amounts necessary, as determined by the Commission, to provide adequate interim financing for the Project, subject to the limitations of the Act and the Budget Act. The Commission in its sole discretion shall, based on sound financial



practices, establish the interest rates, maturities, sale price and other terms and conditions of Notes from time to time issued pursuant to this Financing/Lease Agreement and shall issue and deliver Notes and apply the proceeds to financing the acquisition of the Project.

## **ARTICLE V**

### **INITIAL TERMS; OPTIONAL RENEWALS; FINANCING PAYMENTS; RENT**

Section 5.01. The Commission hereby agrees to provide interim financing for the Project to the State Agency, for an initial term ending June 30, 2000, with the right and privilege by the State Agency to continue this Financing/Lease Agreement and have the Project for succeeding biennium periods in the event this Financing/Lease Agreement is renewed as provided herein. The State Agency shall pay or cause to be paid as Financing Payments during such initial period ending on June 30, 2000, the Debt Servicing Obligation, as hereinafter defined, applicable to the Related Notes, due on each Debt Servicing Date, as hereinafter defined, during the term of the Financing/Lease Agreement so long as any Related Notes are outstanding or any amounts are due under a Credit Facility Agreement or Liquidity Facility.

The SPBC hereby agrees to provide permanent financing for the Project to the State Agency, for an initial term commencing on the date of issuance of the Related Bonds and ending June 30 of the first even numbered year after the issuance of the Related Bonds, with the right and privilege by the State Agency to continue this Financing/Lease Agreement and have the Project for succeeding biennium periods in the event this Financing/Lease Agreement is renewed as provided herein. The State Agency shall pay or cause to be paid as Rent during such period, the Debt Servicing Obligation, as hereinafter defined, applicable to the Related Bonds, due on each Debt Servicing Date, as hereinafter defined, applicable to the Related Bonds, during the term of the Financing/Lease Agreement so long as any Related Bonds are outstanding.

Section 5.02. For purposes hereof:

"Debt Servicing Date" shall mean, as to Related Notes that are outstanding, (i) the date on which the Commission has estimated that capitalized interest in the Note Payment Fund that is attributable to the State Agency will no longer be sufficient to pay interest on the Related Notes (which date is set forth in Annex A hereto) and September 1 each year thereafter, (ii) any Interest Payment Date on which the amount in the Note Payment Fund that is attributable to the State Agency (as determined by the Commission) is not adequate to pay the amounts set forth in clauses (i) through (vi) of the definition of Debt Servicing Obligation, and (iii) if no capitalized interest is attributable to the Related Notes on the date of their delivery, the date of delivery of the Related Notes; and as to any Bonds of the SPBC outstanding, the interest payment dates for the Bonds established by the Bond Resolution or otherwise agreed to by the SPBC and the State Agency, which dates shall be established to provide for timely payments of principal and interest on the Bonds.

"Debt Servicing Obligation" shall mean, as to Related Notes that are outstanding, the entire amount included in its budget (the "Budgeted Amount") for the payment of debt service with respect to the Project, less any amount in the Note Payment Fund on the date of the

payment thereof which is attributable to the State Agency (as determined by the Commission). The State Agency shall approve a Budgeted Amount that is no less than the amount reasonably estimated to be required to be paid in respect of the Related Notes during the period to which the Budgeted Amount relates (the "Budget Period"), including (i) the scheduled maturity of principal of any Related Notes for which Bonds or renewal Notes are not being issued and the principal amount of Related Notes for which Bonds are not being issued, if any, called or to be called for redemption during the applicable Budget Period, and the premium, if any, with respect to such Related Notes, (ii) the interest required or estimated (by the Commission) to be paid on the Related Notes which will be outstanding during the applicable Budget Period, (iii) Credit Facility Obligations applicable to the Related Notes (to the extent not paid under clauses (i) and (ii)), (iv) Liquidity Facility Obligations applicable to the Related Notes, (v) its Proportionate Share of any Financing Expenses and (vi) the reasonable and agreed fees of the Credit Facility Provider, the Liquidity Facility Provider, the Remarketing Agent, the Trustee, the Paying Agent and the Registrar, but only to the extent not otherwise paid directly by the State Agency. In addition to the foregoing, if on any Interest Payment Date, the amount in the Note Payment Fund that is attributable to the State Agency (as determined by the Commission) is not adequate to pay the amounts set forth in clauses (i) through (vi) above, the State Agency shall pay, regardless of the Budget Amount, the amount required to satisfy such deficiency from whatever sources are available for such purpose.

Debt Servicing Obligation shall mean, as to Related Bonds that are outstanding, the aggregate amounts required to be paid in respect of the Related Bonds on any Debt Servicing Date, including (a) the scheduled maturity of principal of the Related Bonds maturing on such Debt Servicing Date and the principal amount of the Related Bonds, if any, called for redemption on such Debt Servicing Date, and the premium, if any, with respect to such Related Bonds, (b) the interest required to be paid on the Related Bonds which were outstanding immediately prior to such Debt Servicing Date, and (c) the reasonable and agreed fees of any credit facility provider, liquidity facility provider, remarketing agent, trustee, paying agent or registrar for the Related Bonds, but only to the extent not otherwise paid directly by the State Agency.

The State Agency shall be entitled to a credit against the Debt Servicing Obligation otherwise required to be paid on any Debt Servicing Date to the extent there are funds attributable to it, as determined by the Commission, in the Interest Account of the Note Payment Fund or in the Operating Account of the Expense Fund or, if applicable, the Bond Payment Fund (as determined by the SPBC), prior to the payment of the Debt Servicing Obligation hereunder which, under the terms of the Indenture or the Bond Resolution, as applicable, and applicable law, can be used to meet the Debt Servicing Obligation. It is understood that, (1) pursuant to the Indenture, all income derived from investment of the Project Fund may, at the discretion of the Cabinet and the State Agency, be transferred to the Note Payment Fund and, if so transferred, shall be a credit against Financing Payments due and payable by the State Agency and (2) if provision is made therefore in the Bond Resolution, all income derived from investment of the Project Fund may, at the discretion of the Cabinet and the State Agency, be transferred to the Bond Payment Fund and, if so transferred, shall be a credit against Rent due and payable by the State Agency. Amounts transferred from the Expense Fund, established by the Indenture, to the Note Payment Fund,

shall be a further credit against Financing Payments due and payable by the State Agency. Amounts transferred from any cost of issuance fund, established by the Bond Resolution, to the Bond Payment Fund, shall be a further credit against Rent due and payable by the State Agency.

Upon issuance of the Related Bonds, the final Debt Servicing Obligation for the Related Notes shall be the amount determined by the Commission in accordance with Section 5.04.

Section 5.03. Beginning June 30, 2000, the Commission and the SPBC hereby grant unto the State Agency exclusive option to renew the Financing/Lease Agreement for successive ensuing Renewal Terms, commencing July 1 in each even-numbered year, and ending June 30 of the next ensuing even-numbered year, and the last Renewal Term shall end June 30 of the even numbered year next following the final maturity date of the Related Bonds, or such other date as may be set forth in a Supplemental Financing Agreement entered into pursuant to the provisions of Section 5.10 hereof or otherwise agreed to by the SPBC and the State Agency; and for each such Renewal Term, if renewed therefor, the State Agency shall become obligated to pay, and hereby agrees that in the event of such renewal it will pay or cause to be paid, to the Commission, as Financing Payments and, if applicable, to the SPBC, as Rent for such biennium, each Debt Servicing Obligation which comes due on each Debt Servicing Date during the Renewal Term as a general obligation of the State Agency for such period, secured by amounts budgeted by the State Agency in its agency fund for such purpose.

Section 5.04. Financing Payments and Rent becoming due during the first term ending June 30, 2000, and for each Renewal Term, if the Financing/Lease Agreement shall be renewed for any such Renewal Term, shall be made or caused to be made by the State Agency to the Commission on each Debt Servicing Date during each such term, in such minimum amounts as will enable the Commission, solely from such source, to pay its Debt Servicing Obligation as of such date. Upon the issuance of the Related Bonds by the SPBC, the SPBC and the Commission shall advise the State Agency of (i) the trustee appointed for such Bonds and (ii) the Rent payable to such trustee as a result of such issuance of the Related Bonds. Upon the issuance of the Related Bonds, the Commission shall also advise the State Agency of the remaining Financing Payments and the State Agency's remaining Proportionate Share of Financing Costs payable to the Trustee for payment of any Related Notes which remain Outstanding.

Section 5.05. Each of the successive options to renew shall in each instance be deemed automatically exercised, and the Financing/Lease Agreement automatically renewed for the succeeding Renewal Term, effective on the first day thereof, unless a written notice of the State Agency's election not to renew, signed by an authorized officer of the State Agency, shall have been delivered to the Commission and the SPBC, as applicable, before the close of business on the last business day in May, immediately preceding the beginning of such succeeding Renewal Term.

Section 5.06. The State Agency covenants and agrees to pay "Additional Payments" for the term of the Financing/Lease Agreement and for any Renewal Term during which Related Notes are outstanding, to the extent such payments are not a part of the Debt Servicing Obligation, as follows:

- (i) To the Trustee, when due, a Proportionate Share of all fees of the Trustee for services rendered, all fees and charges of any Paying Agent, Registrar,

counsel, accountants, and others incurred in the performance on request of the Trustee of services for which the Trustee and such other persons are entitled to payment or reimbursement which are not paid as Financing Payments;

(ii) To the Credit Facility Provider and Liquidity Facility Provider, when due, a Proportionate Share of all fees, expenses and other charges payable to the Credit Facility Provider under the Credit Facility Agreement and to the Liquidity Facility Provider under the Liquidity Facility which are not paid as Financing Payments;

(iii) To the Remarketing Agent when due, a Proportionate Share of all fees, expenses and other charges payable to the Remarketing Agent under the Remarketing Agreement; and

(iv) To the Commission, upon demand, all reasonable expenses incurred by it in relation to the Project which are not otherwise specifically identified and required to be paid by the Commission under the terms of this Financing/Lease Agreement.

The State Agency covenants and agrees to pay "Additional Rent" for the term of the Financing/Lease Agreement and for any Renewal Term during which Related Bonds are outstanding, to the extent such payments are not a part of the Debt Servicing Obligation, as follows:

(i) To the trustee for the Related Bonds, when due, a Proportionate Share of all fees of such trustee for services rendered, all fees and charges of any paying agent, registrar, counsel, accountants, and others incurred in the performance on request of such trustee of services for which such trustee and such other persons are entitled to payment or reimbursement which are not paid as Rent;

(ii) To any credit facility provider and liquidity facility provider for the Related Bonds, when due, a Proportionate Share of all fees, expenses and other charges payable to such credit facility provider under any credit facility agreement and to such liquidity facility provider under any liquidity facility which are not paid as Rent;

(iii) To any remarketing agent when due, a Proportionate Share of all fees, expenses and other charges payable to such remarketing agent under any remarketing agreement; and

(iv) To the SPBC, upon demand, all reasonable expenses incurred by it in relation to the Project which are not otherwise specifically identified and required to be paid by the SPBC under the terms of this Financing/Lease Agreement.

Section 5.07. It is the intention of the parties that this Financing/Lease Agreement be an absolutely net agreement, and that all of the Financing Payments and Rent available for debt service on the Related Notes and Related Bonds and this Financing/Lease Agreement shall be construed to effectuate such intent. Except as provided in Section 5.05, so long as any of the Related Notes or

Related Bonds, or any Credit Facility Obligations or Liquidity Facility Obligations are outstanding or remain unpaid, the obligation of the State Agency to pay the amounts provided for in this Article V shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have.

Section 5.08. This Financing/Lease Agreement may be supplemented from time to time whenever Bonds or additional Notes are issued by the SPBC or the Commission, respectively, at the request of the State Agency under the provisions of Section 6.11 of the Indenture or as may be provided in the Bond Resolution. Amounts payable under the terms of such supplemental agreement shall constitute Financing Payments or Rent, as applicable, under this Financing/Lease Agreement and such Financing Payments shall become Pledged Receipts under the Indenture if such supplemental Financing/Lease Agreement is with respect to additional Notes, or Rent which shall constitute revenues available solely and only for the payment of Bonds and pledged therefor under the Bond Resolution if such supplemental Financing/Lease Agreement is with respect to Bonds.

Section 5.09. In addition to the duties and obligations of the State Agency set forth in this Financing Agreement, the State Agency hereby covenants and agrees to perform such duties and obligations of it as may be set forth in the Indenture or the Bond Resolution.

## **ARTICLE VI**

### **EFFECT OF THE STATE AGENCY'S EXERCISE OF ITS OPTION TO RENEW**

Section 6.01 In the event the successive renewal options are exercised, according to the automatic renewal provisions hereinabove set forth, then upon the first day of the biennial Renewal Term for which such option is exercised, the State Agency shall be firmly bound for the entire amount of the Financing Payments, Additional Payments, Rent and Additional Rent becoming due and payable for such Renewal Term as a general obligation of the State Agency, limited to amounts appropriated for such purpose, payable from any and all funds of the State Agency, including, but not limited to, appropriations, contributions, gifts, matching funds, devises and bequests from any source, whether Federal or State, and whether public or private, so long as the same are not conditioned upon any use of the Project in a manner inconsistent with law; provided, however, nothing herein contained shall be construed as binding the State Agency to pay Financing Payments, Additional Payments, Rent or Additional Rent for more than one biennial Renewal Term at a time.

## **ARTICLE VII**

### **EFFECT OF THE STATE AGENCY'S ELECTION NOT TO RENEW**

Section 7.01. In the event the State Agency shall give written notice to the Commission or the SPBC, as applicable, of the State Agency's election not to renew this Financing/Lease Agreement for any ensuing optional biennial Renewal Term, prior to the automatic renewal hereinabove provided for, the State Agency shall not become obligated to pay Financing Payments, Additional Payments, Rent or Additional Rent beyond the last day of the then current term, and the

State Agency shall thereby forfeit all of its future options to renew and shall peacefully surrender to the Commission or the SPBC, as applicable, possession of the Project on or prior to the last day of the then current term; provided, however, an election on the part of the State Agency not to renew for a future term shall not in any manner alter or diminish any obligation of the State Agency hereunder for the then current term; and shall not preclude subsequent reinstatement of the Financing/Lease Agreement for any future renewal term, if agreed to by the Commission or the SPBC, as applicable, upon the same terms and conditions as would have been applicable if the Financing/Lease Agreement had been renewed according to the provisions hereof, except that if such reinstatement is sought when one or more installments of Financing Payments or Rent or any Additional Payments or Additional Rent for such Renewal Term are overdue and unpaid, it shall be a condition of such reinstatement that such overdue Financing Payments or Rent or Additional Payments or Additional Rent be tendered.

## **ARTICLE VIII**

### **STATE AGENCY TO HAVE PEACEFUL POSSESSION SO LONG AS THE FINANCING/LEASE AGREEMENT IS IN FULL FORCE AND EFFECT**

Section 8.01. The Commission and the SPBC covenant that during the initial term of this Financing/Lease Agreement and during each successive optional Renewal Term for which this Financing/Lease Agreement may be renewed, if the State Agency shall continue in good standing according to the provisions hereof, the Commission and the SPBC shall maintain the State Agency in peaceful possession and enjoyment of the Project.

## **ARTICLE IX**

### **STATE AGENCY TO REQUIRE SUFFICIENT AMOUNTS IN ITS BUDGET IN ORDER FOR FINANCING PAYMENTS AND RENT TO BE MADE**

Section 9.01. The State Agency covenants and agrees that on each and every occasion when appropriations bills are prepared for introduction in the various successive Sessions of the General Assembly of the Commonwealth, the State Agency will cause to be included in its budget and seek an appropriation for, sufficient amounts in the aggregate (over and above all other requirements of the State Agency) to enable the State Agency to pay Financing Payments, Additional Payments, Rent and Additional Rent and thereby provide to the Commission moneys sufficient for the payment of the principal and interest on the Related Notes and Related Bonds as such amounts are due and payable, subject to the SPBC's obligation to issue Bonds or the Commission's obligation to issue renewal Notes upon the maturity of any Related Notes, and to pay any and all Credit Facility Obligations and Liquidity Facility Obligations applicable to the Related Notes or Related Bonds.

## **ARTICLE X**

### **EVENTS OF DEFAULT AND REMEDIES**

Section 10.01. Each of the following events is hereby defined as and shall constitute an "event of default":

(a) default in the due and punctual payment of any Financing Payments, Rent, Additional Payments or Additional Rent; or

(b) default in the performance of any of the covenants, terms, and conditions of this Financing/Lease Agreement, and failure to remedy such default within thirty (30) days after written receipt thereof if the default relates to matters other than the payment of rent (but the State Agency shall not be deemed to be in default if the State Agency commences to remedy said defaults other than related to payment of Financing Payments, Rent, Additional Payments or Additional Rent within said thirty (30) day period, and proceed to and do remedy said default with due diligence).

If an event of default occurs, the Commission or the SPBC, as applicable, in addition to all other remedies given to the Commission and the SPBC at law or in equity, may by written notice to the State Agency terminate this Financing/Lease Agreement or, without terminating this Financing/Lease Agreement, take possession (actually or constructively) of the Project. In such event, the Commission or the SPBC, as applicable, may lease the Project or portions thereof, to any party it deems appropriate and in the event of a leasing may apply the rent therefrom first to the payment of the Commission's and the SPBC's expenses incurred by reason of the State Agency's default, and the expense of leasing, including but not limited to any repairs, renovation or alteration of the Project, and then to the payment of Financing Payments, Rent, Additional Payments, Additional Rent and all other sums due from the State Agency hereunder. All remedies available to the Commission and the SPBC are declared to be cumulative and concurrent. No termination of this Financing/Lease Agreement nor any taking or recovering of possession of the Project shall deprive the Commission or the SPBC of any of its remedies or actions against the State Agency.

## **ARTICLE XI**

### **PROVISIONS OF FINANCING/LEASE AGREEMENT ARE FOR BENEFIT OF THE HOLDERS OF THE NOTES AND BONDS AS THIRD PARTY BENEFICIARIES**

Section 11.01. All of the provisions herein contained are made for the benefit of each of the Holders and any Credit Facility Provider. Each and all of the Holders, such Credit Facility Provider and the Trustee on behalf of the Holders have the rights of third party beneficiaries to enforce all of the provisions of this Financing/Lease Agreement herein contained; subject, however, to the provisions of the Indenture with respect to enforcement of rights.



## **ARTICLE XII**

### **TAX COVENANT**

Section 12.01. To the full extent that it has the legal right to do so, the State Agency agrees to all of the provisions of the Indenture authorizing the Notes and, unless it objects in writing prior to the issuance of the Bonds, to all of the provisions of the Bond Resolution authorizing the Bonds; and that it will neither take any action nor omit to take any action which taking or omission would result, in the exclusion of the receipt of interest on any of the Related Notes or Related Bonds from the treatment afforded by Section 103(a) of the Code, to the extent the interest on such Related Notes or Related Bonds is intended to be excludible from gross income for federal income tax purposes, under the terms of the Indenture or Bond Resolution.

Section 12.02. It is agreed that nothing has been done or will be done by either the Commission or the State Agency which will cause the Related Notes or Related Bonds to be private activity bonds within the meaning of Section 141 of the Code, including performance of any of the covenants contained herein, to the extent the interest on such Related Notes or Related Bonds is intended to be excludible from gross income for federal income tax purposes, under the terms of the Indenture or Bond Resolution.

## **ARTICLE XIII**

### **TERMINATION OF FINANCING/LEASE AGREEMENT**

Section 13.01. Upon the payment in full of the total principal and interest due or to become due on the Related Notes, including premium, if applicable, at the times and in the manner stipulated therein, in the Indenture, or upon defeasance of the Related Notes in accordance with the terms of the Indenture, and the payment of all Credit Facility Obligations and Liquidity Facility Obligations, this Financing/Lease Agreement and all covenants, agreements and other obligations herein applicable to the Related Notes and the Commission shall cease, terminate and become void and be discharged and satisfied; provided that, so long as any Bonds of the SPBC are outstanding the covenants, agreements and obligations relating to the SPBC shall continue to be in full force and effect. In such event, the Commission, upon the request of the State Agency, shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction of the State Agency's obligations applicable to the Related Notes.

Upon the payment in full of the total principal and interest due or to become due on the Related Bonds, including premium, if applicable, at the times and in the manner stipulated therein, in the Bond Resolution, or upon defeasance of the Related Bonds in accordance with the terms of the Bond Resolution, this Financing/Lease Agreement and all covenants, agreements and other obligations herein applicable to the Related Bonds and the SPBC shall cease, terminate and become void and be discharged and satisfied. In such event, the SPBC, upon the request of the State Agency, shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction.



## **ARTICLE XIV**

### **SECURITY AND ASSIGNMENT**

Section 14.01. This Financing/Lease Agreement secures (i) the payment of Financing Payments, Rent, Additional Payments and Additional Rent hereunder, (ii) the payment of the Notes in the aggregate principal amount which may from time to time be outstanding under the Indenture set forth, with interest thereon at the rates per annum borne by the Related Notes, (iii) the payment of the Bonds in the aggregate principal amount which may from time to time be outstanding under the Bond Resolution, with interest thereon at the rates per annum borne by the Related Bonds, (iv) the payment of the Credit Facility Obligations, and (v) the payment of the Liquidity Facility Obligations.

This Financing/Lease Agreement is given subject to all of the terms, conditions and provisions of the Indenture and the Bond Resolution. In the event that any conflict should exist or appear to exist between the provisions of this Financing/Lease Agreement and the Indenture, the provisions of the Indenture shall prevail. In the event that any conflict should exist or appear to exist between the provisions of this Financing/Lease Agreement and the Bond Resolution, the provisions of the Bond Resolution shall prevail.

## **ARTICLE XV**

### **PROVISIONS OF FINANCING/LEASE AGREEMENT ARE SEVERABLE**

Section 15.01. If any section, paragraph, clause or provision of this Financing/Lease Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Financing/Lease Agreement.

## **ARTICLE XVI**

### **INDEX AND HEADINGS PRECEDING SECTIONS ARE NOT PART OF THE FINANCING/LEASE AGREEMENT**

Section 16.01. The Index and the headings preceding the text of the several sections hereof shall be solely for convenience of reference and shall not constitute a part of this Financing/Lease Agreement, nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Financing/Lease Agreement by their officers thereunto duly authorized, as of the date and year first above written.

**KENTUCKY ASSET/LIABILITY  
COMMISSION**

**ATTEST:**

By \_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**FINANCE AND ADMINISTRATION  
CABINET OF THE COMMONWEALTH OF  
KENTUCKY**

By \_\_\_\_\_  
Secretary

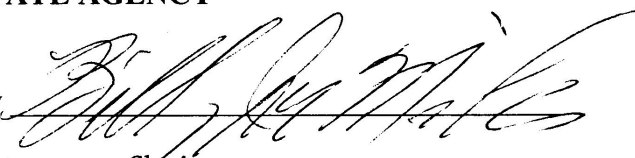
**STATE PROPERTY AND BUILDINGS  
COMMISSION OF THE COMMONWEALTH  
OF KENTUCKY**

By \_\_\_\_\_  
Chairman

**ATTEST:**

\_\_\_\_\_  
Secretary

**UNIVERSITY OF KENTUCKY,  
STATE AGENCY**

By   
Title \_\_\_\_\_  
Chairman

  
Secretary

Approved as to form and legality:

By: \_\_\_\_\_  
Karen Powell, Office of Legal and Legislative Services,  
Legal Counsel to the Kentucky Asset/Liability Commission

**APPROVAL AND CONSENT OF FINANCE AND  
ADMINISTRATION CABINET**

The Secretary of the Finance and Administration Cabinet (the "Cabinet") of the Commonwealth of Kentucky hereby acknowledges his approval and consent and the approval and consent of the Cabinet to the terms and provisions of this Financing/Lease Agreement and to evidence acceptance of the obligations and covenants of the Cabinet contained in such Financing/Lease Agreement and on behalf of the Cabinet confirms that the provisions of this Financing/Lease Agreement are consistent with the public interest. This approval and consent is applicable only insofar as the same are within the jurisdiction, functions and powers of the Cabinet or within the jurisdiction, functions and powers of the Secretary of the Cabinet.

DATED: \_\_\_\_\_

**FINANCE AND ADMINISTRATION  
CABINET OF THE COMMONWEALTH OF  
KENTUCKY**

By \_\_\_\_\_  
Secretary

**ANNEX A**

**THE PROJECT**

| <u>Project</u>                                               | <u>Amount</u> | <u>First Debt Servicing Date</u>      |
|--------------------------------------------------------------|---------------|---------------------------------------|
| Aging/Allied Health Building, Phase II<br>(Agency Bond Pool) | \$8,222,000   | Date of delivery of the Related Notes |
| Crisp Building Replacement                                   | 2,200,000     | Date of delivery of the Related Notes |

## **ANNEX B**

### **FORM OF RESOLUTION**

RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY ("STATE AGENCY") APPROVING A FINANCING/LEASE AGREEMENT AMONG THE STATE AGENCY, THE KENTUCKY ASSET/LIABILITY COMMISSION, THE COMMONWEALTH OF KENTUCKY STATE PROPERTY AND BUILDINGS COMMISSION AND THE FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR AN AUTHORIZED PROJECT IN ANTICIPATION OF THE ISSUANCE OF BONDS TO PROVIDE PERMANENT FINANCING FOR SAID PROJECT.

WHEREAS, pursuant to Section 56.860 et seq. of the Kentucky Revised Statutes (the "Act"), the Kentucky Asset/Liability Commission (the "Commission") was created and exists as an independent agency and constituted authority of the Commonwealth of Kentucky (the "Commonwealth") and is authorized to issue Project Notes, as defined in the Act, at the request of the Cabinet, as defined in the Act, to provide interim financing for Authorized Projects, as defined in the Act, in anticipation of the issuance of bonds; and

WHEREAS, the General Assembly pursuant to H.B. 321 of the General Assembly of the Commonwealth of Kentucky, 1998 Regular Session (the "Budget Act") authorized certain expenditures in certain amounts for the hereinafter described Project to be financed with bonds, which Project constitutes an Authorized Project, as defined in the Act; and

WHEREAS, the Finance and Administration Cabinet (the "Cabinet") has applied to the State Property and Buildings Commission ("SPBC") for the issuance of bonds (the "Bonds") on behalf of the Cabinet and various other State Agencies to provide permanent financing for the Projects and has requested, in accordance with the Act, that the Commission issue and sell Project Notes to provide funds for the Projects in anticipation of the issuance of the Bonds; and

WHEREAS, the SPBC has determined, based on such request and the authorizations set forth in the Budget Act, to issue its revenue bonds for the Projects, and in anticipation thereof and based upon the request of the Cabinet and the SPBC, the Commission has determined to provide interim financing for the Projects through the issuance of its Project Notes, 1998 Agency Fund Series (the "Notes");

WHEREAS, the State Agency wishes to authorize the Financing/Lease Agreement (the "Financing Agreement") among the State Agency, the Commission, the SPBC and the Cabinet to provide interim financing for the Project as evidence of its commitment to issue the Bonds, which Bonds constitute the Bonds described in the Financing Agreement.

NOW THEREFORE, it is hereby resolved and ordered by the Board of Trustees of the University of Kentucky as follows:

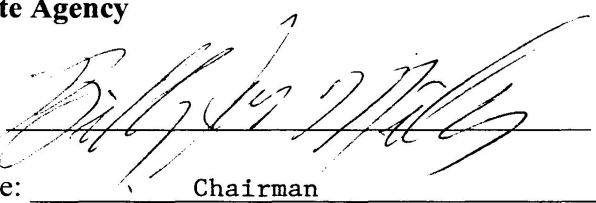
Section 1. Terminations. The State Agency hereby finds and determines that (a) it hereby ratifies and affirms its request that the Commission issue the Notes in anticipation of the issuance of the Bonds, for the purpose of paying the costs of the Project; (b) it is necessary to execute and deliver the Financing Agreement in order to provide for a source of payment for the Notes and Bonds; and (c) approval of the Project described in the Financing Agreement is hereby ratified and confirmed.

Section 2. The Financing Agreement and Other Documents. As evidence of its obligations in this Resolution, the Chairman is hereby authorized to execute, acknowledge and deliver, on behalf of the State Agency, the Financing Agreement, in substantially the form submitted to the State Agency, which is hereby approved, with such changes therein not inconsistent with this Resolution and not substantially adverse to the State Agency as may be permitted by the Act and approved by such officer. The approval of such changes by such officer, and that such changes are not substantially adverse to the State Agency, shall be conclusively evidenced by the execution of the Financing Agreement by such officer. The Chairman and Secretary are hereby separately authorized to take any and all actions and to execute such other instruments that may be necessary or appropriate in the opinion of Peck, Shaffer & Williams LLP, as bond counsel for the Notes, in order to effect the issuance of the Notes and the intent of this Resolution.

Section 3. Effective Date. This resolution shall take effect immediately upon its adoption.

ADOPTED AND APPROVED this 25th day of January, 2000.

**UNIVERSITY OF KENTUCKY,  
State Agency**

By: 

Title: Chairman

# **CERTIFICATE**

It is certified that the foregoing is a true and correct copy of a resolution duly adopted by the Board of Trustees of the University of Kentucky ("State Agency") on the 25th day of January, 2000, and such resolution has not been altered, amended or repealed.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 25th day of January, 2000.

  
Secretary

## **ANNEX C**

### **GENERAL CLOSING CERTIFICATE OF STATE AGENCY**

Re: Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series, Financing/Lease Agreement

The undersigned, Chairman of the Board of Trustees of the University of Kentucky (the "State Agency"), hereby certifies, as of the date hereof, that (the capitalized terms used herein having the meanings given them in the Financing/Lease Agreement (the "Financing Agreement") among the State Agency, the Kentucky Asset/Liability Commission (the "Commission"), the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") and the Commonwealth of Kentucky State Property and Buildings Commission ("SPBC")):

(a) The State Agency is duly organized and existing as an independent agency and constituted authority of the Commonwealth of Kentucky with full legal right, power and authority to enter into the Financing Agreement and consummate the transactions contemplated by the Financing Agreement;

(b) The execution and delivery of the Financing Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, will not in any material respect conflict with or constitute on the part of the State Agency a breach of or default under any other agreement or instrument to which the State Agency is a party or any existing law, administrative regulation, court order or consent decree to which the State Agency is subject;

(c) The State Agency has in all respects complied with the requirements of the Financing Agreement and the Act and will comply with all other laws and the Constitution of the Commonwealth;

(d) All approvals, consents and orders of any governmental authority, board, commission or agency having jurisdiction which would constitute a condition precedent to the performance by the State Agency of its obligations under the Financing Agreement have been obtained;

(e) The Financing Agreement, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding obligation of the State Agency enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted;

(f) The State Agency has duly (i) adopted the resolution approving the Financing Agreement (the "Resolution"), and such Resolution is in full force and effect, (ii) authorized and approved the execution and delivery of, and the performance by the State Agency of the obligations contained in the Financing Agreement;



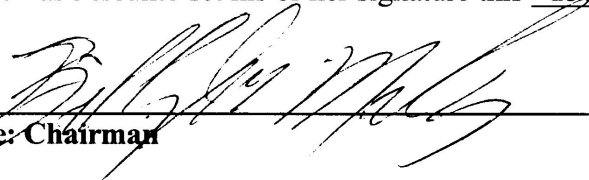
(g) The State Agency is not in breach of or default under any applicable law or administrative regulation of the Commonwealth, any department, division, agency or instrumentality thereof, or the United States, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the State Agency is a party or is otherwise subject;

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the State Agency threatened against or in any way affecting the existence of the State Agency or the title of any of the officers or members of the State Agency to their office, or seeking to restrain or to enjoin the entering into of the Financing Agreement, or the application of the proceeds of the Financing Agreement as provided therein, or the collection of the revenues received by the State Agency, or in any way contesting or affecting the validity or enforceability of the Financing Agreement, or contesting the existence or powers of the State Agency or its authority with respect to the Financing Agreement or the Resolution nor to the best knowledge of the State Agency is there any basis therefor.

(i) The representations, warranties, covenants and agreements of the State Agency set forth in the Financing Agreement are true and correct in all material respects as of the date hereof.

(j) No event has occurred and is continuing which constitutes an event of default or would constitute an event of default but for the requirement that notice be given or time elapse or both under the Financing Agreement.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her signature this 25<sup>th</sup> day of January, 2000.

By: 

Title: **Chairman**

**ANNEX D**

**OPINION OF COUNSEL TO STATE AGENCY**

[Date of Delivery of Financing Agreement]

Commonwealth of Kentucky  
State Property and Buildings Commission  
Frankfort, Kentucky

Commonwealth of Kentucky  
Finance and Administration Cabinet  
Frankfort, Kentucky

Kentucky Asset/Liability Commission  
Frankfort, Kentucky

Peck, Shaffer & Williams LLP  
Covington, Kentucky

Gentlemen:

I am general counsel for the University of Kentucky (the "State Agency"), and in such capacity, am familiar with its organization, statutory authority, regulations (if any), agreements and resolutions, all as in effect on the date hereof.

I have examined an executed copy of the Financing/Lease Agreement (the "Financing Agreement") among the State Agency, the Kentucky Asset/Liability Commission (the "Commission"), the Finance and Administration Cabinet of the Commonwealth of Kentucky (the "Cabinet") and the Commonwealth of Kentucky State Property and Buildings Commission ("SPBC") relating to the issuance of Kentucky Asset/Liability Commission Project Notes, 1998 Agency Fund Series (the "Notes") under the terms of the Indenture. I have also examined the original photostatic or certified copies of such records of the State Agency and other documents and materials, and have made such inquiries, as I have deemed relevant and necessary.

Based upon the foregoing, I am of the opinion that:

(1) The State Agency is an agency of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth and constitutes a "State Agency" within the meaning of Sections 56.440, et seq. and 56.860, et seq. of the Kentucky Revised Statutes.

(2) The Financing Agreement has been duly authorized, executed and delivered by the State Agency and creates a valid, binding and enforceable agreement of the State Agency and the Financing Agreement creates a valid, binding and enforceable obligation of the State Agency to pay to the Commission the payments as are provided for therein, subject only to biennial appropriations by the General Assembly of the Commonwealth.

(3) The execution, delivery and performance of the Financing Agreement by the State Agency is not subject to any authorization, consent, approval or review of any governmental body or regulatory authority not heretofore obtained or effected as required.

(4) To the best of my knowledge, after due inquiry, there is no litigation pending or threatened against the State Agency, which would affect the creation, organization or existence of the State Agency or the title of its present members or officers to their respective offices, or contesting or affecting the validity or enforceability of the Financing Agreement.

(5) The execution and delivery of the Financing Agreement and the performance by the State Agency of its obligations thereunder, does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument binding upon the State Agency, or any resolutions heretofore adopted by the State Agency.

This opinion may be relied upon by the Commission and by Bond Counsel in connection with the authorization and the issuance of the Notes by the Commission.

Respectfully submitted,

::ODMA\PCDOCS\COVLIB\15881\1