

Minutes of
The University of Kentucky Research Foundation
Board of Directors Meeting
May 13, 2009

The Board of Directors of the University of Kentucky Research Foundation met in Room 103, Main Building, 3:00 p.m. on May 13, 2009. Dr. Lee T. Todd, Jr., President of the University of Kentucky Research Foundation called the meeting to order. The following members of the Board of Directors were in attendance: Mr. F. Richard Kurzynske, Mr. Phillip Patton, Dr. Lee T. Todd, Mr. Frank Butler, Dr. Kumble Subbaswamy, Dr. James W. Tracy, Dr. Hollie Swanson, and Ms. Penelope Brown. Absent from the meeting were Mr. Henry Jackson, Dr. Michael Karpf, and Dr. Anne-Francis Miller. Others in attendance: Mr. Jack Supplee, Ms. Ronda Beck, Ms. Katherine Adams, Ms. Judy Duncan, Ms. Jennifer Miles, Mr. William Schweri, Mr. Greg Franseth, and Ms. Kathy Stanwix-Hay.

Report of the President

Dr. Todd began his remarks by taking a moment to recognize and thank Anne-Frances Miller (Department of Chemistry) for serving as a faculty member of the UKRF Board of Directors since 2002. She is rotating off the Board. Dr. Todd also recognized and thanked Marc Mathews, Treasure of UKRF and UK's Treasurer and Controller until he recently took a job at his alma mater, Transylvania University. He then welcomed Ronda Beck, UK's Controller to the meeting.

Dr. Todd discussed the economic situation and how it has affected UK:

- A few weeks ago, Governor Beshear issued a “Cutback Order” that will reduce our state appropriation by another 2 percent (\$6.3 million) this fiscal year.
- Counting this reduction, UK's state appropriation has decreased \$25 million in just the last 16 months. And this will be the eighth time in eight years that UK has absorbed an appropriations reduction.
- And that probably will not be the end of our budget cuts. At some point in the next few months, the Governor will receive an estimate about the deficit in the state's budget for 2009-2010. That deficit is expected to be in the hundreds of millions of dollars.
- There are only so many ways to solve that problem, and most of them include further reductions in state support for postsecondary education. So there is a good chance we have not seen the last of budget cuts.
- On top of those cuts, we face increases in fixed costs - utilities, student financial aid, and general operating expenses—of at least \$16 million in 2009-2010.
- We are raising tuition again next year. It will be a 5 percent increase. That will not provide enough revenue to offset the cuts in state appropriations and the increased costs.

- A lot of people tell us to look for more efficiencies. Beginning in 2002, using a combination of cost savings and cost avoidance initiatives, UK has redirected over \$88 million. We are already a very lean operation.
- Clearly, this is tough time for us. And we are working hard—looking under every rock to find more revenue, while looking for more ways to cut costs. We have some tough decisions to make.
- And it will remain a tough time for our research enterprise. The main University budget will have an impact on the Research Foundation and research at UK, in general.
- But, as Jim will tell you, our research numbers have been strong so far this year. Our research expenditures were about \$337 million for fiscal year 2008. We currently receive about \$310 million from the state, so you can see that research remains a major priority for UK.

Not wanting to paint a picture of total doom and gloom, Dr. Todd then spoke of some exciting things happening on campus including:

- For those of you who drove down Limestone this morning, you can see our new UK Chandler Hospital is rising from the ground, and the College of Pharmacy is taking shape.
- Earlier this week, we also announced the hiring of Dr. Mark Evers to head the Markey Cancer Center. I think a lot of people think we only recruit across the nation in athletics, but we are doing that across campus.
 - And if Dr. Evers was a basketball player, he would be a 5-star recruit.
 - He came to UK from the University of Texas Medical Branch (UTMB) in Galveston, where he has established himself as one of the nation's premier cancer researchers.
 - Evers has been continuously funded by the National Institutes of Health for the past 17 years. Total grant funding for the research program Evers will bring to Kentucky is expected to be about \$14 million.
- Our students continue to excel in the classroom and laboratories.
- UK has quickly become a national leader in undergraduate research. We had a record 33 students were accepted to present their research at the National Conference on Undergraduate Research.
 - 28 of those students are from right here in Kentucky.
 - UK had 20 research projects accepted to last year's conference. We are growing in undergraduate research, just as some major research universities are sending fewer students to the conference.
 - Last year, the University of Michigan, one of the nation's largest universities and one of the best in undergraduate research, had 16 papers accepted. This year they had 10.

- Last year, University of Texas at Austin had 17 papers accepted. This year they had 2.

Three Fulbright Scholars; Two Goldwater Scholars; three Beckman Scholars – all named this Spring!

Research and Outreach

- Working hard to make research real to the people of Kentucky. There are some great examples of that commitment taking place in the energy field right now.
- Jim will spend some time talking about a deal with Argonne National Laboratory that is exciting.
- That is just one example of what is happening in UK energy research. UK has 168 on-going energy research projects that have brought in \$72 million in external funding.
- We are engaged in energy outreach projects in 100 of 120 Kentucky counties
 - UK's Center for Applied Energy Research recently announced an exciting new project that we hope will reduce Kentucky's—and the nation's—carbon footprint.
 - CAER has created a consortium with government agencies, electric utilities and their research organizations to seek cost-effective technologies to reduce and manage carbon dioxide emissions from coal-fired power plants. It is anticipated that Kentucky state government and the industrial partners will provide \$24 million over 10 years to support the research.
 - We are partnering with E.ON US, Duke Energy, Kentucky Power Co., East Kentucky Power Cooperative, and the Electric Power Research Institute, as we work to add value to the companies that call Kentucky home.
 - KGS - \$5 million from General Assembly; \$6 million from E.ON, ConocoPhillips, Peabody, and the state of Illinois
 - Algae
 - Gerald Huffman's team at the Center for Fossil Fuel Science is utilizing C-1 Chemistry to create chemicals that run the world from non-petroleum sources
 - Energy storage – CAER received \$1.2 million from E.ON AG for energy storage research. UK was the only U.S. University to received funding from E.ON AG (MIT, Illinois)
- These are the types of projects that will help us change the state. And I think they are precisely the kind of projects the General Assembly envisioned when they passed House Bill 1 in 1997.

Provost Subbaswamy reported that all dean vacancies have been filled: Ike Adams (Social Work), David Brennen (Law), Mark Kornbluh (A&S), Mary John O’Hair (Education), and Dan O’Hair (Communications and Information Science).

Dr. Todd reported that copies of the minutes of the May 27, 2008, meeting had been emailed to all board members in June 2008 and a copy was also in their notebooks. He asked for any corrections or additions. There being none, the motion was unanimously approved.

Report of the Nominating Committee

Mr. Frank Butler, Chair of the Nominating Committee, presented the following recommendations:

BOARD OF DIRECTORS

Recommend appointment of Brent Seales, Faculty Member, for a three-year term ending June 30, 2012.

Recommend reappointment of F. Richard Kurzynske, Public Member, for a three-year term ending June 30, 2012.

OFFICERS OF THE FOUNDATION

President	Lee T. Todd, Jr., President, ex officio
Vice President	James W. Tracy, Vice President for Research
Executive Director	Kumble R. Subbaswamy, Provost, ex officio
Secretary	Jack Supplee, Associate Director of UK Research Foundation
Treasurer	Ronda Beck, Controller

EXECUTIVE COMMITTEE OF THE FOUNDATION

Lee T. Todd, Jr., President, ex officio
James W. Tracy, Vice President for Research, ex officio
Michael Karpf, Executive Vice President for Health Affairs, ex officio
Kumble R. Subbaswamy, Executive Director, ex officio
Hollie Swanson, Department of Pharmacology, Faculty Member
Phillip Patton, UK Board of Trustee Member

The motion was unanimously approved to be effective July 1, 2009.

RESOLUTION #1:

That Frank Butler, Kumble Subbaswamy and James W. Tracy be appointed to serve on the 2009-10 Nominating Committee, with Frank Butler serving as Chair and James W. Tracy as Secretary.

BACKGROUND:

This is in accord with Article VI of the UKRF By-Laws.

VOTE: X Approved _____ Disapproved

Report of the Vice President for Research

Dr. Tracy began his report by presenting 2008-09 Research administration highlights, including the new federally-negotiated F&A rate. He then discussed 2009-10 initiatives and challenges to Research. He presented information on FY 07 NSF Rankings, Grant and Contract Awards for the period FY 01 to FY 08, FY 08 grant and contract expenditure information and direct appropriation totals for FY 02-FY 08. He provided information on categories of support funded by the UKRF budget indicating that 62.9 percent (\$31.13 million) of the FY 08 budget went directly to faculty and academic unit support. He presented data on faculty start-up commitments FY 03-FY 08.

There was general discussion regarding deferred and realized patent income and deferred and realized patent expenditures.

Please press CTRL and then click [UKRF Board of Directors 2009 Research Report](#) to view Dr. Tracy's PowerPoint presentation.

Budget Presentation

Dr. Tracy presented the proposed FY 2009-10 budget. He summarized the various revenue sources, indicating that the major source, F&A recovery, is expected to be \$41 million, up from \$39 million budgeted this year (FY 2008-09). Additionally, he described the various categories of faculty support funded through the UKRF budget. Following general discussion, the motion to accept the 2009-10 proposed budget was unanimously approved. Please press CTRL and then click to view the approved [UKRF 2009-10 budget](#).

Report of the Treasurer

Ms. Ronda Beck, UK Controller, presented an overview of UKRF financial activities covering FY 07- 08 and FY 09 through March 2009. Please press CTRL and then click to view the [Report of the Treasurer](#).

Report of the Vice President for Commercialization and Economic Development

Len Heller, Vice President for Commercialization and Economic Development was not able to attend the Board Meeting. In Dr. Heller's absence, President Todd asked Jack Supplee if he would make a few comments regarding Kentucky Technology, Inc. (KTI) and Coldstream Laboratories, Inc. (CLI) activities. Mr. Supplee stated that KTI and the Kentucky Economic Development Finance Authority (KEDFA) had entered into a grant agreement this past year wherein KEDFA approved a grant to KTI for \$5.5 million to fund redundant electrical and fiber optic supply for the UK Coldstream Research Campus. The Agreement also called for UK to contribute \$1 million toward this effort. Mr. Supplee indicated that much of this effort could be attributed to the efforts of Gene Strong, one of the KTI Board members. KTI working with the University is very active in its efforts to create and develop economic activity at the Coldstream Research Campus.

CLI's focus is the analysis, formulation and manufacture of small batches of sterile drugs, used to treat chronic diseases. As with KTI, CLI is a UKRF majority owned for-profit organization.

Through April 2009, a total of \$10,750,000 has been invested in CLI through UKRF. The UK BOT has authorized investment up to \$11.5 million. It's expected that any additional investments will probably come from outside sources.

Old Business

1.) Approval of UKRF Executive Committee Action

Per Article IV, Section 3 of the UKRF By-Laws entitled "Executive Committee", "the Committee shall keep minutes of all transactions and they shall be read at the meetings of the Board of Directors for approval." Attached to this Resolution is a copy of a UKRF Executive Committee Resolution approved on September 10, 2008, authorizing an additional \$5,000,000.00 investment as paid-in capital in Coldstream Laboratories, Inc.

Please press CTRL and then click to view a pdf of the [UKRF Executive Committee Resolution](#).

Action Taken: Approved Not Approved

2.) Information.

The Executive Director of UKRF executed the attached Certificate of Action of the Sole Shareholder of Kentucky Technology, Inc. appointing new directors to the Board of Kentucky Technology, Inc.

Please press CTRL and then click to view a pdf of the [Certificate of Action](#) dated November 13, 2008.

New Business

Resolution No. 1

That the Corporation be authorized to invest up to an additional \$120,000.00 as paid-in capital in Kentucky Technology, Inc (KTI). KTI will be authorized to use the additional capital to assist in on-going economic development activities of KTI and the UK Coldstream Research Campus.

Action Taken: Approved Not Approved

Dr. Todd thanked everyone for attending and the meeting adjourned at approximately 4:40 p.m.

Jack Supplee
Secretary