

1/23/98

I.2. Business and Finance Committee

Thursday, February 5, 1998
Room 1920 Van Hise Hall
1:00 p.m.

- a. Approval of minutes of the December 4, 1997 meeting of the Business and Finance Committee
- b. UW-Madison Annual Research Report
- c. HEAB Formulas for WHEG Awards
[Resolution I.2.c.]
- d. Biennial Budget Presentation
Management Flexibilities for Effective Resource Management
- e. Annual Financial Report
- f. Report of the Vice President
 - (1) Quarterly Gifts, Grants and Contracts Report
 - (2) Agreement with private for-profit making organization
 - (a) Agreement with University Bookstore to operate Kohl Center Badger Store
[Resolution I.2.f.(2)(a)]
 - (b) UW-Madison Contractual Agreement with SmithKline Beecham Pharmaceuticals
[Resolution I.2.f.(2)(b)]
 - (c) UW-Madison Contractual Agreement with Astra Hässle AB
[Resolution I.2.f.(2)(c)]
- g. Additional items which may be presented to the Business and Finance Committee with its approval
 - (1) University of Wisconsin Medical Foundation, Inc. proposed Bylaw Change
[Resolution I.2.g.(1)]
- h. Trust Funds
 - (1) Update on New Investment Managers
 - (2) Closed session to consider trust fund matters, as permitted by s. 1985(1)(e), *Wis. Stats.*

UW-MADISON EXTRAMURAL RESEARCH SUPPORT

EXECUTIVE SUMMARY

BACKGROUND

Individual Regents and the Business and Finance Committee of the Board of Regents requested periodic analyses of extramural research support at the UW-Madison. A report on UW-Madison extramural research support was last presented to the Board at its February 1996 meeting.

This report provides information on 1996-97 federal and non-federal research awards to UW-Madison, analysis of UW-Madison's national and Big Ten rankings for research support, and an analysis of 1997-98 year-to-date awards. The report provides distributions of UW-Madison's 1996-97 research awards by funding source, school/college, divisional affiliation, category of principal investigator, and faculty ranking, as well as historical information for comparison.

REQUESTED ACTION

This item is for information only.

DISCUSSION AND RECOMMENDATIONS

1996-97 Extramural Research Awards

In 1996-97, 77% of total UW-Madison extramural awards were for research. UW-Madison received \$363 million in total research awards—an increase of approximately \$24 million compared to 1995-96 award amounts: federal research awards (\$254 million) increased by \$13 million (5%), and non-federal research awards (\$109 million) increased by \$11 million (11%).

In 1996-97, six schools/colleges accounted for 93% of research awards to the UW-Madison: Medical School, the Colleges of Letters and Science, Agricultural and Life Sciences, and Engineering, the Graduate School, and the School of Education. The Medical School and the College of Letters and Science accounted for almost one-half of combined federal and non-federal research awards.

Six federal agencies accounted for over 90% of federal research awards to the UW-Madison: Department of Health and Human Services (DHHS), National Science Foundation (NSF), Department of Energy (DOE), Department of Defense, NASA, and the Department of Agriculture. DHHS alone accounted for 50% of federal research awards; DHHS, NSF, and DOE together accounted for over 75% of federal research awards.

Approximately 50% of UW-Madison faculty members obtained federal or non-federal research awards in 1996-97. It is important to note that this annual percentage does not fully reflect the portion of UW-Madison faculty members that is successful at obtaining extramural research funding. Because many federal research awards are made in a single year for a multi-year period, the number of faculty members receiving new awards in a given year can be substantially less than the number receiving sponsored research support in that year. For example, a 1993-94 study found that approximately two-thirds of UW-Madison faculty members were principal investigators on projects for which extramural funds were expended.

In 1996-97, awards to individual faculty members accounted for 82% of UW-Madison research awards. The balance of 18% consisted of awards to Deans, Directors, Chairs, and non-faculty principal investigators such as adjunct and clinical faculty, scientists, and researchers. Of total awards to individual faculty members, 79% were to full professors, 12% to associate professors, and 9% to assistant professors. Of the total, 49% were to faculty affiliated with the Biological Sciences, 37% to the Physical Sciences, 13% to the Social Sciences, and 1% to the Humanities.

The most recent national data on federal research support indicate that in 1994-95 UW-Madison maintained a competitive share of the total federal budget for university research and development. In 1994-95, UW-Madison accounted for approximately 1.72% of total federal obligations for university research and development. Over the previous ten year period, UW-Madison's share of federal research obligations varied between a high of 1.87% (1986) and a low of 1.70% (1988) and followed a general, slight downward trend. In aggregate, all top research institutions have been subject to this trend: the top twenty research institutions in 1994-95 accounted for approximately 2% less in federal research obligations than they did in 1985-86. UW-Madison's rank in terms of federal research obligations was 8th place in 1994-95. Among public institutions in 1994-95, UW-Madison ranked 5th in federal obligations for research and development.

If other sources of funding are included, UW-Madison's national ranking is significantly higher. In 1995-96 (the most recent national data available), UW-Madison ranked 3rd nationally for total research and development expenditures. Among public institutions in 1995-96, UW-Madison ranked 2nd in total research and development expenditures. The difference between UW-Madison's rankings in federal and total research support illustrates its competitive ability to obtain external research funding from non-federal sources. Whereas some institutions rely primarily on federal support for their sponsored research programs, UW-Madison aggressively seeks private research support as well as federal funding. UW-Madison's success in this area has been such that non-federal research funding has been the source of fastest growth in UW-Madison's sponsored research program over the past ten years.

Within the Big Ten, UW-Madison also compares favorably with respect to its share of the federal research budget and total research support. In 1994-95, UW-Madison ranked second in the Big Ten (behind Michigan) for federal research obligations; in 1995-96 UW-Madison ranked second in the Big Ten (behind Michigan) for total research and development expenditures.

Total extramural support to UW System in 1996-97 was \$594 million. Awards to UW-Madison accounted for 79% of the total. UW System extramural research awards were \$381 million, or 64% of total awards. UW-Madison accounted for 95% of total UW System research awards.

Current Year Extramural Research Awards

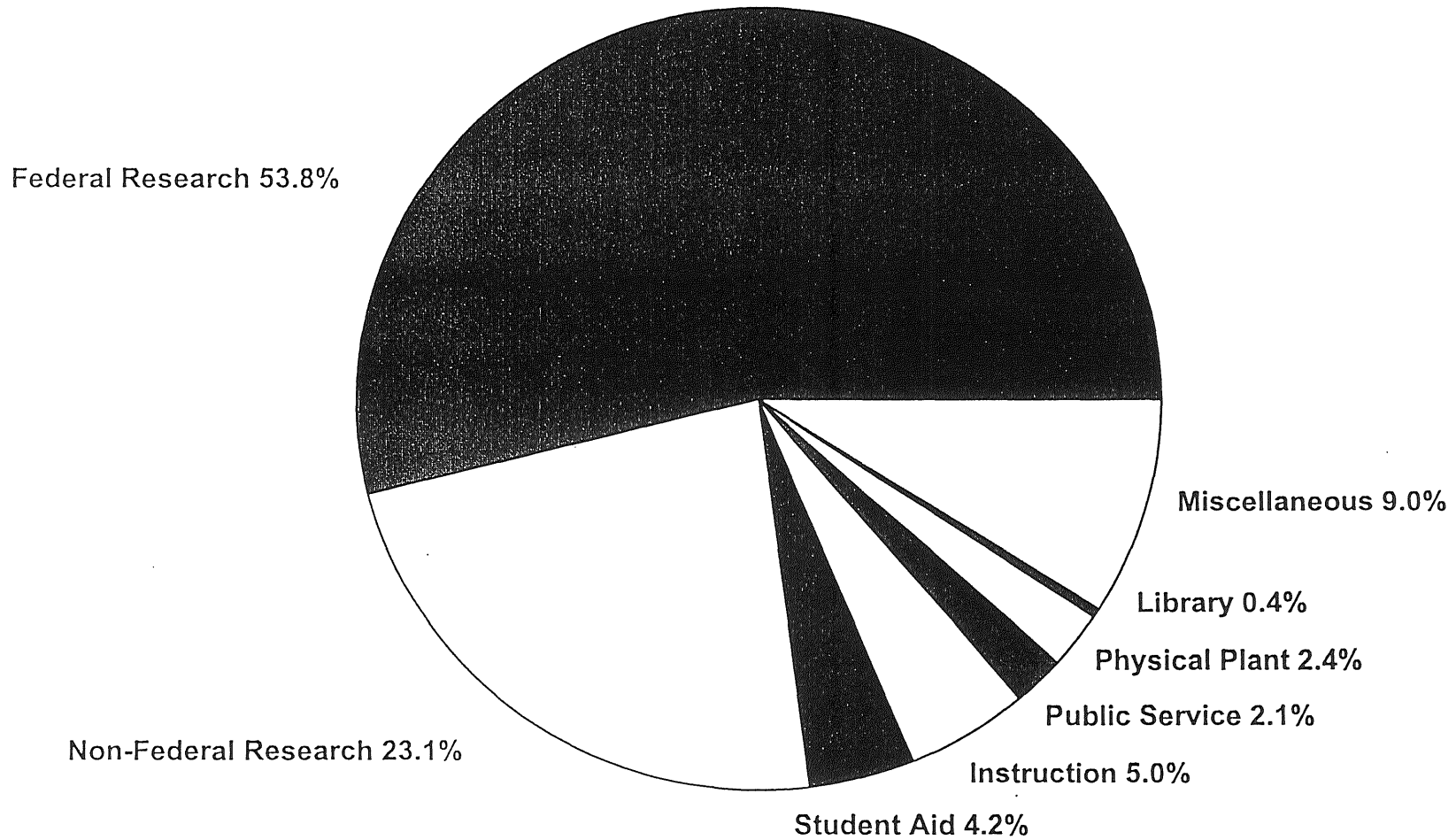
Compared with last year, total year-to-date extramural research awards through January have decreased by approximately \$14.4 million. Federal research awards are down by \$14.1 million (11%), while non-federal research awards are essentially the same as last year (down by \$300,000).

The federal decrease is attributable to five agencies: Department of Health and Human Services (\$4.0 million), Commerce Department (\$3.8 million), Department of Energy (\$2.9 million), NASA (\$1.4 million), and the Environmental Protection Agency (\$1.0 million).

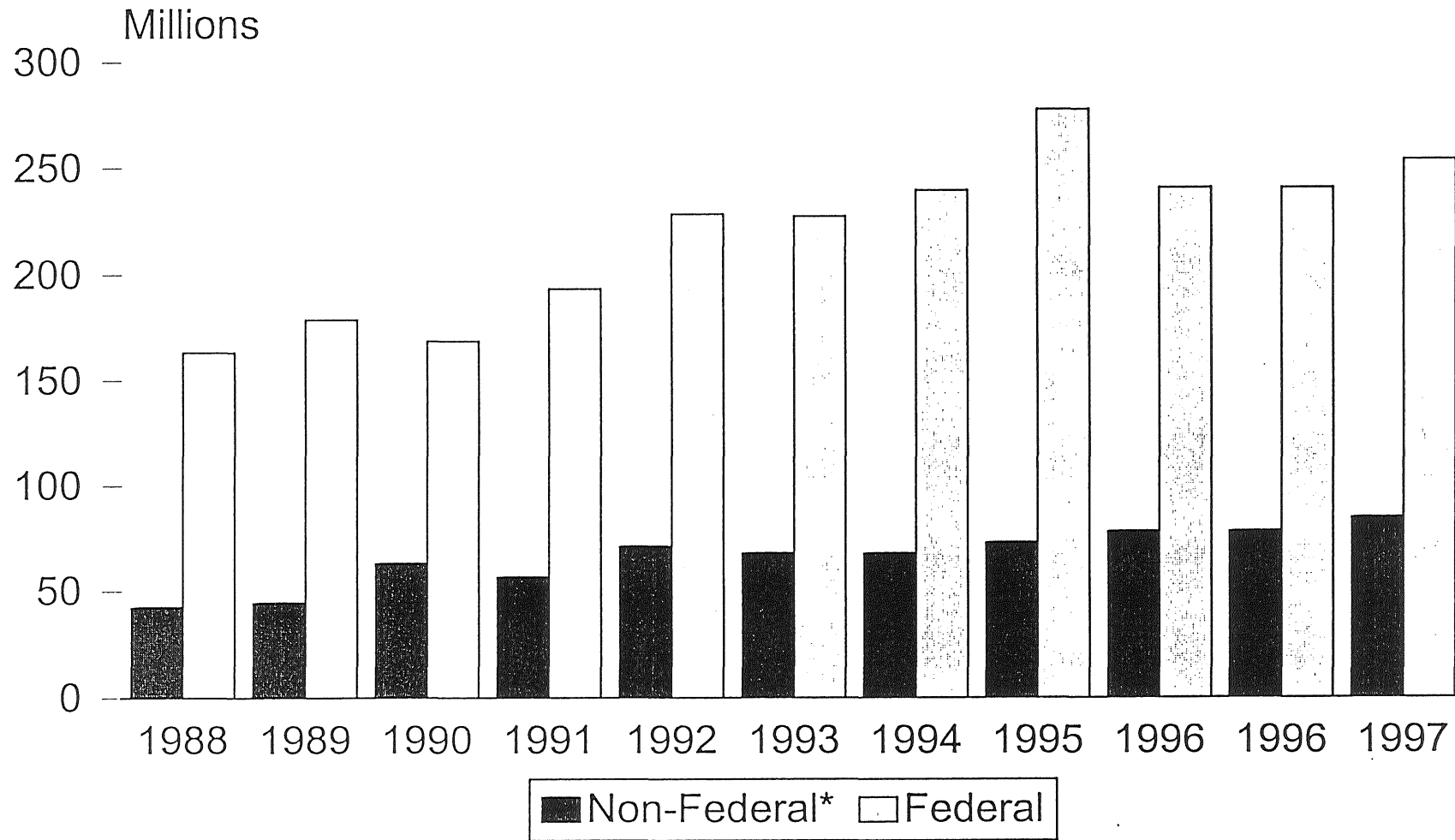
The overall drop in federal awards has resulted in decreases in year-to-date federal award totals for all of UW-Madison's major research units: College of Engineering (\$6.9 million), Medical School (\$2.8 million), Graduate School (\$2.5 million), College of Letters and Science (\$1.2 million), College of Agricultural and Life Sciences (\$0.5 million), and School of Education (\$0.5 million).

1996-97 UW-Madison Extramural Support By Activity

\$472,138,376

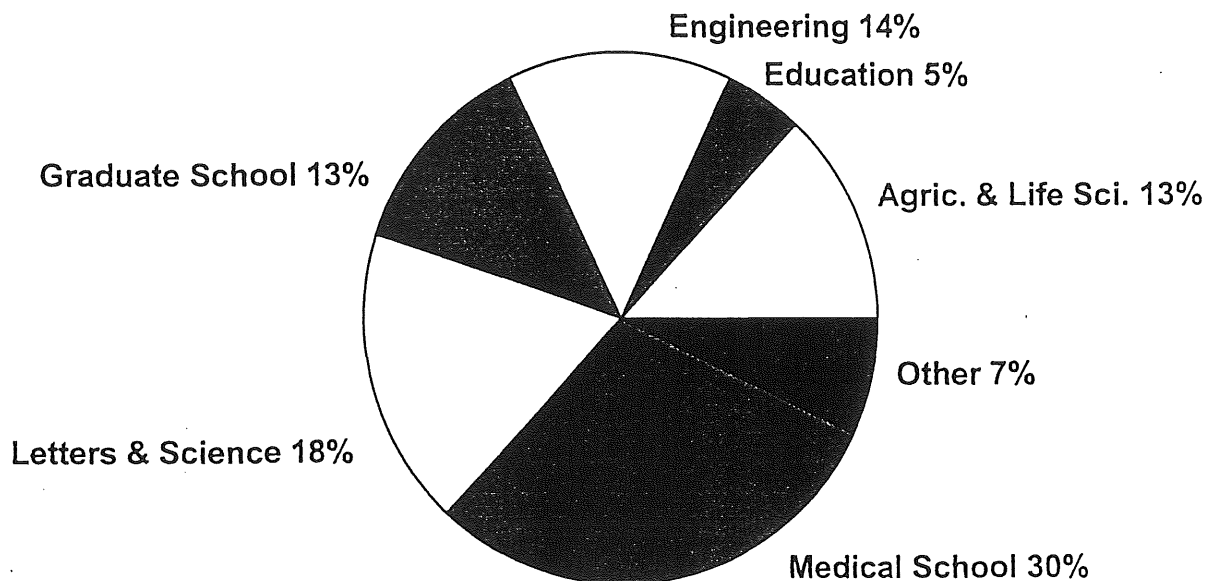


UW-Madison Research Awards 1987-88 to 1996-97

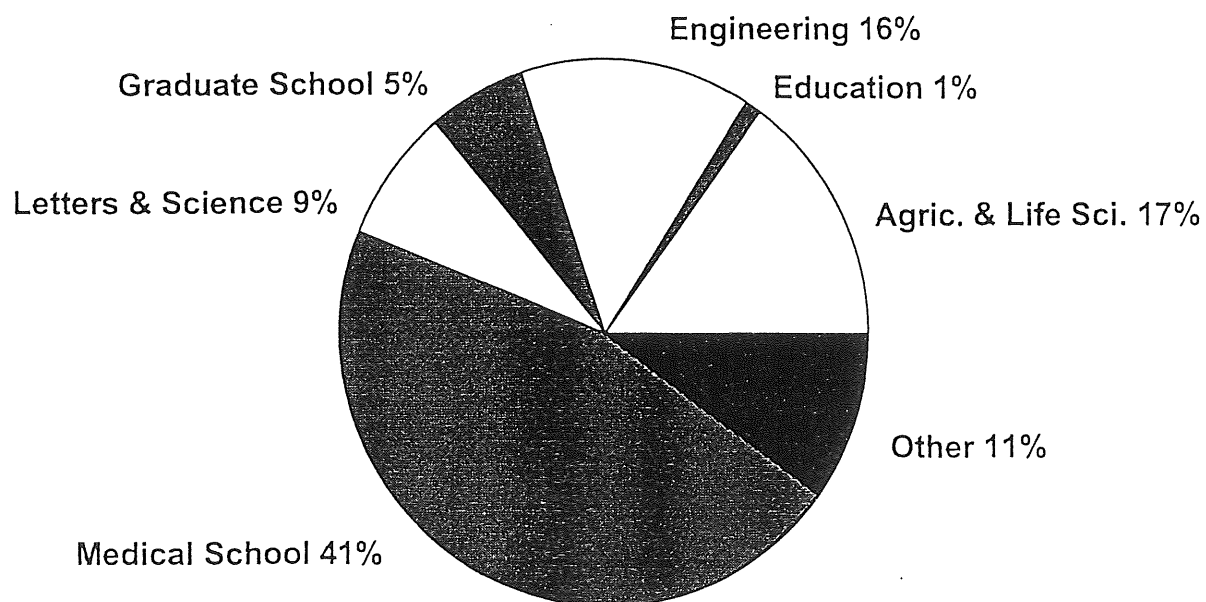


*Excludes WARF awards and endowments.

1996-97 UW-Madison Research Awards
Total Awards*
\$338,773,974

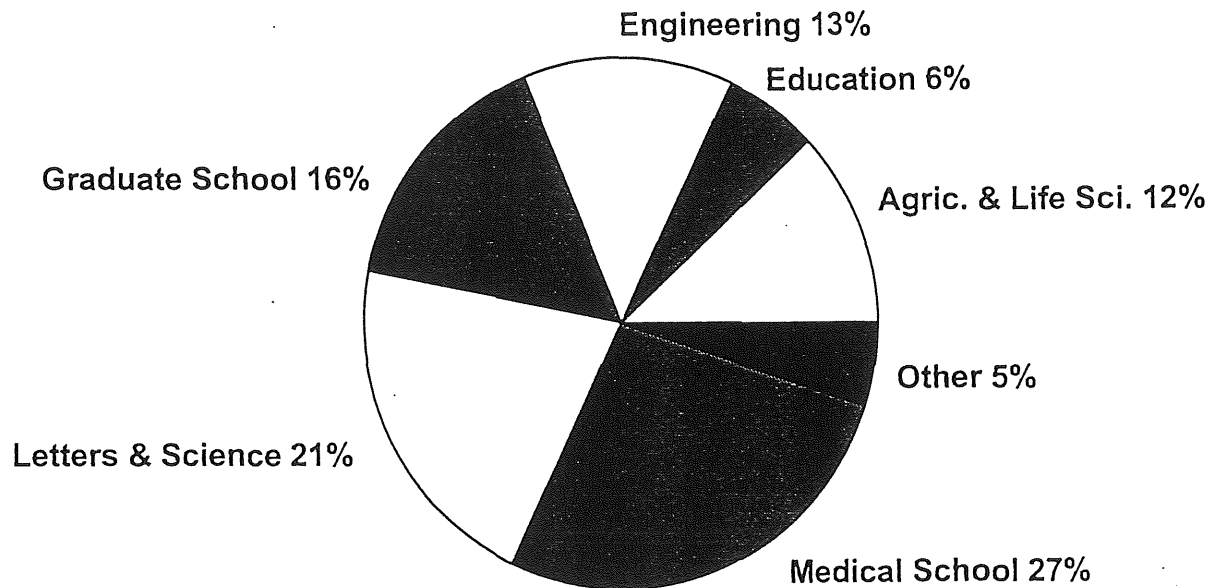


Non-Federal Awards*
\$84,951,574

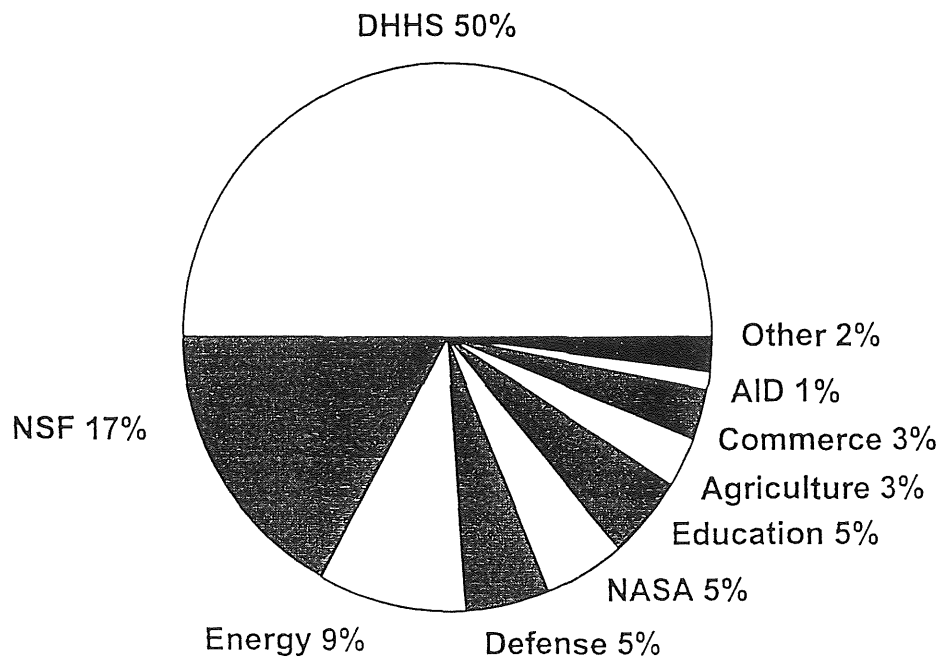


*Excludes WARF awards and endowments.

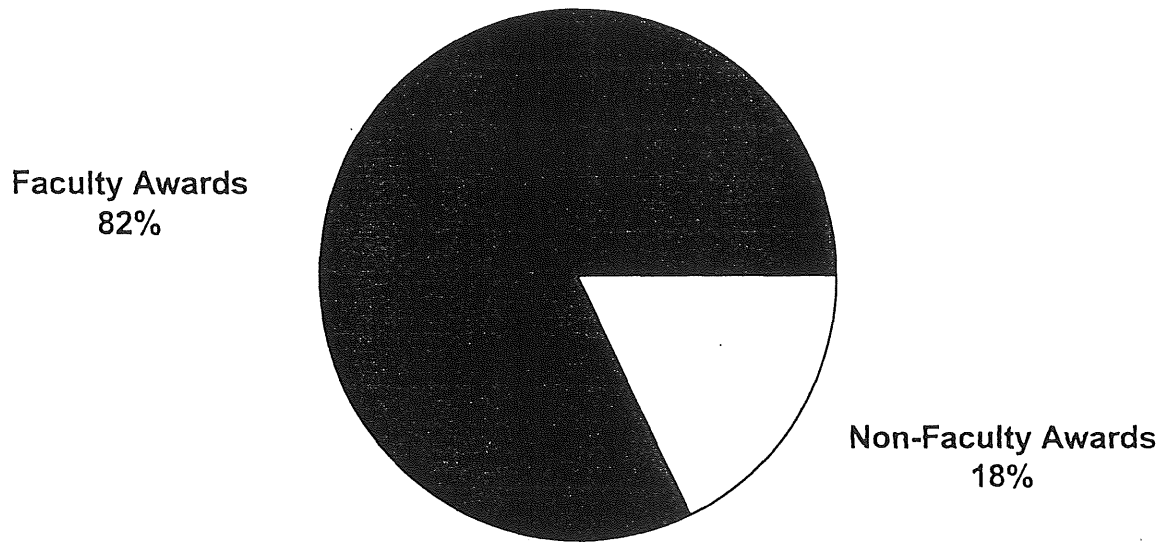
1996-97 UW-Madison Research Awards
Federal Awards
\$253,822,400



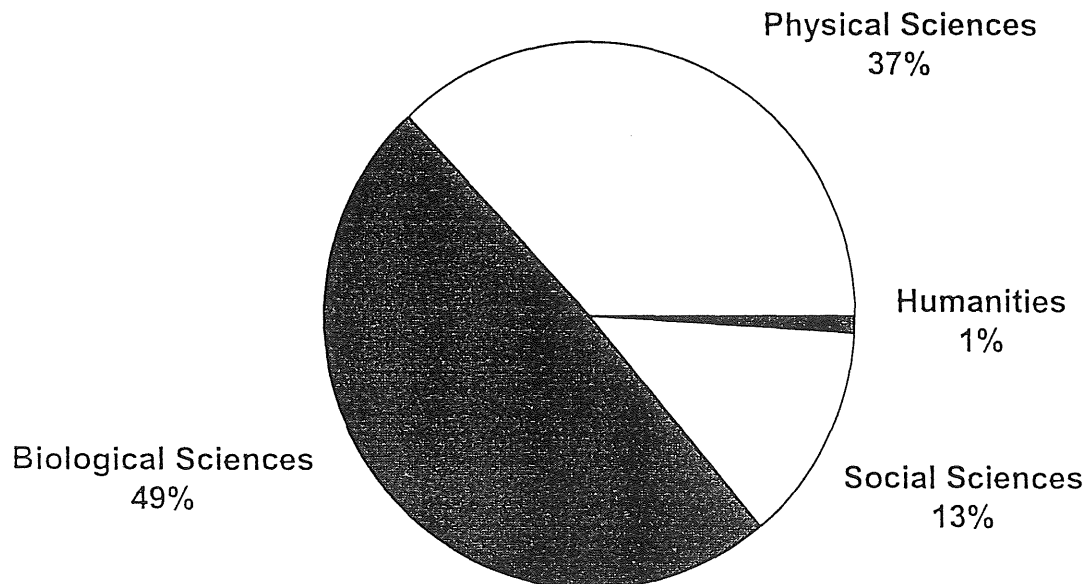
Federal Awards by Agency
\$253,822,400



1996-97UW-Madison Research Awards Faculty and Non-Faculty Awards

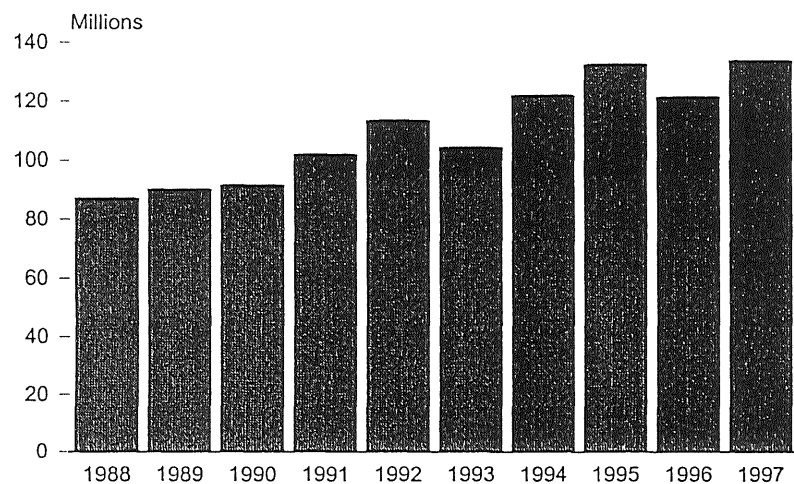


Faculty Awards by Divisional Affiliation

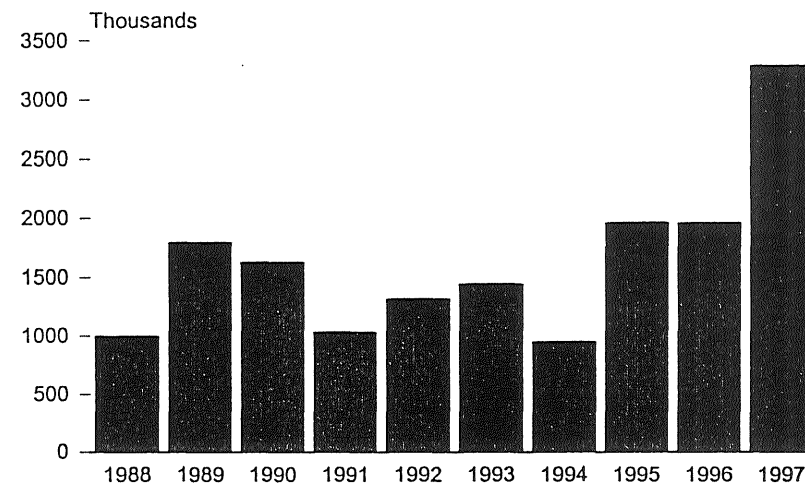


UW-Madison Research Awards by Divisional Affiliation

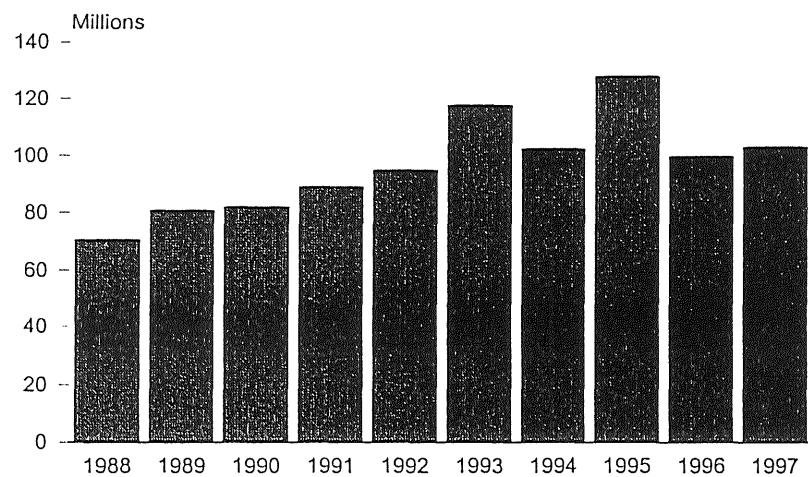
Biological Sciences



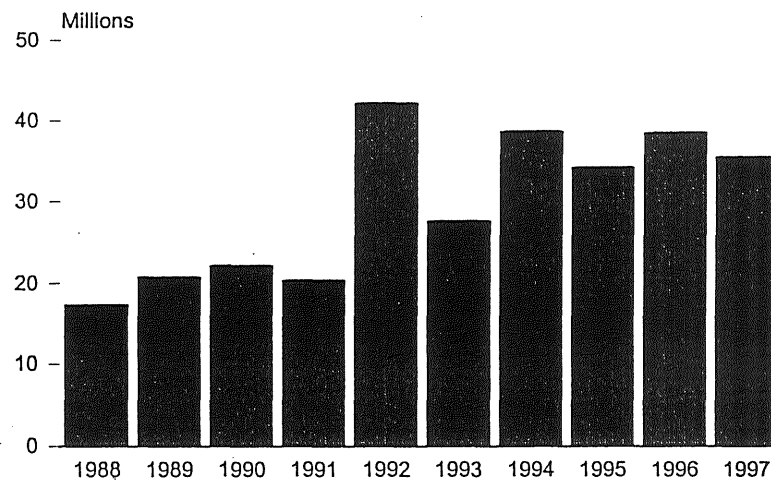
Humanities



Physical Sciences

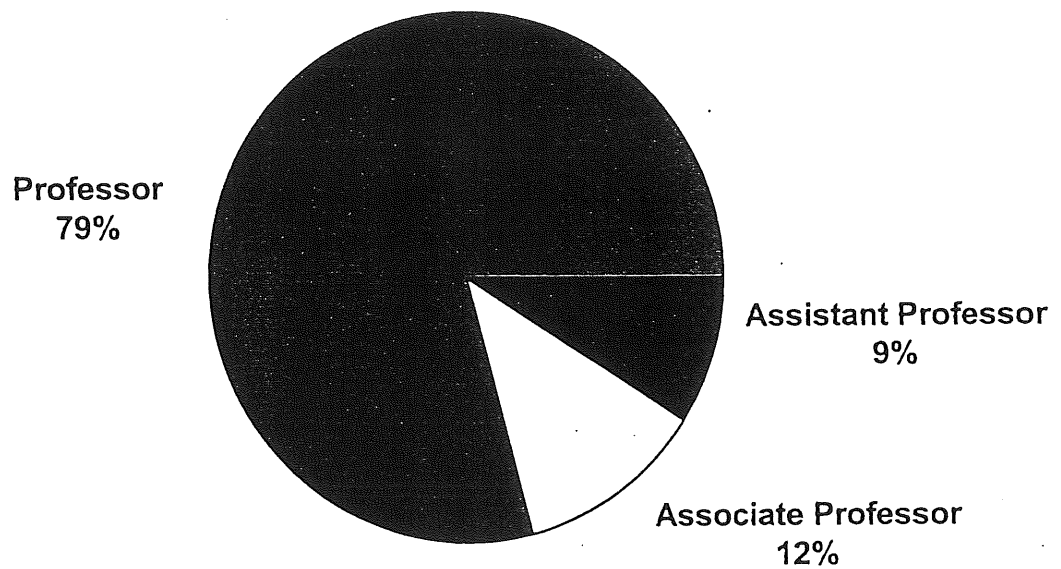


Social Sciences

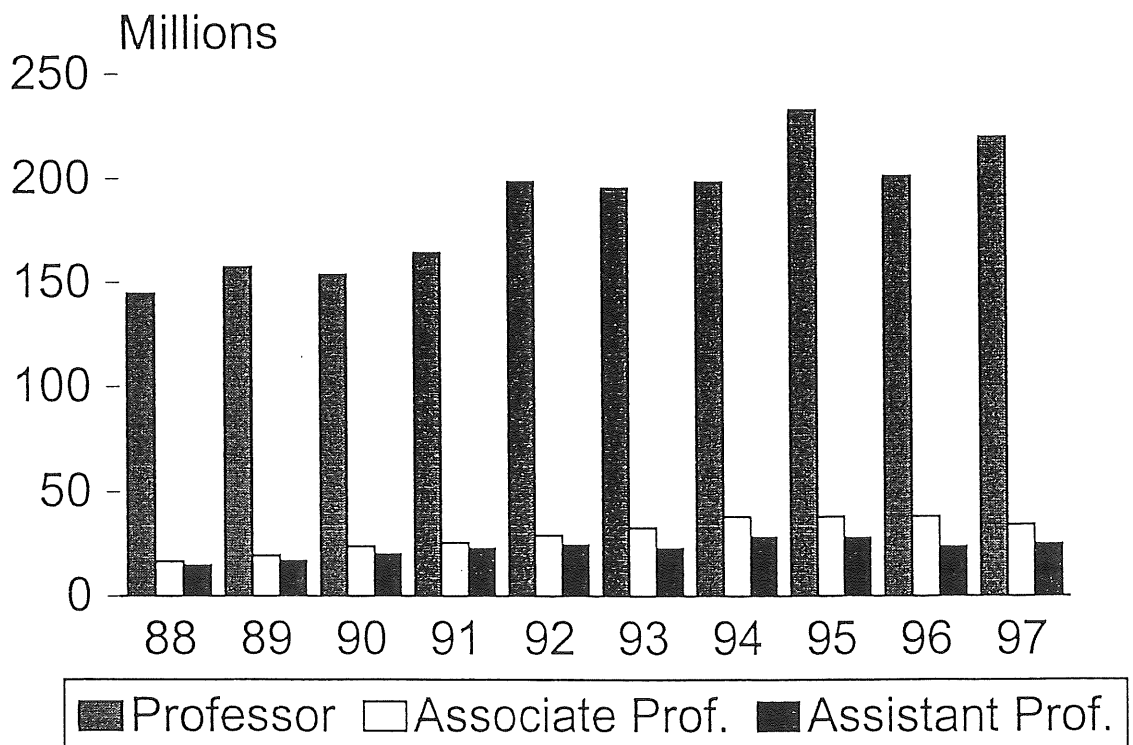


Note: Scales differ.

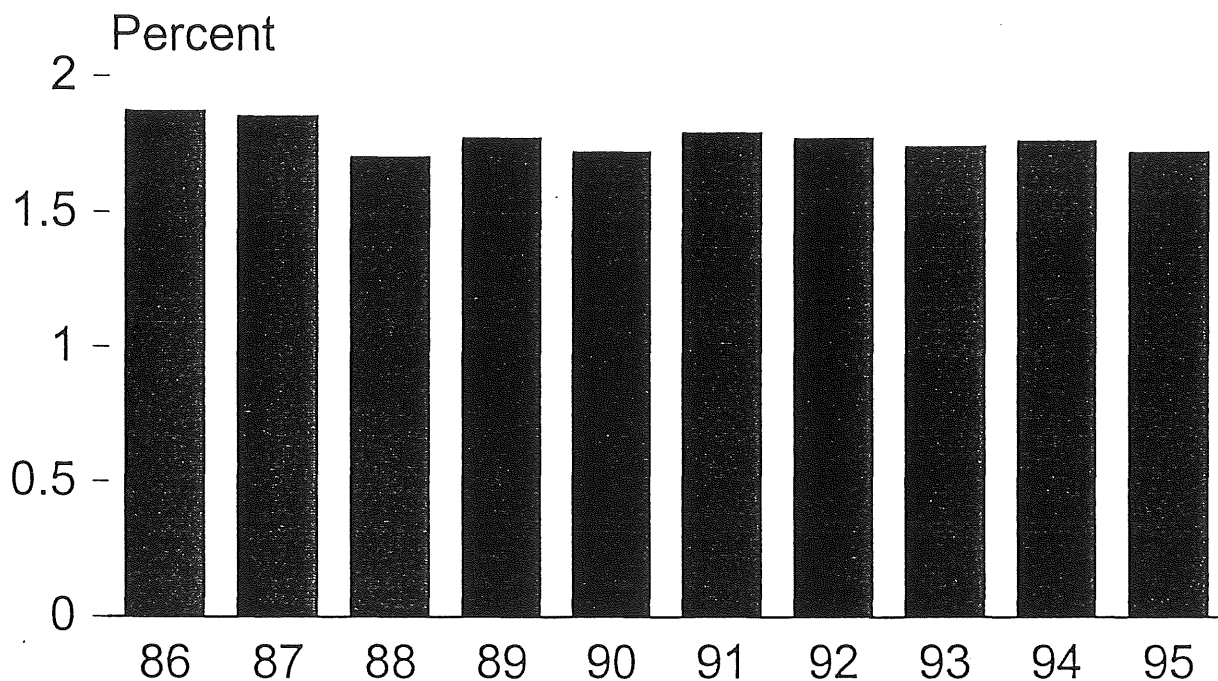
1996-97 UW-Madison Research Awards Faculty Awards by Rank



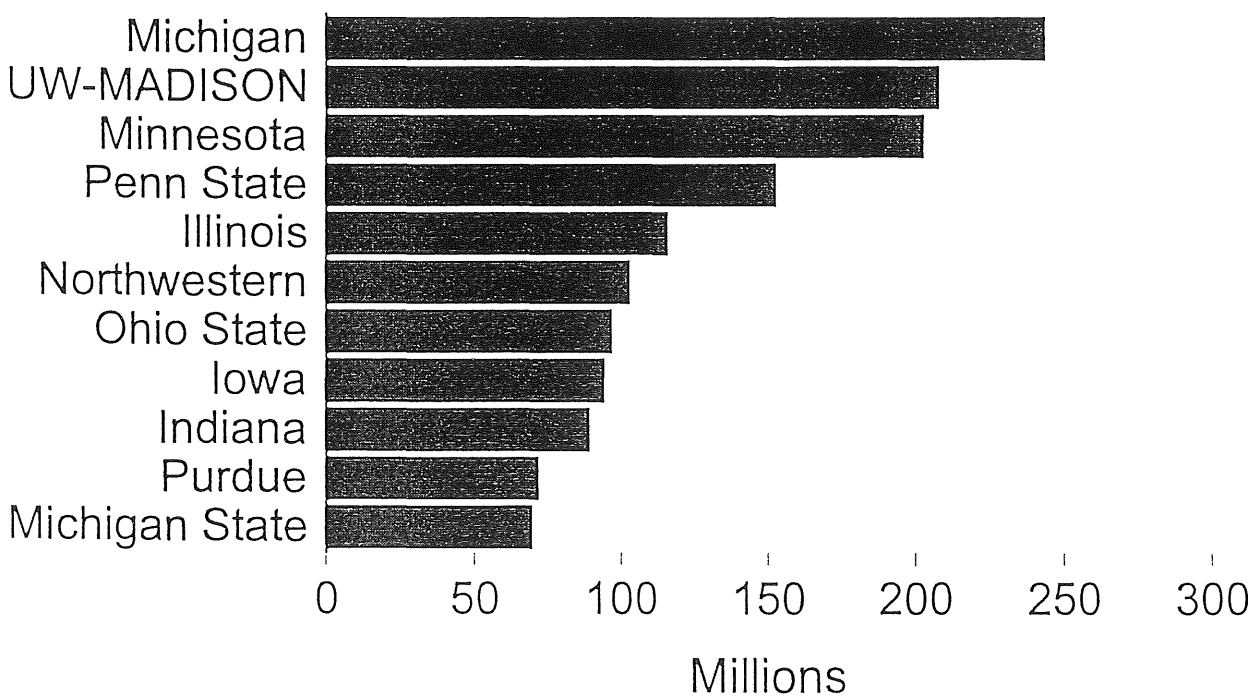
UW-Madison Faculty Research Awards 1987-88 to 1996-97



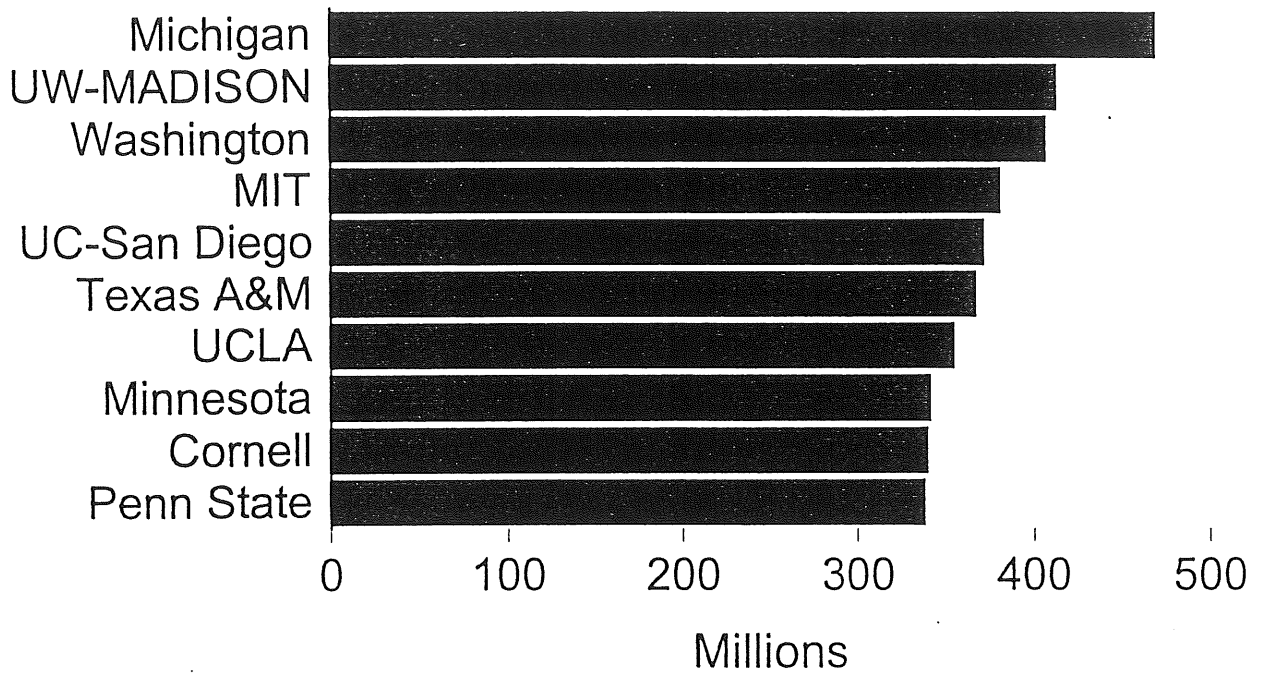
UW-Madison Percent of Total Federal R&D Obligations 1985-86 to 1994-95



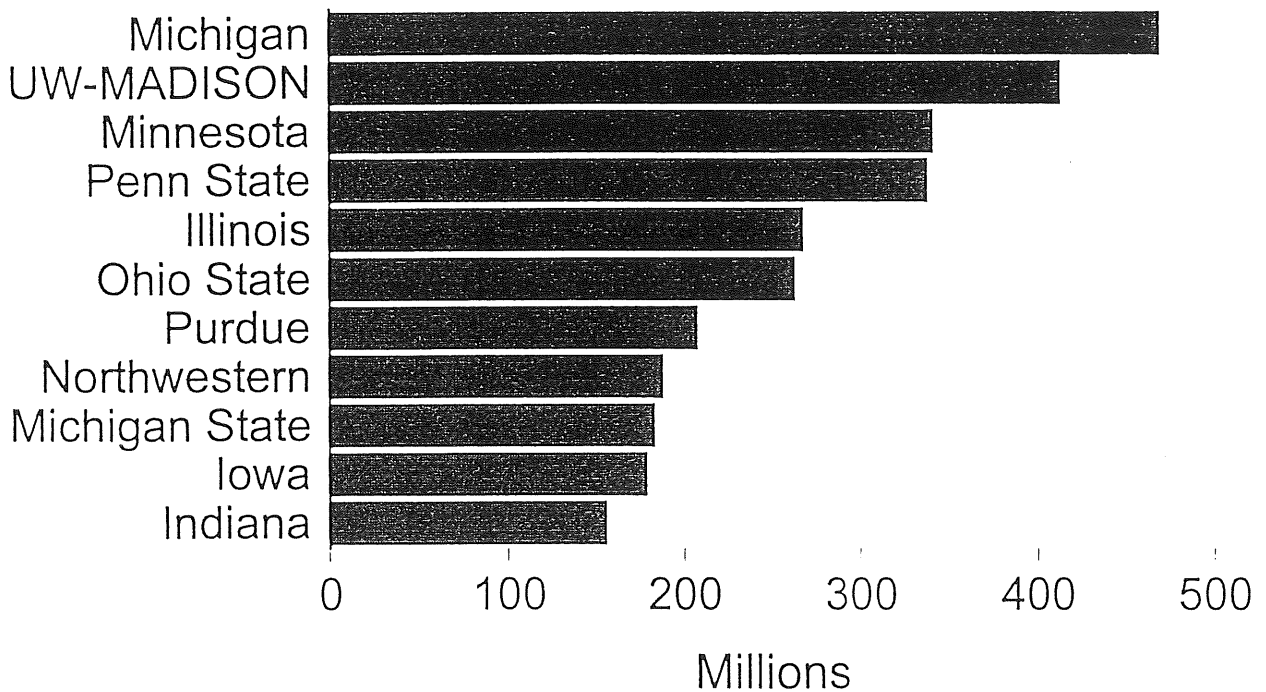
1994-95 Federal R&D Obligations Big Ten Institutions



1995-96 Total R&D Expenditures Top Ten Institutions*

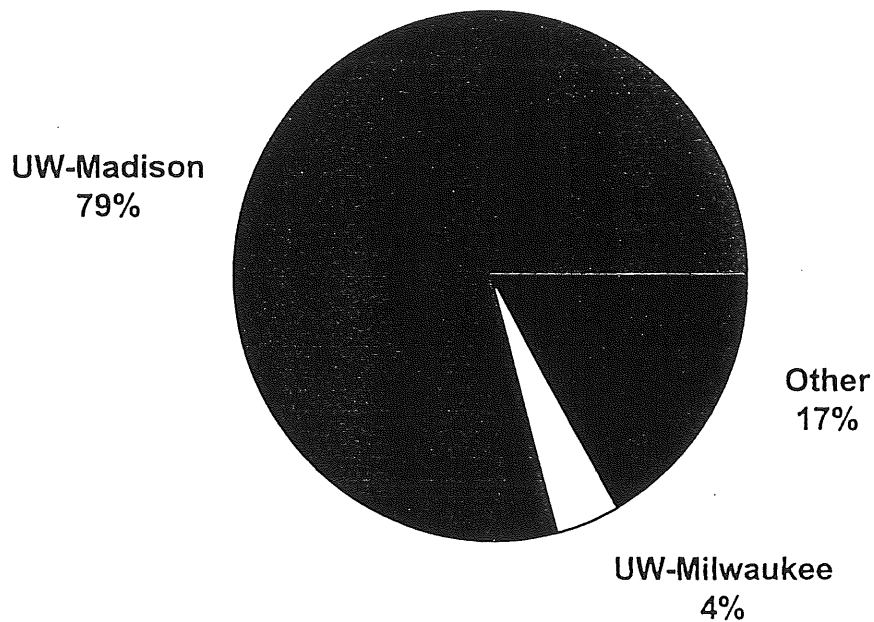


1995-96 Total R&D Expenditures Big Ten Institutions

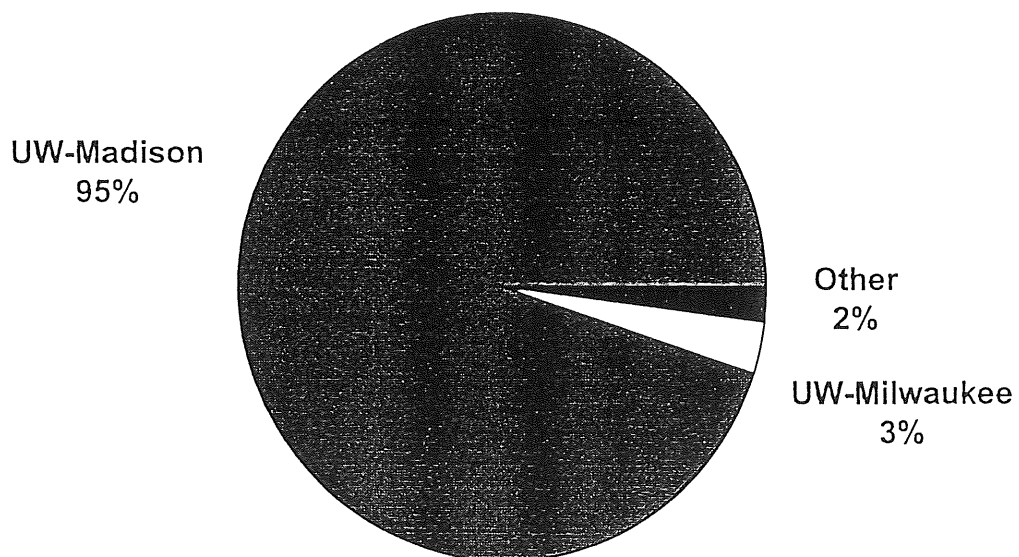


*Excludes Johns Hopkins Applied Physics Laboratory, which is ranked first.

1996-97 UW System Extramural Support
Total Awards
\$594,427,021



Research Awards
\$380,969,873



1998-99 Wisconsin Higher Education Grant
Formula Recommendations to the Higher
Educational Aids Board

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents recommends continuing the current Wisconsin Higher Education Grant formula for dependent students while distributing additional funds received in 1998-99 to independent students. The Board authorizes its transmittal to the Higher Educational Aids Board as directed by section 36.11 (6)(c), of the Wisconsin Statutes.

1998-99 Wisconsin Higher Education Grant Formulas for UW System Students

EXECUTIVE SUMMARY

BACKGROUND

The 1997-99 biennial budget reinstated the requirement created in the 1995-97 biennial budget that the UW System recommend a Wisconsin Higher Education Grant (WHEG) allocation formula to the Higher Educational Aids Board (HEAB) by April 10 of each year. The recommended formulas must follow current statute. After recommendations are made, HEAB has final authority in setting the formula and does so by May 1.

The 1997-99 biennial budget appropriated an additional \$5.1 million (\$2.2 million in 1997-98 and \$3.0 million in 1998-99) for WHEG grants to UW System students. Appropriations for UW System students total \$16,502,200 in 1997-98 and \$17,244,800 in 1998-99. This paper discusses how the additional funds could be distributed in 1998-99.

REQUESTED ACTION

Approval of resolution I.2.c. recommending the 1998-99 Wisconsin Higher Education Grant formulas for UW System students to the Higher Educational Aids Board as directed by s. 36.11(6)(c), Wis. Stats.

DISCUSSION

As reported by UW System institutions on the Financial Aid CDR, in 1996-97, 19,217 UW System resident undergraduates (18% of all resident undergraduates) received average WHEG grants of \$815 (awards ranging from \$250 to \$1,510) totaling \$15.7 million systemwide. These grants account for 13% of the financial aid received by these students.

The WHEG formulas are established in s. 39.435, Wis. Stats. A separate formula exists for dependent and independent¹ or self-supporting students (see attached sheet for how the formulas work). These formulas rely on the federal needs analysis (Federal Methodology) that measures how much of a student's/family's resources are available to help meet educational costs.

¹Students are considered independent or self-supporting if they meet one of the following criteria as stipulated by federal law:

1. 24 years or older by December 31 of the award year
2. Veteran of the U.S. Armed forces
3. Enrolled in a graduate/professional program
4. Married
5. Orphan or ward of the court
6. Have legal dependents other than a spouse

The Board of Regents has the ability to recommend adjustments to the:

- equity level for dependent students; and
- standard budget and award percentage for independent students.

These formula components have been developed over time and act as a rationing mechanism for WHEG dollars as the current funding level does not provide enough grant support to fully meet the financial need of UW System resident undergraduate students.

Using two formulas produces a significant difference in the maximum and average awards. UW System dependent WHEG recipients received average awards of \$985 in 1996-97. Independent students received average awards of \$715 in 1996-97. Maximum awards were \$1,510 and \$986 for dependent and independent students, respectively. With the additional funds provided in the biennial budget in 1997-98, the maximum independent award increased by \$115 (11.7%) to \$1,101.

The availability of WHEG grant dollars reduces the loan burden for WHEG recipients. Thus, after WHEG is awarded, UW System WHEG recipients' average loan amounts are only 6% higher than other UW resident undergraduates receiving financial aid. In 1996-97, 79% of UW WHEG recipients (15,109) had loans averaging \$4,037. This is \$245 higher than the average loan amounts for all non-WHEG UW resident undergraduates with financial aid.

UW WHEG recipients have a higher unmet need than other UW resident undergraduates receiving financial aid even after receiving these grants; 70% of UW WHEG recipients (13,526) have unmet financial need averaging \$2,340. This is \$449 higher than the unmet need for all UW non-WHEG resident undergraduates who had unmet need.

RECOMMENDATION

In 1996, a WHEG Advisory Board was formed to make WHEG formula recommendations to the President of the UW System for the upcoming biennium. The Advisory Council consisted of 3 Financial Aid Directors, 3 students and System staff. After the Advisory Council made its 1997-98 formula recommendations to President Lyall, they were then forwarded to HEAB. The recommendations reflected the UW System request to decrease the inequity between dependent and independent student maximum awards.

There were two major components of the recommendation. The first recommendation urges that any additional WHEG funding for UW System students be appropriated in the 1997-99 biennial budget and distributed to independent students by increasing the independent student award percentage in the independent formula. The second recommendation asks that WHEG awards to dependent students be held harmless by keeping the maximum award per dependent student at \$1,510.

The Board of Regents are being asked to confirm this recommendation for 1998-99 WHEG formulas at this time because UW System Financial Aid Directors have indicated a need to get awards out earlier to students/families, especially to new freshmen who are making decisions about college in the spring. These decisions are often based on the amount of financial aid for which a student qualifies. It is also convenient and cost-effective to let continuing students know their awards for the upcoming year while they are still on campus. In addition, the Higher Educational Aids Board meets at the end of this month and will not reconvene until late April at the earliest.

Finally, UW System Financial Aid Directors are currently examining the WHEG formulas to make a more comprehensive recommendation regarding changes for the 1999-01 biennium. Potential changes include eliminating the distinction between independent and dependent students and basing WHEG awards on one equity level for all students.

WHEG FORMULAS FOR 1997-98

DEPENDENT STUDENT FORMULA

Equity Level	\$1,510
Student/Family Contribution	- 0
WHEG AWARD	\$1,510
 Maximum Award	 \$1,510
Minimum Award	\$250

INDEPENDENT STUDENT FORMULA

Standard Budget	\$9,134
Student Contribution	- 0
Financial Need	\$9,134
Award %	x 12.05
WHEG Award	\$1,101
 Maximum Award	 \$1,101
Minimum Award	\$250

Examples of how these formulas work:

1. Dependent student - Based on income and asset information provided by the student and parents, Federal Methodology calculates an expected family contribution (EFC) of \$0. This \$0 is subtracted from the equity level of \$1,510 and results in a WHEG award of \$1,510 for the student.
2. Independent student - Based on income and asset information provided by the student, Federal Methodology calculates an expected family contribution (EFC) of \$0. This \$0 is subtracted from the standard budget of \$9,134, leaving a financial need of \$9,134. This need is multiplied by the award percentage of 12.05% for a WHEG award of \$1,101 for the student.

Student Financial Aid in the UW System: 1996-97 Update

- Financial aid plays a significant role in enabling individuals to pursue a higher education. In 1996-97, 75,666 UW System undergraduate and graduate students received \$404.9 million in both need based and non-need based financial aid. This represents an increase of 1,319 students and \$16.2 million above 1995-96 levels, despite declining enrollments. Over half (54%) of all undergraduates and one-third (33%) of all graduate/professional students received aid in 1996-97. Further, the proportion of UW undergraduates receiving financial aid has been increasing for both residents and nonresident students since 1988-89. The proportion of UW graduate students receiving financial aid has also been increasing since 1988-89.
- Over four out of five financial dollars (84%) in the UW System were provided or underwritten through a federal program in 1996-97. State-funded sources accounted for 8 percent of the total with the remaining dollars coming from institutional (4%) and other sources (3%).
- In 1996-97, 70 percent of total aid was in the form of loans, 27 percent was in the form of grants, and 3 percent was in work study. Over two-fifths (41%) of all UW students borrowed through a financial aid loan program in 1996-97 and less than one-third (29%) received grants.
- The dependency status of financial aid recipients plays a prominent role in determining how much aid students are eligible to receive. Approximately one-third of the undergraduate aid recipients were classified as independent for financial aid purposes in 1996-97, a proportion that has remained relatively stable over time despite changes in the federal definition of independent classification in 1987-88. At the graduate level, in contrast, the proportion of aid recipients classified as independent increased significantly in 1987-88 and stood at over 90 percent in 1996-97.
- Nearly three-fifths (58%) of all UW resident undergraduates have debt upon completing a Bachelor degree, compared to two-thirds in the mid-1980s. The average undergraduate's debt upon graduation in 1996-97 was \$13,332. One-fifth of this debt came from non-need based loans.

February 6, 1998

Agenda Item I.2.d.

MANAGEMENT FLEXIBILITIES FOR EFFECTIVE RESOURCE MANAGEMENT

EXECUTIVE SUMMARY

BACKGROUND

Since the early 1980s, universities nationwide have sought increased management flexibility to enable them to manage resources more effectively. This paper discusses the flexibilities granted to the UW System by the Governor and the Legislature to date. It also describes flexibilities proposed by the Board in its 1997-99 Biennial Budget Request but denied or granted only in part.

REQUESTED ACTION

This item is for information only.

RELATED REGENT POLICIES

The Report of the Board of Regents on the Future of the UW System

The Study of the UW System in the 21st Century

MANAGEMENT FLEXIBILITIES FOR EFFECTIVE RESOURCE MANAGEMENT

In the 1970s, many state legislatures increased their control over higher education. In reaction to this increased regulation, several national commissions and task forces in the early and mid-1980s (The Sloan Commission on Government and Higher Education, the Carnegie Council on Policy Studies, and the Carnegie Foundation for the Advancement of Teaching) issued reports calling for increased deregulation of higher education to enable colleges and universities to manage resources more effectively. By 1986, a number of state legislatures had passed legislation giving increased management flexibility to state universities. That flexibility included lump-sum budgeting, university management of revenues, university authority to set tuition and other prices, carryover of year-end balances, delegated purchasing, reduced state oversight of capital construction, and greater university flexibility in personnel and compensation management.

The state of Wisconsin has, to a lesser extent, followed this national trend. Beginning in the late 1980s, several state and UW System task forces (for example, the 1986 Report of the Board of Regents on the Future of the UW System, the 1987 Task Force on UW System Management Flexibility appointed by the Governor, the Governor's Commission on UW System Compensation and the Board of Regent's recent Study of the UW System in the 21st Century) have proposed management flexibilities similar to those granted to universities nationally. The UW System has obtained a number of flexibilities since the late 1980s. However, the changes granted have not gone far enough in giving the Board of Regents the necessary tools to perform their stewardship role effectively in the 21st century.

To date, the Governor and Legislature have granted the UW System the following flexibilities:

- Authority to create positions funded by most program revenues (gifts, grants and contracts; auxiliaries; general operations receipts; federal indirect cost reimbursement; credit continuing education; noncredit outreach; and, most recently, trust funds).

This change has allowed UW institutions to create positions directly and to hire staff as funds are received. Staff time formerly spent on documenting position needs, responding to inquiries, and following requests through the approval process can now be devoted to other priorities. In addition, faculty members have not had to delay funded work pending approval of additional positions.

Institutions can now be more responsive to customer demand and program needs.

- Ability to spend most program revenues (including gifts, grants and contracts; auxiliaries; noncredit outreach; credit continuing education; trust funds; and indirect costs) when received.

This change has permitted UW institutions to respond quickly to customers (students, business and industry, and Wisconsin citizens) and to meet changing program needs in a timely manner.

- **Auxiliaries Changes:** Authority for institutions to transfer unanticipated, one-time excess revenues from auxiliary operations to any program revenue-funded, student-related activity; authority for the Board to request DOA and Joint Finance approval for any campus to accumulate a reserve in excess of 15% of the prior year's revenues from student segregated fees and other auxiliary enterprises; and a change in date from July 10 to September 15 for requests for approval to accumulate reserves.

The 15% threshold will allow for a simple calculation under which no reporting is required. In addition, the threshold calculation will be easier to understand. This change also eliminates non-value added reporting but provides a mechanism for notification if reserves are accumulating above a certain amount. The date change will allow the UW System to use actual rather than projected figures in its request. With regard to the transfer of one-time funds, System Administration has put together a group to draft a proposed Board policy to ensure responsible use of transfers.

- Authority to spend tuition revenue as received, up to 104% of the amount appropriated in 1997-98 and up to 103% of the amount appropriated in 1998-99.

This flexibility has allowed the UW System to provide competitive compensation for faculty and academic staff, and to plan for the use of additional revenues resulting from changing student mix.

- Change in the frequency of the Federal Gifts and Grants Report to the Governor and Joint Finance from quarterly to annually.

Reducing the frequency of this report eliminates a non-value added activity. The Governor and Joint Finance continue to receive information they need in a timely manner.

The Governor and Legislature have also granted the following flexibilities to all state agencies:

- Authority for state agencies to join non-governmental cooperative purchasing groups.

This flexibility has been used by the UW Hospital. The Hospital has joined the University Hospitals Consortium, which has enabled its members to purchase pharmaceutical, medical, surgical and other supplies at substantially reduced rates.

- Capital budget changes: Increased the threshold for building project enumeration from \$250,000 to \$500,000. Enabled the Building Commission to establish simplified procedures for construction of projects under \$100,000.

Both changes will help university projects move forward more quickly.

None of the flexibilities that have been in place for at least a biennium have created problems of concern to oversight bodies. At the same time, they have enabled UW institutions to devote more attention to value-added activities providing direct service to students and citizens.

Several of the flexibilities described above were among the six major flexibilities requested in the Board of Regents' 1997-99 Biennial Budget Request. The four major flexibilities requested but denied or granted in part were:

- Full Board authority over the UW System's unclassified personnel system (establishment of compensation and other terms and conditions of employment).—Denied. This flexibility would enable the Board to redesign jobs and correct salary inequities in a more timely fashion, since Department of Employment Relations approval would not be required. It would also help the UW System attract and retain the best faculty and staff, since the Board would be able to establish titles and compensation competitive with those offered by other colleges and universities.
- Elimination of external position control and authority for the UW System to create all position, regardless of funding source, within authorized dollar levels.—Granted authority to create positions funded by trust funds only. This flexibility would make position creation policy for the UW System consistent with practice at all other Big 10 institutions. It would also allow institutions to add staff as funds become available and in a timely fashion to student-related areas with additional need.
- Moving the UW System capital budget to a separate revenue bonding basis with guaranteed GPR to service debt rather than using state general obligation bonding.—Denied. This flexibility would allow the UW System to anticipate funding available for capital projects and plan accordingly.
- Board authority over tuition revenue.—Granted authority to spend tuition revenue as received, up to 104% of the tuition revenue appropriated in 1997-98 and up to 103% of the amount appropriated in 1998-99. Board ability to spend tuition as collected becomes increasingly important as the UW institutions become more involved in distance education, differential tuition initiatives, and serve more non-traditional students.

Over the next several months, System Administration will explore with the Board which flexibilities should be requested in the 1999-2001 budget.

ANNUAL FINANCIAL REPORT

EXECUTIVE SUMMARY

BACKGROUND

The UW System annually publishes an Annual Financial Report that includes financial statements prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants' Guide, Audits of Colleges and Universities. The statements are audited by the Legislative Audit Bureau, and appear, in a somewhat modified format, in the State of Wisconsin's Comprehensive Annual Financial Report. They are also re-published at a somewhat later date as part of the UW System's federally required "A-133" audit report.

REQUESTED ACTION

This report is submitted for information only.

DISCUSSION AND RECOMMENDATIONS

The UW System's 1996-97 GAPP-basis financial statements are attached: a balance sheet (Exhibit A), a Statement of Changes in Funds Balances (Exhibit B) and a Statement of Current Funds Revenues, Expenditures and Other Changes (Exhibit C). The accompanying Notes to the Financial Statements are an integral part of the financial statements, including both disclosures required by GAAP and explanations intended to aid the reader in understanding the statements.

Preceding the financial statements and notes are several graphs intended to highlight noteworthy aspects of the financial statements, including sources and uses of current operating funds and the growth of endowments:

Sources - Chart 1 is a pie chart showing the relative proportion of funding provided in 1996-97 by the six major sources of current operating funds. Changes in the funding mix over the last ten years may be observed by comparing this to Chart 2, which presents the same information for 1987-88. This change is further portrayed by Charts 3 and 4, line graphs that highlight the extent to which the growth in "other sources of funds" (specifically, gifts and endowment income and other educational sources) has dominated the support of current operations. (Chart 3 depicts this growth in nominal dollars while Chart 4 shows inflation-adjusted dollars.) Most significant is the fact that state appropriations make up 4.4% less of the total in 1996-97 than they did in 1987-88. When adjusted for inflation, there has been no real growth in state support.

Uses - Chart 5 is a pie chart showing, for 1996-97, the relative proportion of Current Funds

expended by function (or "Activity" – see Appendix I for definitions). In 1996-97, 77% of current operating funds was spent on the primary missions of instruction, research and public service and related academic support, student services and financial aid while only 5% was spent on institutional support (administration). Chart 6 is a pie chart showing the relative proportion of Current Funds spent on the six major "object" groupings (salaries, fringe benefits, operating expense, capital, fellowships and scholarships and mandatory transfers). Higher education remains a labor intensive industry with 65% of expenditures dedicated to salaries and related fringe benefits.

Endowments - Chart 7 shows that University Controlled Endowments have grown from \$90 million in 1987-88 to \$192 million in 1996-97. This includes both "true" endowments, gifted principal that must remain intact by donor stipulation, and "quasi" endowments, gift and income funds that the Board of Regents has elected to manage as an endowment. The increase from 1987-88 to 1996-97 represents a growth of 112% in nominal dollars and 55% in inflation-adjusted dollars. In 1996-97 the total return on the portfolio including capital appreciation was 20.7%.

Other points worthy of notation:

The financial statements do not include the accounts of the University of Wisconsin Hospitals and Clinics Authority (UWHCA) which, pursuant to an act of the Legislature, began operating on June 29, 1996 as a separate public authority. The UW System no longer exercises the type of financial and management control over the Hospital established as criteria by the Governmental Accounting Standards Board for including affiliated organizations.

During the fiscal year ended June 30, 1997, the UW System received services from UWHCA totaling \$3.5 million and provided services to UWHCA totaling \$30.3 million. The cost of the services provided and the associated revenue are separately identified in the Statement of Current Funds Revenues Expenditures and Other Changes. The Statement of Changes in Funds Balances includes a transfer of equity to UWHCA, including \$60.8 million from Current Unrestricted Funds and \$266.5 million from Plant Funds. The Current Funds transfer represents the net asset balance of hospital operating accounts as of June 29, 1996. Prior fiscal year amounts for 1988 - 1996 have been restated to exclude UWHCA.

RELATED REGENT POLICIES

None

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 1997-1998 - Second Quarter

MJM
 15-Jan-98

FISCAL YEAR 1997-98	Extension	Instruction	Libraries	Misc	Phy Plt	Research	Student Aid	Unrestricted	Total
Total	29,133,694	24,253,371	878,466	24,897,827	27,009,807	192,881,864	60,018,743	20,531	359,094,303
Federal	14,295,207	17,353,879	5,000	4,607,185	0	127,097,016	56,352,350	0	219,710,637
Nonfederal	14,838,487	6,899,492	873,466	20,290,642	27,009,807	65,784,848	3,666,393	20,531	139,383,666
FISCAL YEAR 1996-97									
Total	23,603,121	21,996,590	1,540,715	25,814,789	4,219,614	205,683,220	57,150,164	19,625	340,027,838
Federal	8,651,089	14,265,033	471,115	5,390,883	0	139,581,001	53,363,331	0	221,722,452
Nonfederal	14,952,032	7,731,557	1,069,600	20,423,906	4,219,614	66,102,219	3,786,833	19,625	118,305,386
INCREASE(DECREASE)									
Total	5,530,573	2,256,781	(662,249)	(916,962)	22,790,193	(12,801,356)	2,868,579	906	19,066,465
Federal	5,644,118	3,088,846	(466,115)	(783,698)	0	(12,483,985)	2,989,019	0	(2,011,815)
Nonfederal	(113,545)	(832,065)	(196,134)	(133,264)	22,790,193	(317,371)	(120,440)	906	21,078,280

Contract for Merchandising Rights with
the University Book Store

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with the University Book Store.

February 6, 1998

I.2.f.(2)(a)

CONTRACT FOR MERCHANDISING RIGHTS WITH THE UNIVERSITY BOOK STORE

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is prepared to enter into a contractual agreement with the University Book Store, Inc. to operate permanent and portable sales locations in the Kohl Center and Camp Randall Stadium and to devote a portion of its own retail spaces (on State Street and in the Hilldale Shopping Mall) to sale of the exclusive Kohl Center Line products.

REQUESTED ACTION

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with the University Book Store.

DISCUSSION

Board of Regents policy requires Regent approval when a contractual agreement with a private for-profit organization exceeds \$500,000. This contract will operate based on an annual business plan jointly developed between UW-Madison and the University Book Store. The University will receive facilities use payment, royalty payments based on a percentage of gross retail sales and payments in consideration of the Exclusive Merchandising Rights related to the Kohl Center Line.

The initial term of the contract covers the period January 1, 1998 through June 30, 2001 and provides for two possible one year extensions. Over the course of this contract, we anticipate the royalties to the University to exceed the \$500,000 threshold.

The choice of the University Book Store as the vendor was based upon an open, competitive Invitation to Submit Proposals process.

RELATED REGENT POLICY

Regent Resolution 7548, dated September 5, 1997, Authorization to Sign Documents.

UW-Madison Contractual Agreement
With SmithKline Beecham Pharmaceuticals

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with SmithKline Beecham Pharmaceuticals entitled, "Data Analysis Center for COPERNICUS Trial."

2/6/98

I.2.f.(2)(b)

February 6, 1998

I.2.f.(2)(b)

CONTRACTUAL AGREEMENT WITH SMITHKLINE BEECHAM PHARMACEUTICALS

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is prepared to enter into a contractual agreement with SmithKline Beecham Pharmaceuticals to provide services as a Data Analysis Center for "A multicenter randomized double-blind, placebo-controlled study to determine the effect of carvedilol on mortality over 6-36 months in patients with congestive heart failure." The UW-Madison Department of Biostatistics will analyze data from the study and provide monthly safety reports and an interim analysis for the study. If this project is taken to its conclusion, the total value of the agreement is \$799,961.00.

REQUESTED ACTION

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with SmithKline Beecham Pharmaceuticals entitled, "Data Analysis Center for COPERNICUS Trial."

DISCUSSION

Board of Regents policy requires Regent approval when a contractual agreement with a private for-profit organization exceeds \$500,000.

RELATED REGENT POLICY

Regent Resolution 7548, dated September 5, 1997, Authorization to Sign Documents.

Contractual Agreement with
Astra Hässle AB

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Astra Hässle AB entitled "Data Analysis Center for the MERIT Study."

February 6, 1998

I.2.f.(2)(c)

CONTRACTUAL AGREEMENT WITH ASTRA HÄSSLE AB

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is prepared to enter into a contractual agreement with Astra Hässle AB to provide services as a Data Analysis Center for the Independent Safety Committee for the clinical trial "Metoprolol CR/XL Randomized Intervention Trial in Congestive Heart Failure - MERIT-HF." The UW-Madison Department of Biostatistics will analyze data from the study and provide monthly safety reports and an interim analyses. If this project is taken to its conclusion, the total value of the agreement is \$573,266.00.

REQUESTED ACTION

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Astra Hässle AB entitled "Data Analysis Center for the MERIT Study."

DISCUSSION

Board of Regents policy requires Regent approval when a contractual agreement with a private for-profit organization exceeds \$500,000.

RELATED REGENT POLICY

Regent Resolution 7548, dated September 5, 1997, Authorization to Sign Documents.

Approval of Bylaws Changes for
University of Wisconsin Medical
Foundation, Inc.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Bylaws amendments contained in the Revised Resolutions of the Board of Directors of the University of Wisconsin Medical Foundation, Inc., dated December 9, 1997, be approved.

February 6, 1998

Agenda item I.2.g.(1)

**UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION
APPROVAL OF BYLAW CHANGES**

EXECUTIVE SUMMARY

BACKGROUND

The University of Wisconsin Medical Foundation (UWMF) intends to acquire the Physicians Plus Medical Group (PPMG) on or around February 6, 1998. Under the terms of the proposed merger, PPMG physicians will become UW Medical School faculty and be granted a defined role in UWMF's governance for a 3-4 year transition period. On December 9, 1997, the UWMF Board of Directors approved a set of bylaw changes needed to implement PPMG physician participation in governance. Under the "Agreement Between the UW Board of Regents of the UW System and the University of Wisconsin Medical Foundation" dated May 12, 1995, both the UW-Madison Chancellor and the Board of Regents must approve these changes. Chancellor David Ward has reviewed and approved them.

DISCUSSION

UWMF is a Regent corporation of approximately 600 faculty physicians of the UW Medical School. The School's physicians are leading providers of specialty medical care in Wisconsin, regionally and nationally. UWMF is a non-profit, tax-exempt 501(c)(3) entity whose primary mission is to serve the education, research and clinical interests of the Medical School. UWMF's Articles of Incorporation provide that it "shall at all times be operated exclusively for the benefit of and to support the purposes and operations of the University of Wisconsin Medical School and the University of Wisconsin-Madison."

PPMG is a physician-led group practice consisting of approximately 225 physicians. With more than 40% of its physicians practicing in family medicine, general internal medicine, and general pediatrics, it is a major provider of primary care services in Dane, Dodge, Jefferson and Columbia counties. In recent years, many PPMG physicians have had substantial involvement in the teaching activities of the UW Medical School. Currently, over 100 PPMG physicians hold clinical professor positions at the Medical School, and about 80 PPMG physicians provide primary care training to medical students, including programs such as the third year clerkship, the Generalist Partners Program for first and second year medical students, and preceptorships for fourth year students.

Since its formation, UWMF has assisted the Medical School and University Hospital in maintaining the necessary patient base for their education and research missions, in enhancing the quality of patient care and customer service, and in contracting efficiently for managed care. UWMF and the Medical School believe that the integration with PPMG will advance these efforts. Many specialties for which UWMF physicians provide training at the Medical School and conduct research require a large and stable source of patients. In the past, the Medical School has relied on the expertise and reputation of its physician specialists to obtain the necessary patient flow. The growth of managed care has changed that situation. By uniting with PPMG,

UWMF believes that it will be better situated to enter into managed care contracts, thereby assisting the UW Medical School in pursuing its medical education and research missions.

The agreement provides for complete integration of the two organizations over a two year period. The impetus for this merger was PPMG's decision to seek a strategic partner. UWMF was selected from a pool consisting of both local and national health care providers. If PPMG had selected an alternative partner, the potential loss of PPMG physician teachers would have severely threatened the Medical School's community-based educational programs.

With the merger, PPMG physicians will become employees of the Medical School and UWMF. As Medical School faculty, on the salaried clinical faculty track, the PPMG physicians will be expected to maintain and probably expand their involvement in medical education. In addition, some will participate in clinical research. Since salary support for these physicians will be the responsibility of the UWMF, this merger will have no impact on the base budget of the Medical School.

The bylaw changes approved by the UWMF Board of Directors include:

- Increasing the Board of Directors to 27 members for a three year transition period and raising the quorum to 14 during this period. The eight new members consist of one individual selected by the Chancellor, two additional public members, and five PPMG physicians. The UWMF Board currently has 19 members: the Medical School (MS) Dean, five MS clinical department chairs, seven MS faculty members, the UWMF President, four independent members, and one MS basic science department chair.
- Adding one additional seat to the UWMF Executive Committee for a four year transition period with the UW-Madison Chancellor selecting this member.
- Increasing the Council of Faculty by four seats to be filled by PPMG physicians for a four year transition period.
- Increasing each of the UWMF standing committees by two seats to be filled by PPMG physicians for a four year transition period.

REQUESTED ACTION

Approval of the bylaw changes as approved by the UWMF Board of Directors on December 9, 1997.

**REVISED RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION, INC.**

(A.) Amendments to the Corporation's Bylaws:

WHEREAS, the Board of Directors deems it to be in the best interest of University of Wisconsin Medical Foundation, Inc. (the "Corporation") to purchase the issued and outstanding shares of Physicians Plus Mutual Group, S.C., a Wisconsin stock corporation ("PPMG"), from the PPMG shareholders (the "Shareholders"); and

WHEREAS, pursuant to the proposed purchase of such shares from the Shareholders, the Board of Directors deems it to be in the best interest of the Corporation to modify the Bylaws of the Corporation; and

WHEREAS, amendments to, and restatements of, certain provisions of the Corporation's Bylaws were submitted to the Chancellor and the Board of Regents for review and approval, and have subsequently been modified to incorporate changes suggested during that review;

RESOLVED, that subject to the aforementioned approval of the Chancellor and the Board of Regents, and if the Corporation purchases the issued and outstanding shares of PPMG, certain provisions of the Corporation's Bylaws be amended and restated as follows:

(1) That the Bylaws of the Corporation are hereby amended by deleting Section 3.2 and replacing such Section with the following:

"3.2 Number and Designation and Selection.

(a) **Generally.** Subject to the provisions in the Articles of Incorporation that the number of directors shall never be less than three (3), the number of directors may be determined from time to time by the Board of Directors. Changes to the composition of the Board require approval by the Board of Regents. At least seventy percent (70%) of the directors shall serve at the pleasure of the Chancellor of the University of Wisconsin-Madison as provided below. Except as provided in §3.2(b) below, the Board of Directors shall consist of nineteen (19) members, Five (5) Board members shall be the academic chairs of clinical departments, selected as described in §3.4(b); seven (7) Board members shall be Faculty physicians practicing clinical medicine as employees of the Foundation; four (4) Board members shall be independent members of the public appointed by the Board as defined in §3.3 below; one (1) Board member shall be a Medical

School basic science department chair nominated by the basic science chairs and appointed by the Board; one (1) Board member shall be the Dean of the UW Medical School ("Dean") and one (1) Board member shall be the President of the Foundation ("President") who shall be elected by the Board after the other members take office.

(b) Transition Period. For a period of three (3) years commencing on the day of closing of the purchase of shares of Physicians Plus Medical Group, S.C. (the "Transition Period"), the Board of Directors shall consist of twenty-seven (27) members. During the Transition Period, five (5) Board members shall be the academic chairs of clinical departments, selected as described in §3.4(b); twelve (12) Board members shall be Faculty physicians practicing clinical medicine as employees of the Foundation; six (6) Board members shall be independent members of the public appointed by the Board as defined in §3.3 below; one (1) Board member shall be a Medical School basic science department chair nominated by the basic science chairs and appointed by the Board; one (1) Board member shall be an individual selected and appointed by the Chancellor of University of Wisconsin-Madison; one (1) Board member shall be the Dean of the UW Medical School ("Dean") and one (1) Board member shall be the President of the Foundation ("President") who shall be elected by the Board after the other members take office."

(2) That the Bylaws of the Corporation are hereby amended by deleting Section 3.3 and replacing such Section with the following:

"3.3 Qualifications of Directors.

(a) Residence. Directors need not be residents of the State of Wisconsin.

(b) Independent Director Appointments. Individuals appointed by the Board shall be representative of the service region of the Foundation including community leaders, health care and health science professionals who are not related to the employees or officers of, or employed by, the Foundation, the University of Wisconsin System, or the State of Wisconsin. Nominations will be made by these independent members acting as a Nominations Committee to the Board. The Board may reject the nominations, in which case the independent directors shall submit further nominations.

(c) Elected Directors - Representation. The Faculty physicians elected under §3.4 below shall be representative of the clinical practice as a whole. Of these elected directors, five (5) directors shall represent and be elected by departmental groupings: one (1) shall be from Family Medicine,

General Pediatrics or General Internal Medicine; one (1) shall be a surgical specialist from Surgery, Neurosurgery or OB/GYN; one (1) shall be a medical specialists from Medicine or Pediatrics; one (1) shall be a hospital-based specialist from Radiology, Anesthesiology, Pathology or Rehabilitation Medicine; and one (1) shall be a physician from Ophthalmology, Neurology, Psychiatry or Human Oncology. During the Transition Period, five (5) Faculty directors shall be elected by the Faculty in the Physicians Plus Medical Group Division (the "PPMG Division"). One (1) at large elected director shall run and be elected by the entire Faculty. One (1) at large elected director shall be elected by the Council of Faculty. No sitting department Chair is eligible to be elected or to serve in one (1) of the five (5) elected positions representing departmental groupings."

- (3) That the Bylaws of the Corporation are hereby amended by deleting Section 3.4(a) and replacing such Section with the following:

"(a) Method of Selection of Faculty Physician Board Members. The elected directors of the Foundation shall be elected by mail ballot in the month of May for terms commencing on September 1. The first election under these Bylaws will be held, if possible, prior to May 15 for initial terms commencing immediately after the election and ending August 31. Nominations will be made by the Foundation Departmental Committees under §6.5 below. During the Transition Period, the five (5) Faculty directors elected by the PPMG Division shall be elected by the exclusive vote of the PPMG Division Faculty. The selection of such directors (the "PPMG Directors") shall be governed by the methods provided by this Section, including the provision of Chancellor approval, except that the first election of the PPMG Directors under these Bylaws shall be held within thirty (30) days of the commencement of the Transition Period, for initial terms commencing immediately after the election and ending August 31, 1998. The final term of the PPMG Directors shall terminate at the end of the Transition Period. The affirmative vote of a majority of the physicians eligible to vote and voting in each of the categories identified in §3.3 (c) above is sufficient to elect the director from that category. The affirmative vote of a majority of the physicians eligible to vote and voting is sufficient to elect an at large member. An election with more than two (2) candidates will be treated as final if one (1) candidate receives a majority of the votes cast. If no candidate receives a majority, a second and final vote will be taken between the two (2) recipients of the highest number of votes. Following election by the Faculty, the Chancellor must approve each person elected before he/she assumes office. The Chancellor will exercise his/her approval power in the best interest of the University."

- (4) That the Bylaws of the Corporation are hereby amended by deleting Section 3.4(e) and replacing such Section with the following:

"(e) **Terms of Office.** Except as provided in this paragraph for initial terms of office and for Ex-officio Directors, directors appointed by the Board of Directors shall hold office for two (2) year terms. The initial independent directors appointed by the Board of Directors shall be appointed for one (1) or two (2) year terms so that two (2) new directors are nominated and appointed each year. The directors elected by the Faculty, not including the PPMG Directors, shall serve initially for one (1) or two (2) year terms so that two (2) directors representing specific departmental groupings and the one (1) at large director elected by the Council of the Faculty are elected for one (1) year terms and three (3) directors representing specific departmental groupings and the one (1) at large director elected by the entire Faculty are elected for two (2) year terms. The five (5) PPMG Directors shall serve for one (1) year terms during the Transition Period. The Basic Science Chair director will have a two (2) year term. The directors selected by the Council of Chairs shall have terms as specified in §3.4(b), above."

- (5) That the Bylaws of the Corporation are hereby amended by deleting Section 3.13 and replacing such Section with the following:

"**3.13 Quorum.** Ten (10) directors, or, during the Transition Period, fourteen (14) directors, or, if there are vacancies, fifty-one percent (51 %) or more of the directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if fewer/less than such number/percentage are present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice."

- (6) That the Bylaws of the Corporation are hereby amended by deleting Section 5.1 and replacing such Section with the following:

"**5.1 Members.** There shall be a Council of Faculty made up of sixteen (16) permanent seats and four (4) temporary seats. For the sixteen (16) permanent seats, each of the fourteen (14) departments shall elect a Faculty member by majority vote of their Foundation Departmental Committee. One (1) Faculty member shall be elected by Faculty members practicing in Milwaukee County and one (1) Faculty member by Faculty practicing in locations outside of Dane and Milwaukee counties. If the at-large director elected by the Council of Faculty is not a member of the Council of Faculty, he/she will be the seventeenth (17) member. The four (4) temporary seats shall exist for a period of four (4) years, commencing upon

the day of closing of the purchase of shares of Physicians Plus Medical Group, S.C. ("PPMG") by the Corporation. The four (4) temporary seats shall be filled by PPMG Division Faculty members elected by a majority vote of the PPMG Division."

- (7) That the Bylaws of the Corporation are hereby amended by deleting Section 6.1(a) and (b) and replacing such Section with the following:

"(a) **Composition.** The Compensation Committee shall consist of eleven (11) permanent seats and two (2) temporary seats. The eleven (11) permanent seats shall be filled by the following members: the President, the Dean, one (1) independent director, two (2) clinical department Chairs (rotated among the Medical School's clinical departments), the Physician-in-Chief and five (5) physicians appointed by the Board of Directors. The five (5) physicians shall represent the departmental groupings for Board elections. Each Foundation Departmental Committee may nominate one (1) candidate for appointment to the Committee. The two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

"(b) The Compensation Committee shall act in an advisory capacity to the President and the Board of Directors and shall develop, recommend and monitor the Compensation Plan for the medical staff and nonmedical support staff of the Corporation, subject to direct participation in salary decisions by the Dean of the UW Medical School for employees holding Medical School appointments. The Compensation Committee shall annually review available compensation studies and data as well as outside consultant reports and recommend compensation maxima by subspecialty to the Board of Directors who shall then review, modify and adopt them as appropriate. The Compensation Committee shall, after consultation with the independent directors and the President, select the outside consultant, to be approved by the Dean. The Compensation Committee shall further develop and recommend fringe benefit plans for medical and nonmedical support staff. Such fringe benefits shall be coordinated with, but be separate from, those available under Wisconsin law to University of Wisconsin employees. The Compensation Committee shall at all times strive to establish compensation that is competitive, reasonable and responsive to market changes. Finally, the Compensation Committee shall develop and recommend to the Board of Directors a retirement plan or plans and shall select investment managers for the retirement plan funds."

(8) That the Bylaws of the Corporation are hereby amended by deleting Section 6.2(a) and replacing such Section with the following:

"(a) **Composition.** The composition of the Finance Committee is subject to the discretion of the Board of Directors, provided that it shall consist of at least the President, the Dean of the UW Medical School or a designee and, one (1) clinical department Chair, one (1) independent director, the Physician-in-Chief, five (5) Faculty physicians appointed by the Board of Directors, and two (2) temporary seats when required. The five (5) physicians shall represent the departmental groupings for Board elections. Each Foundation Departmental Committee may nominate one (1) candidate for appointment to the Committee. Two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

(9) That the Bylaws of the Corporation are hereby amended by deleting Section 6.3(a) and replacing such Section with the following:

"(a) **Composition.** The Operations and Personnel Committee shall consist of the President, the Physician-in-Chief, one (1) independent director, one (1) department Chair, five (5) Faculty physicians such other persons appointed by the Board of Directors, and two (2) temporary seats when required. The five (5) physicians shall represent the Departmental groupings for Board elections. Each Foundation departmental Committee may nominate one (1) candidate for appointment to the Committee. Two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

(10) That the Bylaws of the Corporation are hereby amended by deleting Section 6.4(a) and replacing such Section with the following:

"(a) **Composition.** The Long-Range Planning Committee shall consist of the President, two (2) or more directors, five (5) Faculty physicians appointed by the Board of Directors other such persons appointed by the Board of Directors, and two (2) temporary seats when required. The five (5) physicians shall represent the departmental groupings for Board elections. Each Foundation Departmental Committee may nominate one (1) candidate for appointment to the Committee. Two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2)

temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

- (11) That the Bylaws of the Corporation are hereby amended by deleting Section 6.5(a) and replacing such Section with the following:

"(a) Composition. The Nominations Committee shall consist of the Dean, at least two (2) Directors, one (1) Clinical Department Chair Board member, one (1) former Board member (after 1995), the President, one (1) person to be appointed by the Board of Directors, and two (2) temporary seats when required. Two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

- (12) That the Bylaws of the Corporation are hereby amended by deleting Section 6.6(a) with prefatory language and replacing such Section with the following:

"6.6 Audit Committee. There shall be an Audit Committee which shall interview and engage an auditor for the Corporation and supervise the annual audit of its books and records.

(a) Composition. The Audit Committee shall consist of at least three (3) Board members appointed by the Board of Directors, one (1) of whom shall be an independent member and one (1) of whom shall be an elected Faculty member. In addition, two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two (2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors."

- (13) That the Bylaws of the Corporation are hereby amended by adding the following Section 6.8:

"6.8 Executive Committee.

(a) Composition. The Executive Committee shall consist of the Dean of the Medical School, the Chairman of the Foundation Board of Directors, the President, the Vice President, the Secretary, the Treasurer, the individual selected and nominated by the Chancellor for a period of four (4) years, and two temporary seats when required. The two (2) temporary seats shall exist for a period of four (4) years, commencing upon the day of closing of the purchase of shares of PPMG by the Corporation. The two

(2) temporary seats shall be filled by PPMG Division Faculty members appointed by the Board of Directors.

(b) Duties and Responsibilities. The Executive Committee shall have and may exercise, when the Board is not in session, the power of the Board in the management of the affairs of the Foundation except as limited by Section 3.18 herein. The Executive Committee shall determine the agenda for the Board of Directors, oversee and integrate the activities of the Board's Committees, act on behalf of the Board of Directors in emergency situations between Board meetings, and provide a liaison function between the Foundation and the Medical School."

(14) That the Bylaws of the Corporation are hereby amended by deleting Section 14.3 and replacing such Section with the following:

"14.3 The term "Faculty" when used in these Bylaws includes physician Faculty and physician academic staff with tenure, tenure track, CHS or other UW-Madison-recognized titles, including paid clinical-track physicians. By agreement of the Medical School and the Foundation, individual psychologists, optometrists and dentists having Medical School appointments may be included as participating Faculty and may be eligible to be elected an/or to vote in elections for Foundation directors."

(B.) Interpretation of the term "Faculty" in the Agreement with the Board of Regents

RESOLVED, that pursuant to Section 14.2 of the Corporation's Bylaws, which grants the Board of Directors the power and the authority to "interpret, define and clarify" the Agreement with the Board of Regents, the Board of Directors hereby interprets the definition of "Faculty" in the Agreement with the Board of Regents to include paid clinical-track physicians, which is consistent with the amendment to Section 14.3 of the Corporation's Bylaws as amended herein.

IN WITNESS WHEREOF, the foregoing Resolutions were adopted by the Board of Directors of the Corporation at a meeting duly called and held on the 9th day of December, 1997, to be filed as part of the minutes of the Corporation.

Richard G. Roberts, MD, JD; Secretary