

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
June 7, 2007

The Business, Finance, and Audit Committee met in Joint Session with the Physical Planning and Funding Committee at 2:30 p.m. in the Fireside Lounge of the Union, UW-Milwaukee, to hear a presentation about the master plan in campus development at UW-Milwaukee. The minutes of this discussion are detailed in the minutes of the Physical Planning and Funding Committee.

The Joint Session with the Physical Planning and Funding Committee adjourned at 3:30 p.m.

The Business, Finance, and Audit Committee reconvened at 3:40 p.m. in room E280, Union, UW-Milwaukee. Present were Regents Pruitt, Connolly-Keesler, Rosenzweig, and Smith.

a. Approval of the Minutes of the May 10, 2007 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the minutes of the May 10, 2007 meeting of the Business, Finance, and Audit Committee were approved as presented.

b. Student Financial Aid: 2005-06 Update

Sharon Wilhelm, Interim Associate Vice President, Office of Policy Analysis and Research, reported that UW System total financial aid awarded in fiscal year 2005-06 was more than \$800 million. A total of 105,000 students, or approximately 65 percent, received financial aid. About three-fourths of UW System financial aid was made up of loans, with about one-fourth taking the form of grants or scholarships. Federal sources accounted for about three-fourths of financial aid.

Interim Associate Vice President Wilhelm explained that Federal loans have not kept pace with higher education tuition. As a result, alternative loans have grown over the past several years, totaling about \$58 million or almost 10 percent of total loan volume. Two-thirds of UW resident undergraduates graduate with debt, with the average debt at graduation for those who borrow at approximately \$20,000.

Ms. Wilhelm reported that Pell Grants were the primary grants to UW resident undergraduates, totaling over \$62 million in fiscal year 2005-06. Wisconsin Higher Education Grants (WHEG) totaled just over \$41 million. However, there has been an increasing gap between the average cost of higher education and need-based grants.

Interim Associate Vice President Wilhelm noted UW System financial aid policy goals from the "Charting a New Course for the UW System" Study. The goals of the study were to ensure all qualified Wisconsin high school graduates equal access to attend a UW institution, regardless of income, and reduce the financial barriers so that low-income UW students can remain in school. The study also supported the targeted use of financial aid incentives to encourage UW graduates to work in Wisconsin after graduation.

c. Adoption of Regent Policy Document: UW System Policy on Student Lending/Code of Conduct

Julie Gordon, Director, Office of Operations Review and Audit, presented the Committee with a policy regarding institutional and employee relationships with educational loan lenders. The policy uses state and federal laws as its foundation. For example, Chapter 19 of the Wisconsin Statutes provides a code of ethics for all public officials and employees. In addition, federal financial aid regulations exist and UW compliance is audited annually by the Legislative Audit Bureau, as part of the statewide single audit.

Ms. Gordon reported that, in developing the policy, consideration was given to best practices at UW campuses and other institutions of higher education and to the Student Loan Sunshine Act, the federal legislation proposed in response to the conflicts of interest identified nationally. Agreements in which lenders provide fees, revenue sharing, or material benefits to UW institutions or employees in exchange for that lender being recommended or favored will be prohibited. While the creation of lender lists will be allowable, campuses that choose to provide such a list will need to follow certain requirements. Disclosures to students and their families will be enhanced. In addition, UW employees will be allowed to participate on lender advisory councils; however, UW institutions and employees may not receive any compensation or reimbursement for costs incurred.

Ms. Gordon noted that the policy is largely consistent with the proposed Student Loan Sunshine Act, with rules recently proposed by the U.S. Department of Education, with the code of conduct recently released by the National Association of Student Financial Aid Administrators (NASFAA), and with the code of conduct developed by the New York Attorney General. In some cases the UW policy will be more restrictive than these proposals or codes. For example, the UW policy requires that UW employees be regularly informed of the policy provisions, while the NASFAA code is silent on this point.

Director Gordon stated that the policy does not examine specific details as to how policy items will be implemented. For instance, prescriptive wording for required disclosures is not provided. It is anticipated that UW financial aid administrators will address these implementation issues during their annual meeting later this summer, with input from UW System Administration staff.

Regent Rosenzweig asked whether the Student Loan Sunshine Act would take precedence over UW System policy. Ms. Gordon responded that future changes to this UW policy may be necessary if federal regulations, state law, or industry standards change. When the Student Loan Sunshine Act and Department of Education rules are finalized, they will be carefully analyzed to determine what, if any, modifications are needed to the UW policy. If modifications are needed, a revised policy will be brought before the Board at that time.

Regent Smith stated that the UW System is ahead of the curve regarding this timely and comprehensive student lending policy and code of conduct. He reiterated that, in some respects, the UW System policy is more restrictive than other student lending policy initiatives.

Regent Pruitt emphasized that financial aid workers on the UW System's campuses are committed to serving the best interests of students and their families. This policy is an important and necessary step in order to be transparent in student lending practices.

Upon the motion of Regent Smith, and the second of Regent Connolly-Keesler, the Committee unanimously approved Resolution I.2.c.

Resolution I.2.c.

Whereas the University of Wisconsin System (UWS) and its employees adhere to the highest standards of ethical conduct and rigorous professional standards; and

Whereas the Board of Regents believes that the best interests of students and their families should be the primary concern of UW institutions and employees;

Therefore, be it resolved that, upon the recommendation of the President of the UWS, the Board of Regents adopts the attached Policy on Institutional and Employee Relationships with Educational Loan Lenders.

d. UW Medical Foundation

(1) Amendments to the Bylaws

Claudia Sanders, Vice President for Legal Services, and Peter Christman, Executive Vice President and Chief Operating Officer, UW Medical Foundation, led a discussion on requested changes to the bylaws of the UW Medical Foundation. The requested changes are in response to the Sarbanes-Oxley Act and congressional interest in the operations of not-for-profit health care providers. The changes have been reviewed and approved by appropriate governance groups, the UW Medical Foundation Board, and the UW-Madison Chancellor. The key changes include the addition of two additional public members to the UW Medical Foundation Board, designation of the Dean of the Medical School as Chair of the UW Medical Foundation Board, and a requirement that the Audit Committee report to the UW Medical Foundation Board.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, the Committee unanimously approved Resolution I.2.d.(1).

Resolution I.2.d.(1)

That, upon the recommendation of the President of the University of Wisconsin System, the Chancellor of the University of Wisconsin-Madison, and the Board of the University of Wisconsin Medical Foundation, the Board of Regents approves the amended bylaws of the University of Wisconsin Medical Foundation as presented in Exhibit C of these materials.

Regent Loftus joined the meeting at this time.

Regent Loftus, noting the requirement to notify the Board of Regents for certain UW Medical Foundation changes, asked for clarification about the plan to include cosmetic surgery as it relates to accreditation in a partnership with Meriter Hospital. He expressed concern that taxpayer funded training might go toward training for elective, non-reimbursable cosmetic surgery. Vice President for Legal Services Sanders clarified that the accreditation program would be for cosmetic as well as plastic reconstructive surgery. She commented that any future concern could be directed to the UW Medical Foundation; representatives would attend any meetings regarding this matter if the Board so desired. Executive Vice President Christman pointed out that no funds of the UW School of Medicine and Public Health would go into this program.

e. 2007-09 Biennial Operating Budget Update

Freda Harris, Associate Vice President, Office of Budget and Planning, provided an update on recent Joint Finance Committee (JFC) actions. In general, the JFC's budget for the UW System is similar to the Governor's recommendations. WHEG funding remained at the Governor's level, but the JFC changed the provision such that the maximum amount remained at \$3,000. Veterans funding remained at the Governor's level, with the JFC version prorating funds between the UW System and the Wisconsin Technical College System. In addition, a deadline was added for applying for Vets Remissions, 128 credits were clarified as the total number of credits between WTCS and the UW System, and the benefit was limited to 10 years.

Associate Vice President Harris reported that the UW System Growth Agenda maintained all funding. However, the JFC prorated the GPR among initiatives unlike the Governor's recommendation, which did not designate the funds by item. The budget does not provide positions but allows the UW System to use its position creation authority.

Ms. Harris stated that the JFC's budget retained the Governor's recommendation for competitive compensation for faculty and academic staff in high demand areas in the form of recruitment and retention funds. The JFC removed the requirement that a plan be submitted to the Department of Administration (DOA) secretary for approval prior to distribution of funds. Also, JFC changed application fee increases from the requested \$15 per application to \$9 for undergraduate and \$11 for graduate students to reflect the rate of inflation. This would result in a decrease of \$1.4 million in spending authority.

Associate Vice President Harris reported that the JFC's budget maintains the Governor's recommendations for a Covenant Scholars program. The budget reduced funding for the Biomedical Technology Alliance from \$2.5 million to \$.5 million biennial. Institutions must match funds so impact on research capacity is \$4 million less than the Governor's for the biennium. Also, funds for Intercollegiate Athletics were reduced by \$2.6 million annually to reflect the Athletic Board's decision to reduce the University Ridge Golf Course expansion.

Ms. Harris noted that the JFC did not include some of the Governor's recommendation, such as a reduction of the six month waiting period for health insurance coverage and the provision of domestic partnership benefits to employees. Also, the JFC added \$300,000 for the Wisconsin Academy for Rural Medicine (WARM) project, reporting requirements and mandates for information technology (IT) projects, notification of instructor status, and reports on backup appointments.

Associate Vice President Harris provided a brief summary on the recent capital budget actions. The JFC supported all General Fund supported borrowing recommended by the Board of Regents and State Building Commission. However, the JFC removed the student union projects at UW-Eau Claire and UW-Madison and all six residence hall projects around the UW System. The JFC plan also reduced funding for energy conservation projects to \$30 million, rather than the \$50 million recommended by Governor.

f. Report of the Vice President

Vice President Debbie Durcan reported that the Board of Regents of the University of Minnesota has plans to withdraw from the reciprocity agreement with Wisconsin. The plan is to establish tuition for Wisconsin residents at the same rate as Minnesota residents in the second year of the current biennium. They note their willingness to consider participation in reciprocity agreements that are fair and equitable for both students and higher education institutions. Negotiations are continuing and the UW System is still hopeful that an agreement can be reached by their next Board meeting in late June.

Vice President Durcan stated that the Advisory Group on Tuition and Financial Aid held its first meeting at the end of May. The group agreed that five draft principles would guide their work; that tuition and financial aid policy should:

- Be considered within the context of the Growth Agenda for Wisconsin with a goal of increasing the number of baccalaureate degree holders through improving access and student success as determined by retention and graduation rates;
- Strike a balance between providing affordable access and generating sufficient revenues to improve student success;
- Be understandable and as easy as possible to implement and manage;
- Recognize political realities; and,
- Respect the diverse needs and missions of UW System institutions.

In addition to the President's stated major focus areas, the group suggested a possible additional focus area should be financial aid funding for students in the lowest two income quintiles. The group also discussed tuition stratification, but decided to frame the discussion in the context of differential tuition which will occur at the group's next meeting.

Vice President Durcan reported that the group agreed that the current practice of setting tuition for the UW Colleges \$300 below the base rate of the comprehensive institutions should be discontinued. This

practice ends up requiring a higher percentage increase for UW Colleges students than other students. However, the Group was not ready to recommend a preferred tuition level for the UW Colleges.

Vice President Durcan reported that Assembly Speaker Huebsch has established a task force consisting of eight legislators and eight private sector members to explore a number of failed IT projects undertaken by the state to look at successes in both the private and public sectors to find working solutions. Ed Meachen, Associate Vice President, Office of Learning and Information Technology, will provide testimony on behalf of the UW System. He will outline the recently completed UW audit and the changes made by the University both prior and subsequent to the audit in order to mitigate risk.

g. Additional items, which may be presented to the Committee with its approval

No additional items were presented to the Committee.

Upon the motion of Regent Smith, and the second of Regent Connolly-Keesler, the Business, Finance, and Audit Committee adjourned at 4:50 p.m.


Eric Engbloom, Recording Secretary

§ 13-5 University of Wisconsin System Policy on Institutional and Employee Relationships with Educational Loan Lenders

1.0 SUMMARY

Students and their families increasingly rely on loans to finance a college education. As a result, University of Wisconsin System (UW) employees and institutions have more frequent interactions with educational loan lenders, and--because of the increasing numbers and complexities of the loans--are often asked by students and their families to provide assistance with regard to their financial aid decisions.

UW institutions and employees are committed to providing that assistance in an objective, fair, clear, and understandable manner. UW institutions and employees have responsibilities to those students and their families who use their professional services, as well as a continuing obligation to maintain the public's confidence. In addition, all UW employees are bound by professional standards and applicable state codes of ethics for unclassified and classified staff (Wis. Stats. § 19.41, et seq., Code of Ethics for Public Officials and Employees; and Chapters UWS 8 and ER-MRS 24, Wis. Adm. Code) that prohibit conflicts of interest. UW employees and institutions support these standards and values, and are dedicated to serving students.

Nevertheless, concerns have been expressed regarding potential conflicts of interest and actions on the part of campuses and lenders of education loans nationally. In order to assure students, their families, and the public that UW institutions and employees continue serving the students' best interests, the following UW System Policy on Institutional and Employee Relationships with Educational Loan Lenders has been developed. This Policy should be viewed as supplemental to, rather than superseding, other applicable state or federal laws and regulations.

2.0 SCOPE

This Policy applies to all UW System institutions.

3.0 PURPOSE

- 3.1 Guided by the precept that the first priority in UW institutional dealings is the best interests of students and their families, UW institutions act with integrity, objectivity, due professional care, and transparency in their work with educational loan lenders.

- 3.2 UW employees are committed to the highest levels of ethical behavior and professionalism, following both professional standards and the ethical requirements of Wis. Stats. § 19.41, et seq., Code of Ethics for Public Officials and Employees; and Chapters UWS 8 and ER-MRS 24, Wis. Adm. Code.
- 3.3 In addition, UW institutions and employees involved in student lending or who interact with educational loan lenders are governed by the Policy set forth below.

4.0 OBLIGATIONS OF UW INSTITUTIONS

- 4.1 UW institutions may not solicit, accept, or enter into any agreement in which an educational loan lender provides fees, revenue sharing or material benefits to the UW institution in exchange for the institution or its employees recommending the lender or its loan products.
- 4.2 UW institutions:
 - (a) May not enter into an agreement with a lender of education loans for, or solicit or accept from a lender of education loans, any funds that would be allocated or used for opportunity loan pools or any similar arrangements; and
 - (b) May not solicit or accept assistance for call center or financial aid staffing from a lender of education loans.
- 4.3 UW institutions must inform students who apply for financial aid:
 - (a) That students may use any lender who is eligible to make education loans; and
 - (b) Of available federal loans and encourage students to explore and weigh the use of federal loans that are guaranteed, regulated, and may be more advantageous, before pursuing private or alternative loans.
- 4.4 UW institutions may maintain lender lists, either in print or other media, of educational loan lenders, subject to the following:
 - (a) UW institutions must use an evaluative process for the inclusion of lenders on the list; information regarding the selection of lenders, the evaluative process used, and the criteria used for such selection must be available to the public upon request;
 - (b) A lender list must be accompanied by a statement explaining that students are not limited to the lenders included on the list;
 - (c) A lender list must include a minimum of three lenders; and

- (d) UW institutions should work with the educational loan lenders on the list to ensure that specific loan information and key details (including, but not limited by enumeration to, the terms, interest rate, and repayment requirements) are available from the lender in a clear and understandable manner.
- 4.5 Notwithstanding any other provisions of this Policy, UW institutions may accept from lenders of education loans:
- (a) Counseling and educational materials for use by students and their families regarding student lending laws, education loans, financial literacy, debt management and other topics relevant to providing students and their families with financial aid assistance; any such materials must clearly disclose the source of said materials and may not use trademarks, logos, mascots or other symbols associated with the UW institution that would suggest any UW institutional endorsement of the lender or product;
 - (b) Training to UW employees regarding student lending laws, education loans, financial literacy, debt management and other topics relevant to student financial aid; and
 - (c) Assistance in the same manner that the U.S. Department of Education may assist UW institutions and employees under the Department's Direct Loan Program.
- 4.6 Recognizing that separate support organizations, such as alumni associations or booster organizations, may have their own agreements with educational loan lenders, UW institutions will urge such organizations to adhere to appropriate standards of conduct for entering into such agreements, as developed by their professional associations.

5.0 OBLIGATIONS OF UW EMPLOYEES

- 5.1 UW employees may not solicit, accept, or enter into any agreement in violation of paras. 4.1 and 4.2 of this Policy, and may not engage in conduct that violates the conflict of interest and ethical standards of Wis. Stats. § 19.41, et seq., Code of Ethics for Public Officials and Employees; and UWS 8 or ER-MRS 24, Wis. Adm. Code.
- 5.2 UW employees may, in order to improve service to students, participate on an advisory council of an educational loan lender, but may not receive compensation or reimbursement from the lender for any costs incurred as part of such participation, consistent with UW Financial Administration Policy F-30.
- 5.3 UW employees will be regularly informed regarding the provisions of this Policy, as well as applicable state ethics codes and related state and federal laws and regulations.

6.0 RELATED REGENT POLICIES AND SOURCES OF LAW

Wis. Stats. § 19.41, et seq., Code of Ethics for Public Officials and Employees
UWS 8, Wis. Adm. Code
ER-MRS 24, Wis. Adm. Code.
UW Financial Administration Policy F-30

7.0 HISTORY

This Policy was adopted on June 8, 2007.

**BYLAWS OF THE UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION
AS AMENDED JULY 1, 2007**

ARTICLE I

OFFICES

- 1.1 Principal Office.** The University of Wisconsin Medical Foundation (hereinafter referred to as either the “Foundation” or the “Corporation”) shall maintain a principal office in the State of Wisconsin, which shall be located in the City of Madison, Dane County. The Foundation may have such other offices, and may move its principal office either within or without the City of Madison, Wisconsin, as may be designated from time to time by resolution of the Board of Directors.
- 1.2 Address of Registered Agent.** The Corporation shall maintain a registered agent in the State of Wisconsin whose address may be, but need not be, identical with the principal office of the Corporation. The identity and address of the registered agent may be changed from time to time by resolution of the Board of Directors and filing of a statement with the Wisconsin Secretary of State pursuant to the provisions of the Wisconsin Statutes.

ARTICLE II

PURPOSE

- 2.1** The Corporation has been organized and shall be operated as a medical education and research organization exclusively for charitable, educational and scientific purposes as set forth below. The Corporation shall, in performing its purposes, at all times be operated exclusively for the benefit of, and to support the purposes and operations of, the University of Wisconsin School of Medicine & Public Health (“UW Medical School” or “Medical School”) and the University of Wisconsin-Madison. The purposes of the Foundation are:
- (a)** To further the provision of health care that is safe, effective, patient-centered, timely, efficient, and equitable to all the sick and injured who may come for diagnosis, treatment, and care, without regard to race, color, creed, sex, age or ability to pay for services; and in so doing, promote the improvement of health and the reduction of the burden of illness, injury, and disability in the community served by Foundation physicians. To provide care to Medicare and Medicaid recipients, and particularly to provide such medical care for persons who may seek such care at clinics and hospitals where Foundation physicians practice.

- (b) To support high-quality instruction to medical students at the UW Medical School and to graduates of medical schools who are in post-graduate training programs at clinics and hospitals affiliated with the UW Medical School.
- (c) To attract sufficient levels of patients seeking care at hospitals and clinics affiliated with the UW Medical School to support the teaching, research and service missions of the UW Medical School and the University of Wisconsin-Madison Schools of Nursing & Pharmacy.
- (d) To support medical and scientific research whether that research is conducted independently or in conjunction with the University of Wisconsin-Madison Schools of Nursing & Pharmacy, University Hospital, the UW Medical School and/or other corporations, organizations, foundations, funds, institutions, governmental bodies or individuals.
- (e) To support public and professional education on issues of health care through efforts which may include without limitation conducting, undertaking, promoting and developing discussion groups, forums, panels and lectures for the instruction and training of physicians, health care providers and personnel, patients, and the general public. Special emphasis shall be placed on preventive medicine and meeting the needs of under-served rural and urban populations.
- (f) To develop the administrative capacity to organize the efficient delivery of medical care. To coordinate with hospitals providing such care and particularly with University Hospital.
- (g) To conduct, undertake, promote, develop and carry on other charitable, scientific and educational work of any and every kind. The Foundation may do so either directly or by making or providing donations, gifts, grants, contributions, loans, guarantees, scholarships, fellowships or subsidies. The Foundation may use either net income or the principal assets of the Corporation, or both (without limit as to the amount going to any one recipient or in the aggregate to all recipients). Such donations, gifts, grants, contributions or loans may be to or for the use or benefit of other corporations, organizations, foundations, funds, institutions or governmental entities if they further the teaching, research and public service missions of the Medical School.

- (h) To generate, negotiate, and manage relationships and/or affiliations between the UW Medical School Faculty with hospitals, clinics, health care provider organizations, third-party payors, and managed health care systems as necessary to the realization of the objectives set forth in (a) through (g) above.
- (i) To accumulate and manage capital assets, and collect and distribute clinical revenues and investment income, in ways determined by the Board of Directors to enhance the UW Medical School missions of teaching, research, and public service.
- (j) To engage in and take such action to further the purposes set forth in (a) through (i) above as are consistent with the Articles of Incorporation, the requirements of Chapter 181 Wisconsin Statutes and §501(c)(3) of the Internal Revenue Code of 1986 as amended from time to time.

ARTICLE III

BOARD OF DIRECTORS

3.1 Powers.

- (a) **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors and shall be subject to the terms of the agreement with the Board of Regents of the University of Wisconsin System (“Board of Regents”) entitled, “Agreement Between the Board of Regents of the University of Wisconsin System and the University of Wisconsin Medical Foundation” (“Regents Agreement”). The Chancellor must receive advance notice of the formation of any other corporation or legal entity or any acquisition or merger with another corporation or legal entity.
- (b) **Statements of Policy.** Exhibits A to G attached to these Bylaws are statements of policy by the Foundation Board of Directors. Except as otherwise provided in these Bylaws, the policies established in these Exhibits may be changed by majority vote of the Foundation Board with the written approval of the Dean, but without approval by or notice to the Chancellor or Board of Regents.

3.2 Number and Designation.

- (a) **Generally.** The Board of Directors shall consist of nineteen (19) members. Changes to the composition of the Board of Directors require approval by the Board of Regents. The nineteen (19) directors shall be made up of the following persons:

- (i) one (1) director shall be the Dean of the UW Medical School/Vice Chancellor of Medical Affairs (“Dean”);
 - (ii) one (1) director shall be the President of the Foundation (“President”);
 - (iii) six (6) directors shall be independent members of the public (“Public Directors”) nominated and elected as described in § 3.4(a);
 - (iv) four (4) directors shall be chairs of the Clinical Departments of the UW Medical School (“Chair Directors”) appointed as described in § 3.4(b);
 - (v) six (6) directors including two (2) faculty representatives from district one, two (2) faculty representatives from district two, and two (2) faculty representatives from district three, shall be district faculty members (“Faculty Directors”) nominated and elected as described in § 3.4(c); and
 - (vi) A Basic Science Chair representative, who will be selected via a process to be determined and implemented by the Chairs of the Basic Science Departments of the Medical School, and subject to the approval of the Nominating Committee.
- (b) **Ex-Officio Directors.** The Dean and the President, who are ex-officio directors, shall be full voting members of the Board of Directors.

3.3 Qualifications of Directors.

- (a) **Residence.** Directors need not be residents of the State of Wisconsin.
- (b) **Public Directors.** Public Directors 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.
- (c) **Chair Directors.** Only chairs of the Clinical Departments of the UW Medical School are eligible to serve as Chair Directors.

- (d) **Faculty Directors.** Any faculty member of the Foundation, other than a chair of a Clinical Department, is eligible to serve as a Faculty Director.
- (e) **Basic Sciences Chair Director.** Only chairs of the Basic Sciences Departments of the Medical School are eligible to serve as the Basic Sciences Chair Director.

3.4 Nomination and Election of Directors and Terms of Office.

- (a) **Public Directors.** The Public Directors will be elected by the Board of the Foundation in a process established by Board policy. The Board policy is attached as Exhibit A.
- (b) **Chair Directors.** The Council of Chairs shall select the four Chair Directors.
- (c) **Faculty Directors.**
 - (i) **Districting.** For purposes of these Bylaws, the term “districts” shall be used to define the clinical categories of faculty members of the Foundation as set forth in Exhibit B to these Bylaws.
 - (ii) **Nomination and Election.** The Faculty will elect the Faculty Directors in a process established by Board policy. The Board policy is attached as Exhibit C.
- (d) **Terms of Office.**
 - (i) **Terms of Office.** The four (4) Chair Directors, six (6) Public Directors, six (6) Faculty Directors, and the Basic Sciences Director shall each hold office for a term of three (3) years.
 - (ii) **Initial Term for 2007 Added Directors.** The Initial Terms for the Basic Sciences Director and the two (2) Public Directors who are being added to the Board in 2007, shall begin on July 1, 2007, and shall end on December 31, 2009. Thereafter, the terms of office for these directors shall be in accordance with the provisions of Article 3.4(d)(i) of these Bylaws.
- (e) **Continuation.** Notwithstanding § 3.4(d)(i) and § 3.4(d)(ii), members of the Board shall hold office until their successor has been elected and qualified. During the term of the Regents Agreement, and prior

to a notice of termination of that Agreement, removal of a director by the Chancellor creates an immediate vacancy.

- (f) **Temporary or Interim Appointments.** A person appointed as an “acting” or “interim” Dean or President will be a director during the term of such appointment.
- (g) **Re-election.** All directors may be re-appointed or re-elected, except that ex-officio directors serve until removed or a successor is appointed.

3.5 Resignation. A director may resign at any time by filing a written declaration of resignation with the Secretary of the Corporation.

3.6 Removal.

- (a) **Removal by Chancellor.** The Chancellor shall have the power to remove, at his or her pleasure, any Faculty Director, any Chair Director or the Basic Sciences Director, subject to the terms of the Regents Agreement.
- (b) **Chair Directors.** Chair Directors may be removed from office with or without cause by a written petition submitted to the Foundation Board and signed by two-thirds (2/3) of the members of the Council of Chairs.
- (c) **Faculty Directors.** Faculty Directors may be removed from office with or without cause by a vote of two-thirds (2/3) of the eligible voters casting a ballot in a recall election. A recall election shall be called by the Board of the Foundation promptly upon presentation to the Board of a written petition signed by one-third (1/3) plus one (1) of the eligible voters. Eligible voters shall be the faculty members from the district represented by the Faculty Director.
- (d) **Removal for Cause.** In the sole discretion of the Foundation Board, any Director may be removed for cause. The Foundation Board shall take into consideration the policy attached as Exhibit D to these Bylaws.

3.7 Vacancies. In the event a vacancy occurs on the Board of Directors for any cause such vacancy will be filled promptly.

- (a) **Faculty Directors.** If a vacancy occurs among the Faculty Directors, the Foundation Board shall hold an interim election in accordance with § 3.4(c).
 - (b) **Public Directors.** If a vacancy occurs among the Public Directors, the Foundation Board shall hold an interim election in accordance with § 3.4(a).
 - (c) **Chair Directors.** If a vacancy occurs among the Chair Directors, the Council of Chairs will fill the position in accordance with § 3.4(b).
 - (d) **Basic Sciences Chair Director.** If a vacancy occurs for the Basic Sciences Chair Director, the Chairs of the Basic Science Departments of the Medical School will fill the position in accordance with § 3.2(a)(vi).
 - (d) **Ex-Officio Members.** If a vacancy occurs among the Ex-Officio Directors, the position will be filled by the successor or interim successor to the position of Dean or President, as the case may be.
 - (e) **Term.** A Chair Director, Faculty Director, Public Director or Basic Sciences Director elected in an interim election shall finish the term of his or her predecessor, unless the remainder of the term is less than six months at the time of the interim election. If the remainder of the term is less than six months, the Chair Director, Faculty Director, or Public Director will finish the term of his or her predecessor and serve the succeeding three-year term.
- 3.8 Advice on Personnel Matters.** At least once each three (3) years, or more frequently in their discretion, the Board of Directors shall seek the advice of interested persons, councils, and committees regarding the performance of the CEO.
- 3.9 Annual or Special Faculty Meetings.** Annually in conjunction with the Annual Faculty Meeting, there shall be a Foundation meeting of the Board of Directors with the Foundation's faculty. The Board shall seek the input of the Council of Chairs and the Council of Faculty in setting the agenda for this meeting. Special meetings shall be held on the written petitions of not less than twenty percent (20%) of the Faculty, not less than a two-thirds (2/3) vote of the Council of Faculty or on call of the Board of Directors. The petition, the vote, or the call of the Board of Directors shall specify the agenda for the meeting and notice shall go to each Faculty employee specifying the date, place, and agenda for the meeting at least ten (10) days in advance. Proposed changes to the Bylaws and to the Foundation's Compensation Plan adopted as part of this reorganization or changes to subsequent plans as adopted, shall be presented by the Board of Directors at an annual or special

Faculty meeting. Such changes shall not be adopted unless approved by not less than a two-thirds (2/3) vote of those voting in person or by proxy at the meeting or by a mail or electronic ballot circulated after the annual or special meeting. Whether a change is significant enough to require a Faculty vote is a question on which the Board of Directors shall seek the advice of the Council of Chairs and the Council of Faculty.

3.10 Regular Meeting. The Board of Directors shall provide by resolution for regular meetings of the Board of Directors, to be held at a fixed time and place, and, upon the passage of any such resolution, such meetings shall be held at the stated time and place without notice other than such resolution.

3.11 Special Meetings. Special meetings of the Board of Directors may be held at any time and place for any purpose or purposes, unless otherwise prescribed by statute, on call of the President, or upon the written request of any three (3) directors to the Secretary.

3.12 Notice and Waiver of Notice.

(a) **Notice.** Except as provided in § 3.10, notice of the date, time and place of meetings shall be given to members of the Board of Directors. Unless a different time is required by Chapter 181 of the Wisconsin Statutes, notice shall be given orally or in writing delivered personally to each director at least twenty-four (24) hours prior to the meeting. Written notice may be mailed or faxed to each director at least seventy-two (72) hours prior to the meeting in lieu of personal delivery of notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his or her address as it appears on the records of the Corporation, with postage thereon prepaid. The purpose of and the business to be transacted at any special meeting of the Board of Directors shall be specified in the notice or waiver of notice of such meeting.

(b) **Waiver of Notice.** Whenever Wisconsin Statutes, the Articles of Incorporation or Bylaws of the Corporation require that the Corporation give any notice, a waiver thereof in writing signed at any time by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.13 Quorum. Ten (10) 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. 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.

- 3.14 Manner of Acting.** The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by the Wisconsin Statutes or by the Articles of Incorporation or Bylaws of the Corporation.
- 3.15 Informal Action by Directors.** Subject to the requirement of the Regents Agreement that the foundation be governed by the Wisconsin Public Meetings Law, the Board may take action by unanimous written consent of the Directors. The consent must be in a writing signed by all of the directors entitled to vote with respect to the subject matter thereof, and it must set forth the action to be taken. Such consent may be for any action that the Articles of Incorporation or Bylaws of the Corporation or any provision of law requires to be taken at a meeting, or any other action that might be taken at a meeting. Such consent shall have the same force and effect as a unanimous vote.
- 3.16 Presumption of Assent.** A director of the Corporation, who is present at a meeting of the Board of Directors, or a committee thereof, at which action on any corporate matter is taken, is presumed to have assented to the action taken. This presumption will stand unless the director's dissent is entered in the minutes of the meeting or the director files a written dissent to the action with the person acting as the Secretary of the meeting. Such dissent shall be filed before the adjournment of the meeting or shall be forwarded by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.
- 3.17 Compensation.** Directors may receive reimbursement for reasonable expenses incurred in connection with corporate matters, provided that such reimbursement policy is authorized by the affirmative vote of a majority of the directors at a meeting at which a quorum is present.
- 3.18 Committees.**
- (a) **General Rules Applicable to Committees.** The Board of Directors may create committees in addition to the Standing Committees set forth in paragraph (c) below, having such powers as specified by the Board, and as are then permitted by these Bylaws and by Chapter 181 of the Wisconsin Statutes. The Nominations Committee shall nominate, and the Board of Directors shall appoint members of committees subject to the Board policy, attached as Exhibit E. All committees, with the exception of the Compensation Review Committee and Executive Committee, may include individuals that

are not directors. Administrators may be appointed to committees as voting members, except for the Compensation Review and Executive Committees. All committees shall have such powers and duties, as provided in these Bylaws and not inconsistent with paragraph (b) hereof, as may be provided in the resolution creating such committee or as thereafter supplemented or amended by further resolution adopted by similar vote. **The Board of Directors shall appoint the chairs of the committees.** The President shall be a member, ex officio, of all committees with the exception of the Compensation Review Committee and the Audit Committee.

- (b) **Nondelegable Powers; Rules of Committees.** Except for the Executive Committee and the Compensation Review Committee, no committee of the Board of Directors shall be empowered to act in lieu of the entire Board of Directors. Each committee shall fix its own rules governing the conduct of its activities, not inconsistent with rules promulgated by the Board of Directors, and shall make such reports to the Board of Directors of its activities as the Board may request. All the committees may perform an advisory function to the President at the President's request.
- (c) **Standing Committees.** The Operations/Resource Committee, Compensation Development Committee, Compensation Review Committee, Audit Committee, Finance Committee, Compliance Committee, Retirement Committee, Nominations Committee, and Executive Committee constitute the nine (9) Standing Committees of the Corporation. The names and duties of these committees may change from time to time at the discretion of the Board of Directors. As provided in § 3.18(a), the Board of Directors may appoint other committees.
- (d) **Removal.** The Board of Directors may remove or replace a committee member at any time for any reason.

3.19 Meetings by Telephone or by Other Communication Technology. Subject to the requirement of the Regents Agreement that the Foundation be governed by the Wisconsin Public Meetings Law, meetings of the Board of Directors or committees of the Board of Directors may be conducted by telephone or other communication technology in accordance with ch. 181.0820(3) Wis. Stats. or any successor statute thereto. If such a meeting is conducted, all participating directors shall be informed at the time the meeting is to begin that a meeting is taking place at which official business may be transacted and that any director participating in such meeting is deemed present in person at the meeting. At the beginning of such a meeting, and again at the time any vote is taken at such a meeting, each of the directors shall first verify his or her identity and ability to simultaneously hear each other and have communication immediately transmitted to each and all participating directors.

Meetings may be held pursuant to this § 3.19 to address and to vote on any matter, which properly comes before the directors pursuant to these Bylaws.

ARTICLE IV

COUNCIL OF CHAIRS

- 4.1 Members.** There shall be a Council of Chairs made up of the Chairs of the Clinical Departments at the UW Medical School.
- 4.2 Meetings.** The Council of Chairs shall meet upon call of the Dean of the UW Medical School at least quarterly and shall meet upon call by the Council's Chair. Special meetings of the Council of Chairs may be held at any time and for any purpose upon call of the Council Chair or Dean.
- 4.3 Notice.** Notice of meetings of the Council of Chairs shall be given by oral or written notice delivered by mail or personally to each Council member at least seventy-two (72) hours or personally to each member at least twenty-four (24) hours prior to a meeting.
- 4.4 Chair.** The Chair of the Council of Chairs shall be elected according to the procedures adopted by such body.
- 4.5 Quorum.** A majority of the members of the Council of Chairs present at a meeting of the Council of Chairs shall constitute a quorum for the transaction of business at any such meeting.
- 4.6 Powers and Duties.** The Council of Chairs shall advise and consult with the Board of Directors, the President, and the Dean on matters relating to the teaching, research, clinical and public service missions of the UW Medical School and the Foundation and on other issues of mutual concern. Such matters include, but are not limited to, the sale of all or substantially all of the assets or liquidation of the Foundation, the acquisition of major debt (which shall be defined as debt in excess of ten percent [10%] of the Corporation's annual clinically derived revenues), and a change to these Bylaws or the Articles of Incorporation. It shall advise on the agenda for annual or special Faculty meetings. It may pass advisory resolutions and present them to the Board of Directors.

ARTICLE V

COUNCIL OF FACULTY

- 5.1 Members.** There shall be a Council of Faculty. Each of the Medical School's Clinical Departments shall elect a Faculty member to the Council of Faculty by majority vote of their Foundation Departmental Committee. Faculty members practicing in Milwaukee County shall elect one (1) Faculty member and Faculty

members practicing in locations outside of Dane and Milwaukee counties shall elect one (1) Faculty member. The six Faculty Directors of the Foundation Board of Directors shall be voting ex-officio members of the Council of Faculty.

- 5.2 Meetings.** The Council of Faculty shall meet upon call of the Dean of the UW Medical School at least quarterly and shall meet upon call by the Council's Chair. Special meetings of the Council of Faculty may be held at any time and for any purpose upon call of the Council Chair or the Dean.
- 5.3 Notice.** Notice of meetings of the Council of Faculty shall be given by oral or written notice delivered by mail or personally to each Council member at least seventy-two (72) hours or personally to each member at least twenty-four (24) hours prior to a meeting.
- 5.4 Chair.** The Chair of the Council of Faculty shall be elected according to the procedures adopted by such body.
- 5.5 Quorum.** A majority of the members of the Council of Faculty present at a meeting of the Council of Faculty shall constitute a quorum for the transaction of business at any such meeting.
- 5.6 Powers and Duties.** The Council of Faculty shall advise and consult with the Board of Directors, the President, and the Dean on matters relating to the teaching, research, clinical and public service missions of the UW Medical School and the Foundation and on other issues of mutual concern. Such matters include, but are not limited to, the sale of all or substantially all of the assets or liquidation of the Foundation, the acquisition of major debt (which shall be defined as debt in excess of ten percent [10%] of the Corporation's annual clinically derived revenues), and a change to these Bylaws or the Articles of Incorporation. It shall advise on the agenda for annual or special Faculty meetings. It may pass advisory resolutions and present them to the Board of Directors. Members of the Council of Faculty shall consult with their Foundation Departmental Committee and the faculty in their Department, and act as a liaison between their Department and the Board of Directors.

ARTICLE VI

COMMITTEES

Each committee of the Foundation Board of Directors shall consist of no less than three (3) members. Subject to the provisions of § 3.18, the Corporation shall have nine (9) standing committees.

6.1 Compensation Development Committee.

- (a) **Duties.** The Compensation Development Committee shall act in an advisory capacity to the President, the Board of Directors, and the Compensation Review Committee. The Committee shall develop, recommend and monitor issues relating to compensation of the medical staff of the Corporation in accordance with the Foundation's Compensation Plan and to ensure compliance with the compensation requirements and limitations outlined in the Internal Revenue Service code and regulations.
- (b) **Limitations.** The Foundation's Compensation Plan shall be developed and administered in accordance with Internal Revenue Service code and regulations so as to avoid any claim of private inurement to any of the directors, officers or employees of the Corporation. The Plan shall reflect market conditions and be based on available compensation data and surveys prepared by outside consultants. The Foundation shall not pay compensation in excess of an applicable maximum without the express written approval of the Dean.
- (c) **Final Action.** The Compensation Review Committee shall take final action on compensation formulae and policy.

6.2 Compensation Review Committee. There shall be a Compensation Review Committee.

- (a) **Composition.** Notwithstanding the requirements of § 3.18, the Compensation Review Committee shall consist exclusively of the Public Directors.
- (b) **Powers.** The Compensation Review Committee shall act in accordance with the Foundation's Compensation Plan. The Committee shall make final decisions on such matters after satisfying itself that the standards set in the Foundation's Compensation Plan have been met. The Committee may request additional data or information prior to approving matters within its jurisdiction.
- (c) **Final Action.** The Compensation Review Committee shall take final action to approve or disapprove all Foundation and Departmental compensation formulae and policy.

6.3 Changes to the Foundation's Compensation Plan. In addition to approval by the Board of Directors, changes to the Foundation's Compensation Plan, attached as Exhibit H to these Bylaws, require:

- (a) input from the Council of Chairs and Council of Faculty;
- (b) approval by the members of the Faculty at a special or annual meeting as provided in § 3.9 of these Bylaws; and
- (c) approval of the Chancellor and the Board of Regents as provided in § 25 of the Regents Agreement.

6.4 Finance Committee.

- (a) **Budget.** The Finance Committee shall prepare and recommend to the Board of Directors an annual budget for the Corporation. The budget shall include the amounts to be contributed to the Medical School, capital projects, and staffing. The Committee shall coordinate such planning with the Dean of the UW Medical School, the CEO of University Hospital and other affiliated hospitals.
- (b) **Additional Duties and Responsibilities.** The Finance Committee shall, subject to overall guidance by the Board of Directors, establish the fees for services rendered by the Corporation. The Finance Committee shall, subject to guidance from the Board of Directors, establish a billing and collection policy. Generally, the billing policy shall provide that all patients shall be billed for services rendered by the Foundation's employees, although all patients shall be treated without regard to their ability to pay and the Foundation shall fully participate in Medicare, Medicaid and prepaid medical care programs.
- (c) **Other Recommendations and Reports.** The Committee shall recommend to the Board of Directors guidelines for department operating expenses, direct expenses of departments including Faculty business expenses. The Committee will receive at least annually, in a form satisfactory to the Committee, reports on department operating expenses, direct expenses, and Faculty business expenses. The Board of Directors shall adopt guidelines for operating expenses, direct expenses, and Faculty business expenses as it deems appropriate based on these recommendations.

6.5 Compliance Committee. The duties and responsibilities of the Compliance Committee shall be to establish, implement, maintain and monitor the Foundation Compliance Program.

6.6 Nominations Committee.

- (a) **Method of Operation.** In advance of any appointment to any Committee, the Nominations Committee shall propose at least one

(1) qualified person for each vacant Committee position, in the manner described in Exhibit E.

(b) Broadest Possible Representation. In making nominations for and appointments to committees, the Nominations Committee and the Board of Directors shall consider the following factors:

- (i)** The departments that may already have Board of Directors or committee representation, and
- (ii)** The length of time since a member of a department has been on the Board or a committee,
- (iii)** Geographic distribution to include non-University Hospital-based physicians; and
- (iv)** Competencies and past service to the organization.

Despite these considerations, the overall criteria of demonstrated interest and ability to contribute shall be paramount in making nominations.

(c) Composition, Duties and Responsibilities. The Board of Directors shall establish, by resolution to be set forth in Exhibit E, the duties, responsibilities, and composition of the Nominations Committee. The Nominations Committee shall include no fewer than four (4) Directors, including at least one (1) Public Director, and shall act in accordance with the principles outlined in subparagraph 6.6 (b), above. The Nominations Committee shall provide oversight for nominations and appointments to Board Committees as well as elections of Faculty Directors to the Board of Directors in accordance with the principles, above, and as are adopted by the Board of Directors and set forth in Exhibit E.

6.7 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) Duties.** The duties of the Audit Committee shall be as described by the Board but the Committee shall address on a continuing basis the Foundation's compliance with rules relating to tax-exempt public foundations.
- (b) Reports to Board.** The Committee will work with the Board on the format of the annual audit, which the Committee shall submit to the Board.

6.8 Executive Committee.

- (a) **Composition.** The Board of Directors shall establish the composition of the Executive Committee. The initial composition of the Executive Committee is established in Exhibit F.
- (b) **Duties and Responsibilities.** The Executive Committee shall have and may exercise, when the Board of Directors is not in session, the power of the Board in the management of the affairs of the Foundation except as limited by § 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.

6.9 Operations/Resource Committee.

The Operations/Resource Committee will set and monitor service and productivity standards for the Foundation. The Committee will conduct periodic departmental clinical operations reviews, identify and resolve operational issues, and oversee implementation of medical management standards. In addition, the Committee will identify ways to increase clinic efficiencies, and coordinate patient education activities and materials to improve service, delivery efficiency, and promote brand image.

6.10 Retirement Committee

- (a) **Composition & Reporting.** The Board of Directors shall establish the composition of the Retirement Committee by resolution which shall be added as Exhibit I to these Bylaws. The Retirement Committee shall report directly to the Board of Directors. The Board of Directors, through Exhibit I, shall establish:
 - (i) the composition of the Retirement Committee;
 - (ii) the minimum number of times per year that the Retirement Committee shall meet; and
 - (iii) the delegation of specific authority for the Retirement Committee to act to set policy and investment guidelines, provided that at least three (3) directors are elected to the Retirement Committee by the Board of Directors.

- (b) **Duties and Responsibilities.** The Retirement Committee shall provide oversight and review of fund performance compared to appropriate benchmarks, changes in fund management, and important developments within the economy and securities markets, all of which may have a potential impact on investment strategy, asset allocation, and overall portfolio performance. The Retirement Committee, on an annual basis, will review the menu of funds offered to the fund's participants to determine if the risk level returns, investment discipline and style remain appropriate to the policies and guidelines set forth as provided in Exhibit I. The Retirement Committee will also develop, review, and distribute educational materials, including newsletters and quarterly reports, will be provided to the fund's participants.

ARTICLE VII

FOUNDATION DEPARTMENTAL COMMITTEES

- 7.1 **Composition.** Physician Faculty members of each clinical department who are also Foundation employees contributing clinical revenues to the Foundation, shall organize themselves into a Foundation Departmental Committee. By agreement of the Dean and the Board of Directors, Faculty health care specialists other than physicians may be eligible to participate in these committees.
- 7.2 **Powers.** The Foundation Departmental Committees will make recommendations to the Nominations Committee of the Board of Directors for Standing Committee and other committee positions and elect the members of the Council of Faculty. The Foundation Departmental Committees shall, within the guidelines set by the Board of Directors, decide on direct expense levels for the clinical departments. The expense levels shall include departmental operating expenses, Faculty business expenses, and the level of research and development funds contributed over the minimum level of two-and-one-half percent (2.5%) of Department revenue (or as otherwise agreed to with the Board of Regents). These decisions may annually be delegated to the departmental chairs by majority vote of the eligible Faculty in each department.

ARTICLE VIII

OFFICERS

- 8.1 **Number.** The principal officers of the Corporation shall be a President, one (1) or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may designate one (1) of the Vice Presidents as Executive Vice President and may elect such other officers and assistant officers and agents as may be deemed necessary. Any two (2) or more offices may be held

by the same person, except the offices of President and Secretary, or President and Vice President.

- 8.2 Election and Term of Office.** The Board of Directors shall elect the officers of the Corporation by the affirmative vote of a majority of directors present at a meeting at which a quorum is present. The Board of Directors will determine the term of office for officers. Each officer will hold office until a qualified successor is elected upon expiration of the term of that officer, or until that officer's death, or until that officer shall resign or shall have been removed in the manner hereinafter provided.
- 8.3 Qualifications of Officers.** Officers need not be residents of the State of Wisconsin. The President shall be a practicing physician member of the Faculty.
- 8.4 Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed or not reappointed by the Board of Directors, whenever, in its judgment, the best interests of the Corporation will be served thereby. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.
- 8.5 Vacancies.** The Board of Directors may fill a vacancy in any office because of death, resignation, removal, disqualification or other reason, for the unexpired portion of the term.
- 8.6 Duties.** Officers and agents elected or appointed by the Board of Directors shall have such powers and perform such duties as may, from time to time, be prescribed by resolution of the Board of Directors. Upon the Board of Directors failure to adopt such a specific resolution, such officers and agents shall have the powers and perform the duties that are normally incident to their respective offices.
- 8.7 President.** The President shall be the Chief Executive Officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. The President shall have authority to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors. The President may authorize the Executive Vice President, if one be designated, or any Vice President or other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead. In general, the President

shall perform all duties incident to the office of Chief Executive Officer and such other duties as the Board of Directors may prescribe from time to time.

- 8.8 Executive Vice President.** The Executive Vice President, if one is designated, shall assist the President in the discharge of supervisory, managerial and executive duties and functions. In the absence of the President or in the event of his or her death, inability or refusal to act, the Executive Vice President shall perform the duties of the President and when so acting shall have all the powers and duties of the President. He or she shall perform such other duties as from time to time may be assigned to him or her by the Board of Directors or the President.
- 8.9 Vice Presidents.** In the absence of the President and the Executive Vice President, or in the event of their deaths, inability or refusal to act, or in the event for any reason it shall be impracticable for them to act personally, the Vice President shall perform the duties of the President. In the event that there is more than one Vice President, the Vice President to perform the duties of the President shall be determined in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election. When so acting, the Vice President shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the President, the Executive Vice President or the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of his or her authority to act in the stead of the President.
- 8.10 Physician-in-Chief.** At the President's discretion, the President may retain the title of Physician-in-Chief. If the President does not elect to retain the title, the Board of Directors may appoint a Physician-in-Chief who may also be appointed one of the Vice Presidents. The Physician-in-Chief shall be responsible for coordinating the effective, efficient and economic delivery of medical services and for such other duties as may, from time to time, be assigned by the President and the Board of Directors.
- 8.11 Secretary.** The Secretary shall:
- (a) keep the minutes of the Board of Directors' or Committees' meetings in one or more books provided for that purpose;
 - (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;
 - (c) be custodian of the corporate records, and

- (d) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

8.12 Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Corporation;
- (b) receive and give receipts for monies due and payable to the Corporation from any source whatsoever; and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors.

8.13 Other Assistants and Acting Officers. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally. Such assistant or acting officer appointed by the Board of Directors shall have the power to perform all the duties of the office to which such person is appointed to be assistant or acting officer, except as such power may otherwise be defined or restricted by the Board of Directors.

8.14 Additional Officers. Any additional officer not specified above shall have only such authority, duties and responsibilities as shall be specifically authorized and designated by the Board of Directors.

8.15 Chair of the Board.

- (a) **The Dean of the Medical School as Chair.** The Dean of the Medical School shall be the Chair of the Board.
- (b) **Election and Term of Vice Chair.** The Vice Chair of the Board of Directors shall be the President of the Foundation. The Vice Chair of the Board of Directors shall hold office for so long as he or she remains President. If a vacancy occurs in the position of Vice Chair, the interim successor to the position of President shall fill the position of Vice Chair.

- (c) **Duties/Role.** The duties and role of the Chair of the Foundation Board shall be as established by resolution of the Foundation Board.

ARTICLE IX

INDEMNIFICATION OF OFFICERS, DIRECTORS, AND OTHERS

9.1 Mandatory Indemnification. The Foundation shall to the maximum extent permitted under Chapter 181 of the Wisconsin Statutes, as amended, indemnify and allow reasonable expenses of any person who:

- (a) was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative,
- (b) by reason of the fact that:
 - (i) he or she is or was a director, officer, employee or agent of or volunteered services to the Foundation; or
 - (ii) is or was serving at the request of the Foundation as a director, officer, employee or agent of any committee or of any other Foundation enterprise.

Such right of indemnification shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

9.2 Indemnification Excess. The indemnification provided directors, officers, agents or employees shall be excess (except as may otherwise be provided by law) to any right of indemnification that they may have as agents or employees of the State of Wisconsin while they are acting within the scope of that employment.

9.3 Supplementary Benefits. The Foundation may supplement the right of indemnification under § 9.1 by the purchase of insurance, indemnification agreements, and/or advances for expenses of any person indemnified.

ARTICLE X

FISCAL YEAR

The fiscal year of the Foundation shall be July 1 to June 30, or as otherwise designated by the affirmative vote of a majority of directors present at a meeting at which a quorum is present.

ARTICLE XI

SEAL

There shall be no corporate seal.

ARTICLE XII***CORPORATE ACTS, LOANS, AND DEPOSITS***

- 12.1 Corporate Acts.** Unless otherwise directed by resolution of the Board of Directors or by law, all checks, drafts, notes, bonds, bills of exchange, and orders for the payment of money of the Foundation, and all deeds, mortgages, conveyances, and other written contracts, agreements and instruments to which the Foundation shall be a party, and all assignments or endorsements of stock certificates, registered bonds, or other securities owned by the Foundation shall be signed by the President and by any one (1) of the following officers who is a different person: Vice President, Secretary, or Treasurer. The Board of Directors may, however, delegate such authority, or may authorize any one (1) of such officers or one (1) or more other officers or agents to sign any of such instruments for and on behalf of the Foundation without necessity of counter signature.
- 12.2 Loans.** No fund indebtedness shall be contracted on behalf of the Foundation and no evidences of such indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.
- 12.3 Deposits.** All funds of the Foundation, not otherwise employed or subject to immediate distribution, shall be deposited from time to time to the credit of the Foundation in such banks, savings and loan associations, trust companies or other depositories as the Board of Directors may select.
- 12.4 Creation of State Assets.** Financial support required by the terms of the Regents Agreement to be made available to or on behalf of the Medical School becomes an asset of the University of Wisconsin System as that support becomes due. The Chancellor and the Foundation will determine the due dates for various contributions annually by written agreement. The Board of Regents has the right to bring an action for specific performance to obtain the agreed financial support if it is not transmitted by the Foundation when due in accord with the referenced Agreement. All funds generated by Foundation activities that are not expressly dedicated in the Agreement to the Medical School constitute assets of the Foundation, consistent with the historic understanding between the Board of Regents and the Clinical Practice Plan regarding Faculty ownership of clinical fees.

ARTICLE XIII***PHYSICIAN APPOINTMENTS***

The Foundation shall consult with the Dean and relevant UW Medical School academic departments before hiring or contracting with physicians in a particular specialty who are not appointed as Faculty. The employment or personal services contracts with non-Faculty physicians shall expressly provide that they do not become employees of the UW-Madison as a result of said contract, and that the State of Wisconsin is not responsible for their insurance or liability coverage. Foundation physicians who wish to care for patients at University Hospital must have UW Medical School Faculty appointments.

ARTICLE XIV

AMENDMENTS

- 14.1 By the Board of Directors.** Except as provided in §§ 14.2 and 14.3 below, these Bylaws and the Articles of Incorporation may be altered, amended, or repealed, and new or restated Bylaws or Articles of Incorporation may be adopted by the Board of Directors at any regular or special meeting thereof by the affirmative vote of not less than two-thirds (2/3) of the directors then in office unless a higher number is required by law. All amendments are subject to prior consultation with the Council of Chairs under § 4.6 and the Council of Faculty under § 5.6. All proposed amendments must be submitted to the Chancellor and the Board of Regents at least sixty (60) days prior to the time they become effective.
- 14.2 Approvals.** If approved by the Faculty as provided in § 3.9, amendments to these Bylaws and to the Articles of Incorporation shall take effect immediately. The Agreement with the Board of Regents may provide the Chancellor with a right to disapprove such changes during the term of such Agreement and prior to notice of termination of that agreement. The Board of Regents shall be given advance notice of any change to the Bylaws.
- 14.3 Board Composition.** Changes to the composition of the Board of Directors will require prior approval of the UW Board of Regents or its designee if so stated in the Agreement with the Board of Regents.

ARTICLE XV

INTERPRETATIONS

- 15.1 Agreement.** These Bylaws are part of an overall arrangement with the Board of Regents of the University of Wisconsin System embodied as the Regents Agreement. These Bylaws and that Agreement shall, during the term of the Regents Agreement, be interpreted together to promote the purposes of each.
- 15.2** The Board of Directors may interpret, define and clarify the Regents Agreement and these Bylaws as required to conform its operations to changing economic conditions, evolving state and national health policy, and the changing needs of

medical education. Such interpretation, definition and clarification by the Board of Directors must be consistent with the Board's obligations to the Board of Regents.

- 15.3** 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 and/or to vote in elections for Foundation directors.

ARTICLE XVI

INFORMATION

- 16.1 Minutes.** The minutes of the meetings of the Board of Directors and the meetings of its committees shall be open to review by participating Faculty.
- 16.2 Annual Reports and Audit.** The Board of Directors will prepare an annual report on operations and distribute it to the Dean and to participating Faculty. The Board of Directors will submit to the Dean a copy of the Annual Audit of the Corporation.
- 16.3 Reports to Council of Chairs.** The Foundation will prepare at least quarterly financial reports to the Council of Chairs and the Council of Faculty for their review.

ARTICLE XVII

DISSOLUTION

The Foundation shall dissolve within six (6) months of the termination of the Agreement referenced in § 15.1 of these Bylaws (or an amended version thereof). The six (6) month period is to be used for the winding up of the affairs of the Foundation.

UWMF POLICY ON NOMINATION AND ELECTION
OF PUBLIC DIRECTORS
(EXHIBIT A)

(A) **Nomination.** Seated Public Directors shall nominate individuals to serve as Public Directors of the Foundation Board. The seated Public Directors shall determine the number of individuals that are nominated. The Foundation Board of Directors may reject the nominations of the Public Directors, in which case the Public Directors shall submit further nominations to the Foundation Board of Directors.

(B) **Election.** Public Directors will be elected to the Board of Directors by a majority of the votes cast at a meeting of the Board of Directors at which a quorum is present.

UWMF POLICY ESTABLISHING DISTRICTS
(EXHIBIT B)

UWMF Department Districts

District 1
OB/GYN
Family Medicine
Pediatrics
Psychiatry
District 2
Medicine
Neurology
Human Oncology
District 3
Anesthesiology
Neurosurgery
Rehab. Medicine
Ophthalmology
Pathology
Radiology
Surgery

The districts may be amended from time to time by the affirmative vote of at least sixty- percent (60%) of the directors present at a meeting at which a quorum is present.

UWMF POLICY ON NOMINATION AND ELECTION
OF FACULTY DIRECTORS
(EXHIBIT C)

Department Chairs will not be eligible for Faculty Director seats.

(A) Nominations. The Board of Directors shall be responsible for sending a written notice to the Department Chairs of each District for which a Faculty Director seat is (or will be) open, requesting Foundation Departmental Committee nominations for Faculty Directors. Each Departmental Committee may nominate up to two Faculty members from their Department for each Faculty Director seat. For the Initial Term (as defined in § 3.4(d) of the Foundation Bylaws), Departmental Committees shall nominate Faculty members from the appropriate division.

(B) Elections. The Board of Directors shall compile the nominations of the Departmental Committees, create ballots and send the ballots to the appropriate Faculty members. There shall be a separate ballot created for each district (and each division, if applicable) that contains the names of all of the individuals nominated for that district (and division, if applicable). The Board of Directors shall send the ballots to Faculty members in the respective districts (and divisions, if applicable) of the Foundation asking them to vote for (1) candidate for Faculty Director for their own district (and division, if applicable). The Board of Directors shall afford the Faculty a reasonable period of time to return their ballots.

(C) Runoff Elections. If a candidate receives a majority of the votes cast in his/her district (and division, if applicable) that candidate shall be the director from that district (and division, if applicable). If no candidate receives a majority of votes cast, the Board of Directors shall conduct a run-off election between the two candidates receiving the most votes.

**UWMF POLICY ON REMOVAL OF
DIRECTOR FROM OFFICE FOR CAUSE
(EXHIBIT D)**

The Board of Directors of the Foundation has a responsibility to ensure that the Foundation benefits from the best leadership possible. Such leadership must begin with the Board of Directors. Thus, the Board of Directors must, from time to time, assess the performance, competence, quality, and interests of its individual Directors to assure that the Foundation receives the leadership it needs and deserves.

The Board of Directors may remove a Director that, in the sole discretion and determination of the Board,

- takes action as a Director in a matter in which the Director has a conflict of interest,
- has been convicted of a felony or of a misdemeanor involving moral turpitude,
- focuses on narrow interests of a particular constituency to the detriment of the Foundation as a whole,
- fails to maintain confidentiality of information with which he/she is entrusted, to the detriment of the Foundation,
- fails to attend at least 60% of Board and/or committee meetings scheduled during any six-month period, or
- otherwise conducts him/herself in a manner that harms the interests of the Foundation.

UWMF POLICY ON NOMINATION AND
APPOINTMENT OF COMMITTEES
(EXHIBIT E)

Nomination/Appointment of Committee Members. The nomination and appointment process for committee members shall be overseen by, and the responsibility of, the Nominations Committee.

(A) Call for Nominations. The Nominations Committee shall be responsible for sending a written notice to the Chairs of each Clinical Department requesting Foundation Departmental Committee nominations for committee members. Each Chair may nominate up to two (2) faculty members from only their own Department.

(B) Appointment. The Nominations Committee shall compile the nominations received pursuant to the above process, and choose at least one, but no more than two candidates for each available committee position. The Nominations Committee shall submit its recommendations to the Foundation Board, and the Foundation Board shall act, as described in § 3.14 of the Foundation Bylaws, to appoint committee members.

(C) Composition. Each committee, other than the Executive Committee and the Compensation Review Committee, shall include at least: one faculty representative from each district, one Department Chair representative, and one Board representative.

(D) Term of Office. Except for the Executive Committee and the Compensation Review Committee, terms of office for committee members will be three years.

Notwithstanding the foregoing paragraph, the Initial Term of office for committee members shall be for one, two, or three years. The “Initial Term” shall be the first term of office to which the Board appoints committee members after the adoption of these Amended and Restated Bylaws. After the Board appoints committee members, each committee shall hold a lottery to determine terms of office for the Initial Term of committee members. The committee shall structure the lottery so that approximately one-third of the committee members shall have a term of one-year, one-third of the committee members shall have a term of two-years, and one-third of the committee members shall have a term of three-years.

UWMF POLICY ON COMPOSITION
OF EXECUTIVE COMMITTEE
(EXHIBIT F)

The Executive Committee shall be made up of:

- (A) the Dean,
- (B) the Chair of the Foundation Board of Directors,
- (C) the President,
- (D) one (1) Public Director, who shall be selected by the Public Directors,
- (E) two (2) Chair Directors:
 - 1. one of whom shall be selected by the Chair Directors; and
 - 2. the second of whom shall be the Chairperson of the Council of Chairs so long as that Chairperson is also a Chair Director, otherwise the second Chair Director shall be selected by the Chair Directors.
- (F) Beginning January 1, 2004, three (3) Faculty Directors, who shall be selected by the Faculty Directors to serve on the Executive Committee.
- (G) The selection of Executive Committee members as made pursuant to paragraphs (D), (E), and (F), above, shall be subject to confirmation by the UWMF Board, and each such Executive Committee term shall not exceed two (2) years.

Revised By Resolution December 2003

UWMF DEFINITION OF PROFESSIONAL INCOME
(EXHIBIT G)

The professional income required to be included in Foundation receipts consists of all collected fees derived from the diagnosis and treatment of patients by the Faculty member. Professional income shall also include fees for court appearances, pre-trial legal consultations and all other activities associated with medical-legal services, or other services related to patient care or human health. In addition, professional services include consultation with respect to the operation, supervision and quality control in laboratories.

Professional income does not include honoraria, royalties, lecture fees, military pay, or payment for editing scientific publications. Income received for consultations of a purely scientific or educational nature which do not involve, directly or indirectly, the care of specific patients or consultations involving human health is excluded from professional income; because human health is a broad term, the Foundation Board or a designated subcommittee may grant exceptions as warranted. Work for charitable organizations may also be exempted by agreement of the Foundation and the Dean. All such outside activities must conform to Medical School and UW-Madison rules and regulations governing the conduct of Faculty and academic staff employees.

UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION, INC.
COMPENSATION PLAN
(EXHIBIT H)

1. Introduction

Since its formation, the Foundation has operated under a compensation plan that was part of the Agreement with the Board of Regents of the University of Wisconsin System. That centralized plan addressed both compensation and funds flow. This plan replaces that original plan and focuses on compensation principles and process. The plan does not stand alone; individual Department plans will be developed with the guidance of this plan's Compensation Principles. The resulting Department plans will be the framework within which individual compensation will be determined. The compensation process operates pursuant to the revised Bylaws and is designed to ensure that Internal Revenue Service regulations are observed. The funds flow aspects of the original plan have been modified and are now part of a separate document.

2. Compensation Adjustment Fund and Faculty Start-Up Fund

(a) Compensation Adjustment Fund

- (i) Purpose.** The purpose of the Compensation Adjustment Fund (CAF) is to provide support for mission-based clinical work that may not produce adequate revenue to allow market- appropriate compensation under the current UWMF funds flow model. The CAF is an organizational mechanism to ensure that departments have adequate funds available to provide market-based compensation linked to clinical productivity. As an element of the funds flow process, the CAF complements the clinical and academic compensation plans.
- (ii) Methodology.** The size of the CAF will be determined as part of the yearly UWMF budgeting process, taking into account each department's budgeted revenues, benchmark productivity, benchmark compensation goals and expense structure. The process will be as objective and automatic as possible. It will not require Chairs to petition for funds except in conditions of rapidly shifting market conditions or special retention issues. All department budget and compensation fund analyses will be reviewed with each department chairperson for input/feedback.

As part of the yearly budgeting process, the amount of clinical work performed in each Department will be measured against a "blended" benchmark set by the Compensation Development Committee. Benchmarks will be specialty specific. The Compensation Development Committee will also set specialty-specific compensation benchmarks. Published external benchmarks, which are available for most specialties, will be used whenever possible. When published external benchmarks are not available, UWMF administrative staff will work with department administrators and specialty physician leaders to determine appropriate benchmarks. Since published benchmarks may not accurately reflect current conditions in rapidly

changing markets, such markets will be closely monitored and published benchmarks will be adjusted appropriately.

The size of the CAF will reflect UWMF's ability to support market compensation while fulfilling both the academic and clinical missions of the Departments. The initial goal of the CAF is to provide departments with sufficient funds to provide average compensation at the 50th percentile in proportion to clinical work accomplished. The CAF will "float" upward and downward in parallel with the economic health of the organization, based on a methodology approved by the Finance Committee and Board. Access to CAF funding will depend upon a department's ability to manage expenses within a set of organizational standards.

(b) Faculty Start-Up Fund.

(i) Purpose. UWMF must strategically invest in new initiatives in order to evolve and innovate clinically and academically. The funds flow process includes a source of funding that will be used to cover the costs associated with starting a new practice or expanding a program that has been identified as supporting the organization's strategic initiatives. Start-Up funds are intended to be time-limited, in that they will be used to support a faculty member for a defined period of time while a program is being developed or expanded.

(ii) Compensation Start-Up Fund Criteria. The UWMF/UW Medical School Joint Personnel Committee and Operations Committee will work collaboratively to analyze recruitment requests that will require Start-Up Fund support. The committees will conduct a thorough analysis of departmental clinical and academic workforce plans, which include the following:

- A description of the new program that requires compensation start-up funding and how it supports the organization's strategic initiatives;
- Current and expected clinical and academic revenue sources and amounts that result from the new program (including a comparison to industry standards);
- Current and expected clinical and academic work that results from the new program using measures described in the UWMF and UWMS compensation plans (including a comparison to industry standards);
- Department expenses associated with the new program, including faculty compensation and other operating costs (such as staff salaries, facilities and equipment), education expenses, and research and development;
- A description of if, how and when the program intends to become financially self-sufficient.

(c) Size of Compensation Adjustment Fund and Faculty Start-Up Fund. The size of the combined funds will range from a low of 1.5% of professional revenue to a

high of 7.5% of professional revenue, as defined in the Funds Flow model. The two funds will be budgeted at the same time as part of the annual budgeting process. The size of the Faculty Start-Up Fund will be based upon historical requirements, the economic health of the organization and recruitment plans submitted by departments. Based on current experience, an initial Faculty Start-Up Fund of \$1 million per year is contemplated.

3. Compensation Principles.

1. The Medical School and the Foundation appoint members of the clinical faculty. Clinical faculty are appointed to a position in a clinical department, or infrequently, in two departments. Clinical faculty have one set of responsibilities encompassing academic, research, clinical and service work. They receive compensation from two sources: UWMF and the University.
2. The Medical School and UWMF direct funds to departments based on separate methodologies. Department Compensation Plans establish the appropriate allocation of funds to individuals to constitute total compensation.
3. Clinical faculty compensation is based on the concept of total effort, which is the aggregate of each faculty member's quality and quantity of academic, research and clinical effort for a specific period of time.
4. Department Compensation Plans will recognize the patient care, teaching and research roles of faculty members. Administrative, community service and other contributions may also be recognized in department plans.
5. Department Compensation Plans will be prepared through shared governance processes. The Dean, UWMF Board of Directors and Compensation Review Committee must approve these plans.
6. Each Department Compensation Plan must include (a) an individual faculty appeal process for annual compensation determinations and (b) a process for department faculty to amend the Department Compensation Plan, subject to approval by UWMF Board of Directors, the Dean and the Compensation Review Committee. The process for amending the compensation plan must require a two-thirds majority of faculty voting to approve amendments.
7. Each Department Compensation Plan must be consistent with IRS standards current at the time for physician compensation.
8. The plan should make compensation vary directly with the amount and quality of faculty academic, research and clinical work.
9. Compensation should be based on prevailing compensation levels for comparable types of physicians, amounts of work and the availability of funds.
10. No individual's total compensation during the transition to this Compensation Plan may decrease from 2001 compensation by more than 5% in 2002, given the same level of individual productivity and organizational economic health. Exceptions require prior approval by Chair, President, and the Dean.

4. Compensation Process.

- (a) **Department Compensation Plans.** Each UWMF Departmental Committee will develop a Department Compensation Plan based on the criteria set outlined above. The Departmental Committee will submit its plan to the Compensation Development Committee for review and approval.
- (b) **Compensation Development Committee.** The Compensation Development Committee will be the initial point of review and consideration for Department Compensation Plans, and other matters relating to compensation. The Compensation Development Committee will work to establish compensation guidelines that ensure compensation that is competitive, reasonable and responsive to market changes. The Compensation Development Committee will annually review available compensation studies and data as well as outside consultant surveys and opinions and recommend compensation maxima by subspecialty to the Board of Directors and the Compensation Review Committee. For individual payments above the established maxima, the Committee may recommend exceptions to the Board of Directors, the Compensation Review Committee, and the Dean.
- (c) **Independent Auditor.** The Compensation Development Committee will engage an independent auditor to provide written advice and opinions regarding compensation matters within the Committee's jurisdiction based on available market data. The Compensation Development Committee will, after consultation with the Public Directors and the President, select the independent auditor, to be approved by the Dean. The auditor's written and oral advice will be part of the Compensation Development Committee's record of deliberations and will be forwarded with any recommendations.
- (d) **Dean.** The Dean of the Medical School will participate as a member of the Compensation Development Committee and the Board of Directors. The Dean will review all recommendations for compensation above established maxima. No payment above a maximum may be made without the Dean's approval for employees holding Medical School appointments.
- (e) **Board of Directors.** The Board of Directors will receive the recommendations of the Compensation Development Committee along with supporting documentation and consider such changes, as it deems appropriate in light of the Foundation's mission. The Board's recommendations with respect to compensation matters will be presented to the Compensation Review Committee for final action.
- (f) **Compensation Review Committee.** The Compensation Review Committee is an independent committee whose members are not affected by compensation matters it considers. The Committee will receive all compensation recommendations from the Compensation Development Committee and all actions of the Board of Directors recommending changes to Department Compensation Plans, fringe benefits, compensation maxima, and individual compensation recommendations along with all supporting documentation. The Committee will review sufficient objective, independent data to determine whether its decision on a compensation matter is reasonable and comparable to other arrangements in the marketplace. The Committee will ensure that each Department Compensation Plan complies with then-current IRS standards for physician compensation. The Compensation Review

Committee will make final decisions on such matters after satisfying itself that the criteria set out above and then-current IRS standards have been met. The Committee may request additional data or information prior to acting on matters within its jurisdiction. The Committee will document its decisions and the basis for those decisions. Decisions of the Compensation Review Committee on compensation matters are the final decisions of the Foundation, except that action to approve a payment above a compensation maximum requires approval of the Dean for employees holding Medical School appointments.

- (g) **Changes to the Foundation's Compensation Plan.** Changes to the Foundation's Compensation Plan require input from the Council of Chairs and Council of Faculty, approval by the members of the Faculty at a special or annual meeting as provided in § 3.9 of the Foundation's Bylaws, and approval of the Chancellor and the Board of Regents as provided in § 25 of the Regents Agreement.

**For this compensation plan, "professional revenue" means fees collected from the diagnosis and treatment of patients by faculty members, less corporate expenses (including contribution to corporate reserves and retained income) and ancillary revenue, technical revenue and other allocable revenue.*