4/1/2014

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Thursday, April 10, 2014
UW-River Falls
University Center
St. Croix Room 321

8:30 a.m. I.5. JOINT MEETING OF THE AUDIT COMMITTEE AND THE BUSINESS AND FINANCE COMMITTEE – St. Croix Room 321, University Center

a. Presentation and discussion of Legislative Audit Bureau Reports 14-3 and 14-4: University of Wisconsin System, Fiscal Year 2012-13 and Oversight of the Human Resource System and Payroll and Benefits Processing

Audit Committee Adjourns

I.2. BUSINESS AND FINANCE COMMITTEE

a. Approval of the Minutes of the February 6, 2014 and March 6, 2014, meetings of the Business and Finance Committee

b. Review and approval of revisions to UW System Policy on Program Revenue Balances and Reserves (RPD 21-6).
[Resolution I.2.b.]

c. Program Revenue Cash Balance Projections – FY2013-14

d. Management Financial Report – *Performance Report*

e. Review and Approval of Change in the Bylaws of the University Book Store
[Resolution I.2.e.]

f. Trust Funds – Annual Endowment Peer Benchmarking Report

g. Trust Funds – Voting of Non-Routine Proxy Proposals
[Resolution I.2.g.]

h. Report of the Senior Vice President

LEGISLATIVE AUDIT BUREAU 2012-13 ANNUAL FINANCIAL AUDIT AND OVERSIGHT OF THE HUMAN RESOURCE SYSTEM AND PAYROLL AND BENEFITS PROCESSING

BACKGROUND

The Legislative Audit Bureau Staff will present two reports:
Report 14-3: (a) Auditor's opinion of the UW System Annual Financial Report and (b) Financial Management Issues.
Report 14-4: Oversight of the Human Resource System (HRS) and Payroll and Benefits Processing.

DISCUSSION

The UW System publishes an Annual Financial Report that includes financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As required by statute [§13.94(1)(t), Wis. Stats.], the statements are audited by the Legislative Audit Bureau (Report 14-3). The Audit Bureau provided an unmodified audit opinion on the financial statements.

The Audit Bureau also reviewed two internal controls and fiscal management issues: (1) security relating to UW System's Human Resource System (HRS) and (2) program revenue balances (LAB Report 14-3). The audit notes a material weakness relating to HRS access and the program change process. The UW System agrees with the Audit Bureau's findings and is taking corrective actions.

In Report 14-4, a separate audit of the HRS reviewed the development, implementation, and operation of the Human Resource System through mid-2013. The audit recommends that the UW System report to the Legisaltive Joint Audit Committee on ten specific issues by July 1, 2014.

Audit Bureau staff were unable to present these reports to the Board of Regents when a review was provided by UW System staff at the February meeting. LAB staff will be in attendance to present both reports.

REQUESTED ACTION

This report is for information only.

RELATED REGENT POLICIES

None

FISCAL YEAR 2012-13 ANNUAL FINANCIAL AUDIT
(LEGISLATIVE AUDIT BUREAU REPORT 14-3)

and

OVERSIGHT OF THE HUMAN RESOURCE SYSTEM AND PAYROLL AND BENEFITS PROCESSING
(LEGISLATIVE AUDIT BUREAU REPORT 14-4)

The Fiscal Year 2012-13 Annual Financial Report can be viewed at http://legis.wisconsin.gov/lab/reports/14-3full.pdf

The Oversight of the Human Resource System and Payroll and Benefits Processing Report can be found at http://legis.wisconsin.gov/lab/reports/14-4full.pdf

Revisions to UW System
Board of Regents Policy
on Program Revenue
Balances and Reserves

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revised methodology to calculate UW System Program Revenue Appropriation Balances and Reserves and directs the President to submit the methodology to the Joint Legislative Audit Committee for its subsequent review and approval.

REVISIONS TO UW SYSTEM BOARD OF REGENTS POLICY ON PROGRAM REVENUE BALANCES AND RESERVES (RPD 21-6)

BACKGROUND

2013 Wisconsin Act 20 included the following directive to the UW System: the Board of Regents will develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole and for individual University of Wisconsin institutions, as defined in section 36.05(9) of the statutes, and the Extension. By September 1, 2013, the Board of Regents is required to submit its proposed methodology to the Joint Legislative Audit Committee for approval, modification, or disapproval. The proposed methodology was approved by the Board of Regents at its July 12, 2013, meeting and subsequently submitted to the Joint Legislative Audit Committee on July 18, 2013. A revised methodology was approved by the Board at its September 6, 2013, meeting and subsequently submitted to the Joint Legislative Audit Committee on September 11, 2013.

2013 Wisconsin Act 20 also required the Board of Regents to submit "proposed limits on program revenue account balances for the University of Wisconsin System as a whole and for each individual institution and proposed reports relating to the limits" to the Joint Committee on Finance by January 1, 2014. A Policy on Program Revenues Balances and Reserves (Regent Policy Document 21-6) was approved by the Board of Regents at its October 11, 2013, meeting and submitted to the Joint Committee on Finance on October 23, 2013.

The Joint Legislative Audit Committee received Report 13-17, *Level of Commitment for University of Wisconsin Program Revenue Balances* on November 15, 2013. The report covered carry forward balances for tuition and academic fees, General Operations, and Federal Indirect Cost Reimbursement for fiscal year 2012. The Committee held a hearing on the report and the proposed methodology on November 20, 2013. The report and hearing raised new issues about both the program revenue balances methodology and policy. The Legislative Audit Bureau staff indicated that they were procedurally prohibited from consulting with UW System staff on the draft methodology and policy during its development. The Joint Legislative Audit Committee subsequently requested that UW System staff work with the committee members and Legislative Audit Bureau staff on revisions to the methodology and policy. The Joint Committee on Finance deferred action on the program revenue balances policy until the Joint Legislative Audit Committee completed its review of the methodology.

REQUESTED ACTION

Approval of Resolution I.2.b.

DISCUSSION

The Joint Legislative Audit Committee co-chairs worked with UW System and Legislative Audit Bureau staff to develop revisions to the previously adopted program revenue methodology and policy. Conversations with legislators and stakeholders indicated that the issue would be more easily understood if the methodology for calculating the balances were incorporated into the policy. Based upon these discussions, a revised policy has been drafted and will, if approved by the Board of Regents, be submitted to the respective legislative committees.

The previously adopted Program Revenue Balances and Reserves Policy prescribed the funds to be included in the policy and the manner in which program revenue balances will be calculated at the end of each fiscal year. The policy established a minimum reserve of 10% of fiscal year expenses to ensure a degree of fiscal health. Institutions below this reserve level will be required to submit a plan to the Board of Regents that provides an approach and timeline for reaching the minimum. A reporting threshold of 15% was established to ensure that accumulations of resources above this amount are adequately justified. The 15% figure is designated as a threshold which requires a report and Board approval, and not as a cap on end-of-year balances.

The primary issue requiring clarification is whether carry forward funds of up to 10% would be held as a true reserve and whether carry forward funds held for future spending are limited to the amount over 10%. A secondary issue arose after the Legislative Audit Bureau's report 13-17. In the report, the UW System carry forward balances for the funds reviewed were categorized according to the level of commitment documented by each institution. In light of the report, legislators requested that the UW System policy require institutions to categorize carry forward funds in the same manner as the Legislative Audit Bureau.

The revised policy makes several clarifications to the methodology that will be used to calculate program revenue balances and reserves, including:

- Clarifying that the 10% minimum requirement applies to an annual minimum fund balance rather than a permanent reserve set aside in addition to any balances carried for future spending.
- Clarifying that balances for UW System Administration will be reported as an institution, and that systemwide balances will be reported both in dollars and as a percentage change over the prior year-end balance. Allocations from systemwide accounts to institutions will occur before an institution calculates its program revenue balance.
- Adding that year-end balances in each of the five designated funds: (1) Tuition (Academic Student Fees and Extension Student Fees); (2) Auxiliary Operations; (3) General Operations; (4) Other Unrestricted Program Revenue; and (5) Federal Indirect Cost Reimbursement will be categorized as obligated, planned, designated, reserves, and undocumented. These are the five categories developed and used by the Legislative Audit Bureau to classify UW's balances in Report 13-17.

- Adding other technical and definitional clarifications to enable clear interpretation and application.

Under the revised Policy, when an institution carries balances above the 15% reporting threshold, the entire balance will be reported to the Board of Regents for approval. In addition, the policy clarifies that the minimum balance target of 10% of fiscal year expenses shall not be used by any institution as a justification for the request and approval of additional funds.

RELATED REGENT POLICIES

Regent Policy Document 21-6 (Program Revenue and Reserves Policy).

REGENT POLICY DOCUMENT 21-6
PROGRAM REVENUE CALCULATION METHODOLOGY
AND FUND BALANCES POLICY

Scope

This policy addresses program revenue account balances and appropriate reserve levels, and the methodology for calculating these levels, at the UW System and UW System institutions.

Purpose

The purpose of this policy is to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate an accurate fiscal condition more broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

The policy ensures that:

- Individual institutions have the necessary flexibility to manage program revenue accounts to meet cash flow needs throughout the year, financial commitments, plans, and goals.
- Reporting of program revenue balances is at a level that provides the Board of Regents, Legislature, and public with a complete, consistent and transparent understanding of end-of-year balances.
- Institutions have the flexibility to continue to invest in and cultivate creative academic programs to reach all students seeking higher education.
- Institutions have the flexibility to invest in facilities that provide a world-class education.
- The University of Wisconsin is not incentivized to undertake unnecessary end-of-year spending in order to meet restrictive carry-forward caps.

Definitions and Methodology for Calculating

Program revenue balances shall be calculated subsequent to year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received, and deducting expenditures made during the fiscal year. This produces the budgetary fund balance at the end of a given fiscal year. Balances will not reflect accruals for advance deposits received for future academic terms, accounts payable, or accounts receivable.

Year-end program revenue balances shall be calculated for:

<u>Unrestricted Funds</u>
1) Tuition (Academic Student Fees and Extension Student Fees)
2) Auxiliary Operations
3) General Operations
4) Other Unrestricted Program Revenue
5) Federal Indirect Cost Reimbursement

Restricted Funds

6) Gifts
7) Nonfederal Grants and Contracts
8) Federal Grants and Contracts
9) Other Restricted Program Revenue

A description of UW appropriations included in each category of program revenue balances will be provided to aid in understanding the information presented (attached).

Year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue shall be expressed in dollars for the UW System as a whole and for each UW institution. Year-end balances will be calculated as a percentage of the total expenditures by each fund for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees (tuition).

The UW System Administration year-end balances will be reported as an institution. UW systemwide balances, which are those maintained for the support of all UW institutions, will be reported in dollars and as a percentage change over the prior year-end balance. Allocations of tuition and fee balances to institutions from Systemwide accounts will occur before an institution calculates its program revenue balance.

Federal Indirect Cost Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Reported year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, (4) Other Unrestricted Program Revenue, and (5) Federal Indirect Cost Reimbursement shall be categorized by the methodology used in the Legislative Audit Bureau's Report 13-17. The categories are obligated, planned, designated, reserves, and undocumented.

Year-end balances for restricted funds (Gifts, Nonfederal Grants and Contracts, Federal Grants and Contracts, and Other Restricted Program Revenue) will be reported in total dollars for the UW System as a whole and for each UW institution.

Policy Statement

It is the policy of the Board of Regents that the UW System and UW System institutions maintain appropriate balances to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. Institutions should target a minimum level of 10% of total fiscal year expenditures for: (1) Tuition, and (2) Auxiliary Operations. This 10% target falls within the recommendation by the Government Finance Officers Association of reserve levels between 5-15% and should assist institutions in meeting the Higher Learning Commission accreditation requirements for financial health. Institutions with balances of less than 10% of total fiscal year expenditures shall submit a savings plan for how they will achieve the minimum and within what time frame.

The Board of Regents recognizes there are many instances where accumulation of balances beyond the 10% level is a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 15% of total fiscal year expenditures, inclusive of the minimum 10%, shall submit justifications for the entire balance along with a defined multi-year spending plan for each of the following four categories: (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. Total balances above the 15% threshold should be obligated, planned, or designated by the Chancellor for specific purposes.

The 15% threshold is established to determine an amount which will require a report and Board approval. It is not established as a cap on end-of-year balances.

Oversight, Roles, and Responsibilities

UW System Administration will provide the Board of Regents with estimates of year-end program revenue balances for use in determining UW System's annual budget and setting tuition rates for the subsequent academic year. Actual year-end balances categorized by each institution and the System as a whole shall be reported annually after the fiscal year-end reconciliation and for formal approval by the Board of Regents at the October meeting. For those institutions with balances less than the 10% of the fiscal year's expenditures, the Board of Regents will determine by vote whether the institution has an adequate plan in place to meet the target within a reasonable period of time. For those institutions with balances above 15% of total year-end expenditures, the Board of Regents will determine by vote whether balances are adequately justified.

The minimum balance target of 10% of fiscal year expenses shall not be used by any institution as a justification for the request and approval of additional funds.

Related Regent Policies and Applicable Laws

<u>Section 36.46 Wisconsin Statutes</u>

History: Resolution 10278, adopted 10/11/2013, created Regent Policy Document 21-6.

~~DRAFT 9/30/2013~~

21-6 ~~REGENT POLICY DOCUMENT~~

~~XX-YY UNIVERSITY OF WISCONSIN SYSTEM~~ PROGRAM REVENUE CALCULATION METHODOLOGY AND FUND BALANCES ~~AND RESERVES~~ POLICY

Scope

This policy addresses program revenue account balances and appropriate reserve levels, and the methodology for calculating these levels, ~~-~~at the UW System and UW System institutions.

Purpose

The purpose of this policy is to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate an accurate fiscal condition more ~~that more~~ broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

The p~~P~~olicy ensures that:

- ~~Continues to ensure that~~ I~~i~~ndividual institutions have the necessary flexibility to manage program revenue accounts to meet cash flow needs throughout the year, financial commitments, plans, and goals.
- ~~Ensures that~~ R~~r~~eporting of program revenue ~~cash~~ balances is at a level that ~~-~~provides the Board of Regents, Legislature, and public with a complete, consistent and transparent understanding of end-of-year balances.
- ~~Ensures that~~ I~~i~~nstitutions have the flexibility ~~are incentivized~~ to continue to invest in and cultivate creative academic programs to reach all students seeking higher education.
- ~~Ensures that~~ I~~i~~nstitutions have the flexibility ~~are incentivized~~ to invest in facilities that provide a world-class education.
- ~~Ensures that~~ T~~t~~he University of Wisconsin is not incentivized to undertake unnecessary end-of-year spending in order to meet restrictive carry-forward caps.

Definitions and Methodology for Calculating

Program revenue balances shall be calculated subsequent to ~~on a cash basis subsequent to~~ year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received, and deducting expenditures made during the fiscal year. This produces the budgetary fund balance at the end of a given fiscal year. Balances will not reflect accruals for advance deposits received for future academic terms, accounts payable, or accounts receivable.

Year-end program revenue balances shall be calculated for:~~summarized as follows:~~

Unrestricted Funds

1) Tuition (Academic Student Fees and Extension Student Fees)~~,~~

2) Auxiliary Operations~~,~~
3) General Operations~~, and~~
4) Other Unrestricted Program Revenue~~,~~
5) Federal Indirect Cost Reimbursement~~,~~

Restricted Funds

~~5)~~6) Gifts~~,~~
~~6)~~7) Nonfederal Grants and Contracts~~,~~
~~7)~~8) Federal Grants and Contracts~~,~~,
~~8)~~9) Other Restricted Program Revenue~~.~~

A description of UW appropriations included in each category of program revenue balances will be provided to aid in understanding the information presented (attached).

Year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) ~~Major~~ Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue shall be expressed in dollars for the UW System as a whole and for each UW institution. Year-~~-~~end balances will be calculated as a ~~and as a~~ percentage of the total expenditures by ~~that~~ each fund ~~category~~ for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees (tuition)~~combined~~.

The UW System Administration year-end balances will be reported as an institution. UW system-wide balances, which are those maintained for the support of all UW institutions, will be reported in dollars and as a percentage change over the prior year-end balance. Allocations of tuition and fee balances to institutions from ~~S~~systemwide accounts ~~to institutions~~ will occur before an institution calculates its program revenue balance.
~~Reserves represent a portion of appropriation balances. Reserves are defined as funds set aside to protect against unbudgeted future expenses or losses, such as enrollment fluctuations, unexpected costs, or loss of state or federal aid. Reserves are not funds set aside for specific expenditures or commitments, but serve as an operating contingency. Reserves aid in the management of the University's and state's cash flow to meet daily expenditure needs.~~

Federal Indirect Cost Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Reported year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, (4) Other Unrestricted Program Revenue, and (5) Federal Indirect Cost Reimbursement shall be categorized by the methodology used in the Legislative Audit Bureau's Report 13-17. The categories are obligated, planned, designated, reserves, and undocumented.

Year-end balances for restricted funds (Gifts, Nonfederal Grants and Contracts, Federal Grants and Contracts, and Other Restricted Program Revenue) will be reported in total dollars for the UW System as a whole and for each UW institution.

~~Designated balances are defined as funds set aside for specific expenditures or commitments. They include, but are not limited to, legally enforceable contracts, publicly made commitments, differential tuition, encumbrances, and advanced deposits.~~

Policy Statement

It is the policy of the Board of Regents that the UW System and UW System institutions maintain appropriate balances~~reserves~~ to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. Institutions should target a minimum ~~reserve~~ level of 10% of total fiscal year expenditures for: ~~each of the following two categories:~~ (1) Tuition, and (2) Auxiliary Operations. This 10% target falls within the recommendation by the Government Finance Officers Association of reserve levels between 5-~~20~~15% and should assist institutions in meeting the Higher Learning Commission accreditation requirements for financial health. Institutions with balances~~reserves~~ of less than 10% of total fiscal year expenditures shall submit a savings plan ~~on~~ for how they will achieve the minimum and within what time frame.

The Board of Regents recognizes there are many instances where accumulation of balances beyond the 10% level~~a reserve level i~~ iss a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 15% of total fiscal year expenditures, inclusive of the minimum 10%, shall submit justifications for the entire balance along ~~the amounts above the threshold along~~ with a defined multi-year spending plan for each of the following four categories: (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. Total b~~B~~alances above the 15% threshold should be obligated, planned, or designated by the Chancellor for specific purposes.

The 15% threshold is established to determine an amount ~~limit~~ which will require a report and Board approval. It is not established as a cap on end-of-year balances.

~~Federal Indirect Costs Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.~~

Oversight, Roles, and Responsibilities

UW System Administration will provide the Board of Regents with estimates of year-end program revenue balances for use in determining UW System's annual budget and setting tuition rates for the subsequent academic year. Actual year-end balances categorized by each institution and the System as a whole shall be reported annually after the fiscal year-end reconciliation and for formal approval by the Board of Regents at the October meeting. ~~Appropriation balances and reserve analysis for each institution and the System as a whole shall be reported annually as soon as practicable after the fiscal year-end reconciliation.~~ For those institutions with balances~~reserves~~ less than the 10% of the fiscal year's expenditures, ~~targeted threshold,~~ the

Board of Regents will determine by vote whether the institution has an adequate plan in place to meet the target within a reasonable period of time. For those institutions with balances above 15% of total year-end expenditures, the Board of Regents will determine by vote whether balances are adequately justified.

The minimum balance target of 10% of fiscal year expenses shall not be used by any institution as a justification for the request and approval of additional funds.

Related Regent Policies and Applicable Laws

Section 36.46 Wisconsin Statutes

History: 10278, adopted 10/11/2013, created Regent Policy Document 21-6.

REPORT ON PROGRAM REVENUE CASH BALANCE PROJECTIONS, FY 2013-14

BACKGROUND

A report will be provided to Business and Finance Committee regarding 2013-14 program revenue cash balances, including year-to-date figures as well as year-end projections for each UW institution, UW System Administration and systemwide accounts. This report will allow for review and discussion of current year balances in order to identify funds and institutions which may be subject to the 10% minimum balance requirement or the 15% reporting threshold provided in the Regent Policy 21-6 (Program Revenue and Reserves Policy). Current and projected balances will be provided for the following funds, which have been classified as "unrestricted" balances:

- Tuition (Academic and Extension Student Fees) (Funds 131 and 189)
- Auxiliary Operations (Funds 128 and 228)
- General Operations (Fund 136)
- Federal Indirect Cost Reimbursement (Fund 150)
- Other Unrestricted Program Revenues

In order to provide a report based on figures through the end of the third quarter of FY 2013-14, supporting materials for this report will be provided to the Regents at the Business & Finance Committee meeting.

REQUESTED ACTION

This report is for information only.

RELATED REGENT POLICIES

Regent Policy Document 21-6 (Program Revenue and Reserves Policy).

April 10, 2014 Agenda Item 1.2.d.

MANAGEMENT FINACIAL REPORT
PERFORMANCE REPORT
FY 2013-14

BACKGROUND

A report will be provided to Business and Finance Committee regarding the 2013-14 UW System Budget, including year-to-date budget-to-actual figures as well as year-end projections. This report will provide a point-in-time review of the current year finances in order to identify areas that may require action either during the current fiscal year or in the forthcoming annual (2014-15) budget.

This information will include a comparison of actual revenues and expenses for the first three quarters of the 2013-14 fiscal year (FY14) to the budget for the following major revenue and expenditure categories:

- Tuition & Fees, GPR and Other Revenues
- Auxiliary Operations
- Gifts, Grants, and Contracts
- General Operations

In order to provide a report based on data through the end of the third quarter of FY14, supporting materials for this report will be provided to the Regents at the Business & Finance Committee meeting.

REQUESTED ACTION

This report is for information only.

Change to the Bylaws of the
University Book Store

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Second Amended and Restated Bylaws of the University Book Store Company.

UNIVERSITY BOOK STORE BYLAWS CHANGE

BACKGROUND

University Book Store ("UBS") is a retail business that since its organization in 1914 has provided the University of Wisconsin academic community with textbooks, supplies and other tools. UBS was created pursuant to a document titled a "Trust Indenture" dated June 1, 1914 (the "Trust Indenture"). UBS was not created pursuant to any statutory authority of Wisconsin or another state. This absence of a statutory basis for the UBS organizational structure has been an item of business concern for lenders to UBS and others due to the uncertainty regarding the Wisconsin laws applicable to UBS. The governance of UBS most closely resembles a nonstock corporation described in Chapter 181 of the Wisconsin Statutes. Thus, UBS seeks to be organized as a nonstock corporation pursuant to Chapter 181 of the Wisconsin Statutes. This change in UBS's entity status will involve, among other things, a change in its Bylaws. In keeping with the intent of the Trust Indenture and past practice, UBS seeks the approval of the Board of Regents for the Second Amended and Restated Bylaws.

REQUESTED ACTION

Approval of Resolution I.2.e.

DISCUSSION

The current bylaws of UBS (the "Bylaws") provide for governance of UBS by an eight-member board of trustees (the "Board"). A redline version comparing the current Bylaws to the new Bylaws are attached as Exhibit A. The Bylaws provide that the Board consists of (a) two members of the faculty of the University of Wisconsin-Madison ("UW"); (b) two alumni of the UW; (c) two students enrolled in the UW; (d) one member of the academic staff of the UW; and (d) the President of UBS (as an ex-officio position). Various UW constituencies have the right to appoint or jointly nominate certain members of the Board.

UBS has no shareholders or other owners of any equity in UBS. The Trust Indenture prohibits any dividends, and requires UBS's profits to be returned to purchasers or used to develop the UBS business for the benefit of the students of the UW. If the business of UBS is discontinued, the Trust Indenture requires the Board to sell the UBS assets and use the proceeds for purposes beneficial to the students of the UW.

In order to become a nonstock corporation, the Board will adopt a two-step plan of reorganization (the "Plan of Reorganization"). Pursuant to the Plan of Reorganization, UBS would first convert from its current organizational structure into an unincorporated cooperative association pursuant to Wisconsin Statutes Section 193.225 (the "First Conversion"). Immediately after the First Conversion and as called for in the Plan of Reorganization, UBS would convert from a Wisconsin unincorporated cooperative association into a Wisconsin nonstock corporation pursuant to Wisconsin Statutes Section 181.1150 (the "Second Conversion" and, together with the First Conversion, the "Reorganization"). The two-step conversion process described in the Plan of Reorganization is necessary to qualify UBS as a "business entity" (as defined in Chapter 181 of the Wisconsin Statutes), which is a prerequisite to convert into a Wisconsin nonstock corporation. Following the Second Conversion, the resulting nonstock corporation (the "Nonstock Corporation") will continue the historic activities and operations of UBS.

The Nonstock Corporation will not have members within the meaning of Wisconsin Statutes Section 181.0103(15). However, the bylaws of the Nonstock Corporation would provide for categories of board members consistent with the categories identified in the UBS Bylaws immediately prior to the Reorganization. Moreover, the bylaws of the Nonstock Corporation would provide for the appointment or nomination of members of its board of trustees consistent with the applicable provisions in the current UBS Bylaws.

The First Conversion and the Second Conversion are to be completed pursuant to the Plan of Reorganization. The First Conversion does not have economic motivation apart from the immediate consummation of the Second Conversion.

There is only one operating entity involved. The Reorganization would not result in any change in the UBS assets or operations. Because neither UBS nor the Nonstock Corporation has owners, the Reorganization would not result in any change in ownership. The Reorganization would be consummated pursuant to and consistent with the Plan of Reorganization adopted by the UBS Board. The Reorganization is motivated by the business purpose of obtaining certainty regarding the state statutory basis for its organization.

UBS sought and obtained a favorable Private Letter Ruling from the IRS concerning the Plan of Reorganization. UBS also submitted drafts of the documents to be filed with the Wisconsin Department of Financial Institutions ("DFI") for review by staff in advance, and has received informal confirmation that the documents comply with DFI's technical requirements. DFI indicated that it wanted the documents for the First Conversion to be denominated as "Amended and Restated", and for the Second Conversion to be denominated as "Second Amended and Restated."

RELATED REGENT POLICIES

None

Exhibit A

Redline Version Comparing the current Bylaws to the new UBS Bylaws

(Attached Separately)

UNIVERSITY BOOK STORE COMPANY

SECOND AMENDED AND RESTATED BYLAWS

~~April 9, 1994~~ _______________, 2014

I N D E X

SECOND AMENDED AND RESTATED BYLAWS
OF ~~THE TRUST ESTABLISHED IN 1914~~
~~RELATIVE TO THE~~ UNIVERSITY
BOOK STORE ~~CO-OPERATIVE~~ COMPANY

~~Adopted April 13, 1965~~
~~(Amended June 4, 1965)~~
~~(Amended February 12, 1971)~~
~~(Amended April 9, 1994)~~

~~Pursuant to the provision in the Trust Indenture under which the University Co-Operative Company was reorganized in 1914 and has been in operation since that time, which reads as follows: "the trustees may provide bylaws for their governance which may be changed or amended therein provided," the following bylaws were adopted.~~

ARTICLE I
PURPOSES AND POWERS

The ~~purposes for which the trust,~~University Book Store Company (hereinafter interchangeably referred to as the "Company" or the "University Book Store Company")~~,~~ ~~[1]~~ ~~was~~is formed ~~and the powers which it may exercise are set forth in the Trust Indenture of 1914.~~to purchase and continue the business of its predecessor: University Book Store Cooperative, a Chapter 193 unincorporated cooperative association created pursuant to its Amended and Restated Articles of Organization.

The basic purpose ~~of the trust is stated in Articles 1 and 5 of the Trust Indenture, which provide~~for which the Company was formed and the powers which it may exercise is to continue the mission of its predecessor:

1. ~~"Said trustees shall~~To manage ~~said~~ property and business in such manner ~~as they shall deem~~ for the interests of the student body of the University of ~~Wisconsin~~Wisconsin-Madison (the "University") with a view of furnishing goods at the least possible cost consistent with sound business policy~~."~~; and

~~5~~2. ~~". . . It is the intention that~~To devote all the income and future profits of the business ~~shall be devoted~~ to the building up of the business and to the consequent benefit of the students of the University.~~"~~

ARTICLE II
NAME, PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Section 1. Name of the Company. The name of the Company shall be the University Book Store Company.~~[2]~~

~~[1] Amended April 9, 1994~~
~~[2] Amended April 9, 1994~~

Section 2. **Principal Place of Business**. The Company's principal place of business shall be 711 State Street, in the City of Madison, State of Wisconsin or such other place as may ~~[3]~~ from time to time be designated in writing by the University Book Store Company Board of ~~**Trustees**~~Directors (the "Board").[4]

Section 3. **Registered Office**. The registered office of the Company required by Wisconsin Law to be continuously maintained in the State of Wisconsin shall be identical with the Company's principal place of business.[5]

Section 4. **Registered Agent**. The registered agent shall be the President of the Company. The business office of the registered agent of the Company shall be identical with the Company's registered office.[6]

ARTICLE III
BOARD OF ~~TRUSTEES~~DIRECTORS

Section 1. **Management**. The business and affairs of the Company shall be managed by a Board of ~~Trustees~~Directors consisting of eight (8) persons. No person shall be eligible for the office of ~~trustee~~director if such person is reasonably deemed to be in competition with the Company. If a majority of the Board finds at any time at a hearing before the remaining ~~trustees~~directors, at a special meeting held solely for the purpose of conducting a hearing, that any ~~trustee~~director is so engaged or affiliated, such person shall thereupon cease to be a ~~trustee~~director and a successor shall be selected for the unexpired portion of such person's term in the manner hereinafter provided.

Any ~~trustee~~director may be removed as a ~~trustee~~director at any time by the action of the remaining ~~trustees~~directors at a special meeting held solely for the purpose of conducting a hearing, for cause deemed by the remaining ~~trustees~~directors to be proper, but only after thirty (30) days' prior written notification to the ~~trustee~~director subject to removal proceedings and to the person or entity responsible for the appointment or nomination of such ~~trustee~~director. In case of removal of a ~~trustee~~director, a successor shall be appointed or selected for the unexpired term of such ~~trustee~~director in the manner provided herein. [7] Cause shall be deemed to exist in the following events:

(a) a person willfully or negligently fails to reasonably perform as a ~~trustee~~director; or

(b) a person is physically or mentally unable to reasonably perform as a ~~trustee~~director; or

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~~[3] Amended April 9, 1994~~
~~[4] Amended April 9, 1994~~
~~[5] Amended April 9, 1994~~
~~[6] Amended April 9, 1994~~
~~[7] Amended February 12, 1971~~

(c) a person is guilty of fraud, dishonesty or other acts of misconduct, which reflect adversely upon the reputation of such person, whether or not such acts involve the Company, and whether or not such acts are the subject of formal prosecution.~~[8]~~

Section 2. **Selection of ~~Trustees~~Director .** The Board shall consist of:

(a) two (2) members of the faculty of the University of Wisconsin-Madison;

(b) two (2) alumni of the University of Wisconsin-Madison;

(c) two (2) students enrolled in the University of Wisconsin-Madison;~~[9]~~

(d) one (1) member of the academic staff of the University of Wisconsin-Madison;~~[10]~~

(e) the President of the University Book Store Company.

Faculty members of the Board shall be selected by the Board from a joint nomination provided by the Chancellor and the University Committee.~~[11]~~

Alumni members of the Board shall be selected by the Board from Alumni at large. "Alumni" shall mean persons who have attended and graduated from undergraduate or post-graduate studies at the University of Wisconsin-Madison. Such persons need not be members of the Wisconsin Alumni Association or any other recognized alumni associations at the University of Wisconsin-Madison.~~[12]~~

Student members of the Board shall be selected in the following manner: One student shall be appointed by the Wisconsin Student Association or the recognized student organization. The second student shall be selected by the Board from students at large.~~[13]~~

Academic staff members of the Board shall be selected by the Board from the joint nomination of the Chancellor and the Academic Staff Executive Committee ("ASEC").[14]

The selection and approval of ~~trustees~~directors shall be undertaken and completed by the Board as it is comprised prior to May 1 of each year. In the event it becomes impracticable for the Board to undertake or complete the selection and approval process, the process shall be undertaken or completed, as the case may be, by the Board as it is comprised after May 1 of each year. Whenever the Board is involved in the selection and approval of a member to serve as a ~~trustee~~director, the selection and approval process shall require the affirmative vote of a majority of the ~~trustees~~directors then comprising the Board as distinguished from a majority of

~~[8] Amended April 9, 1994~~
~~[9] Amended April 9, 1994~~
~~[10] Amended April 9, 1994~~
~~[11] Amended April 9, 1994~~
~~[12] Amended April 9, 1994~~
~~[13] Amended April 9, 1994~~
~~[14] Amended April 9, 1994~~

~~trustees~~directors forming a quorum as otherwise required by the provisions of these bylaws (“Bylaws”).~~[15]~~

Section 3. **Time of Appointment and Election and Term of Office.** The term of office of all ~~trustees~~directors, whether appointed or elected, shall commence May 1 ~~[16]~~ of the year during which an appointment or selection occurs. Each ~~trustee~~director other than a student ~~trustee~~director shall hold office for an initial term of four consecutive years or until such ~~trustee's~~director's successor is appointed or elected and qualifies, as the case may be. Each student shall hold office for an initial term of one year. The sequence of terms shall be such that the term of only one faculty member shall commence on May 1 of any odd numbered year. The term of only one alumni member and the academic staff member shall commence May 1 ~~[17]~~ of each even numbered year, with not more than one term of a faculty, staff or alumni member commencing in any year.~~[18]~~

Faculty, academic staff ~~[19]~~ and alumni ~~trustees~~directors shall not be eligible to serve more than two consecutive four-year terms.

Student ~~trustees~~directors shall not be eligible to serve more than two consecutive one-year terms.~~[20]~~

The term of the President of the University Book Store Company as a ~~trustee~~director shall continue so long as such person holds the office of President ~~[21]~~ of the University Book Store Company.

Section 4. **Vacancies on Board of ~~Trustees~~Director .** Vacancies on the Board caused by failure to qualify, failure of appointment or nomination~~[22]~~, death, resignation, removal or otherwise, shall be filled by appointment or selection ~~[23]~~ from the same class of ~~trustee~~director in which a vacancy occurs and by the same appointing or nominating authority~~[24]~~, for the remainder of the then vacant term. If a vacancy is not filled by the proper appointing or nominating authority ~~[25]~~ within sixty days after notice from the Board that such vacancy exists, such vacancy may be filled by selection by the Board from the same constituent class ~~[26]~~ of ~~trustee~~director in which the vacancy occurs, to fill the remainder of the then remaining term.

Section 5. **Voting and Quorum.** Each member of the Board shall be entitled to one vote. Each ~~trustee~~director may cast only one vote on each matter requiring a vote. A ~~trustee~~director may vote by a duly executed proxy naming another ~~trustee~~director only to act in

~~[15] Amended April 9, 1994~~
~~[16] Amended April 9, 1994~~
~~[17] Amended April 9, 1994~~
~~[18] Amended February 12, 1971~~
~~[19] Amended June 4, 1965~~
~~[20] Amended April 9, 1994~~
~~[21] Amended April 9, 1994~~
~~[22] Amended April 9, 1994~~
~~[23] Amended April 9, 1994~~
~~[24] Amended April 9, 1994~~
~~[25] Amended April 9, 1994~~
~~[26] Amended April 9, 1994~~

the place of the ~~trustee~~director who so executes a proxy. A proxy shall only permit votes by proxy at only one meeting of the Board. There shall be no continuing or irrevocable proxy. ~~[27]~~ A proxy shall not be counted in determining whether a quorum is present and authorized to conduct a meeting. A quorum shall consist of not less than five (5) members of the Board.

Section 6. **Manner of Acting.** The act of the majority of the ~~trustees~~directors present at a meeting at which a quorum is present shall be deemed to be the act of the entire Board, unless the act of a greater number of ~~trustees~~directors is required by law, by the ~~Trust Indenture~~Amended and Restated Articles of Incorporation (the "Articles") or these Bylaws.

Section 7. **Meetings.** There shall be no less than six (6) regular meetings of the Board each year on ~~approximately a monthly basis~~a time as determined by the Board. There shall be a regular Board meeting in the month of September at the call of the President.

Special meetings of the Board shall be held at the call of the President or at the written request of any three (3) or more ~~trustees~~directors addressed to the President. Notice of any special meeting shall be given to all ~~trustees~~directors at least five (5) days before the date of such meeting and shall state the object or objects of such special meeting. No business shall be transacted at special meetings other than the business matters referred to in the notice, unless all members present at such special meeting consent to action on or discussion of additional matters. In the case of special consent action or discussion, such consent shall be entered in the minutes of the meeting which shall indicate by name the ~~trustees~~directors consenting to such matter or matters.~~[28]~~

Section 8. **Compensation.** No ~~trustee~~director shall receive any monetary compensation for serving as a ~~trustee~~director. However, a ~~trustee~~director who simultaneously acts as an officer of the Company ~~[29]~~ may receive monetary compensation for serving as an officer of the Company.

Section 9. **Presumption of Assent.** A ~~trustee~~director who is present at a meeting of the Board at which action on any matter is taken shall be presumed to have assented to all affirmative actions taken by the Board unless the ~~trustee's~~director's dissent or abstention shall be entered in the minutes of the meeting.~~[30]~~

Section 10. **Unanimous Consent without Meeting.** Any action required or permitted by the ~~Trust Indenture~~Articles or these Bylaws or any provision of law to be taken by the Board at a meeting or by resolution may be taken without an actual meeting of the ~~trustees~~directors if consent in writing, setting forth the action so taken, is signed by all ~~trustees~~directors then comprising the Board.~~[31]~~

~~[27] Amended April 9, 1994~~
~~[28] Amended April 9, 1994~~
~~[29] Amended April 9, 1994~~
~~[30] Amended April 9, 1994~~
~~[31] Amended April 9, 1994~~

ARTICLE IV
OFFICERS

Section 1. **Election.** The Board, at the May meeting, shall elect a Chairperson and Vice-Chairperson, each of whom must be a ~~trustee~~director. ~~[32]~~ The Board shall at the same meeting elect a Treasurer and a Secretary ~~[33]~~ who shall hold office for one year or until the election of such person's successor unless earlier removed by death, resignation, or for cause. Neither the Treasurer nor the Secretary or assistants of either may contemporaneously serve as a ~~trustee~~director.~~[34]~~

The President shall be selected and employed as provided in Article V, Section 1 of these Bylaws. ~~[35]~~ The President, by reason of his or her office, shall contemporaneously serve as a ~~trustee~~director so long as he or she shall hold the office of President. The President may appoint one or more Vice Presidents. Vice Presidents may not contemporaneously serve as ~~trustees~~directors.~~[36]~~

Section 2. **Duties.** The officers shall perform those duties normally associated with the comparable office held in a Wisconsin ~~Business~~Nonstock Corporation, more specifically:~~[37]~~

The Chairperson shall be Chairperson of the Board and not an officer of the Company. ~~[38]~~ The Chairperson shall preside over all meetings of the Board and shall call special meetings of the Board.

The Vice-Chairperson likewise shall not be an officer of the Company. ~~[39]~~ The Vice-Chairperson shall perform the duties of the Chairperson in the absence or disability of the Chairperson provided, however, that in case of death, resignation, or disability of the Chairperson, the Board may declare the office vacant and elect his or her successor.

The President, who shall also be the Chief Operating Officer ~~[40]~~ shall perform all acts and duties usually performed by an executive and presiding officer; sign such documents of the Company as may be necessary in the day-to-day administration of the Company and any or all checks, contracts, and other documents and instruments on behalf of the Company; keep a complete record of all meetings of the Board; and shall perform such other duties as may be prescribed by the Board. In case of death, resignation, or disability of the President, the Board may declare the office vacant and elect a successor to serve as President.

The Vice-President, if such office is reasonably deemed necessary or desirable by the President~~[41]~~, shall be appointed by the President and shall perform the duties of the President in

~~[32] Amended April 9, 1994~~
~~[33] Amended April 9, 1994~~
~~[34] Amended April 9, 1994~~
~~[35] Amended April 9, 1994~~
~~[36] Amended April 9, 1994~~
~~[37] Amended April 9, 1994~~
~~[38] Amended April 9, 1994~~
~~[39] Amended April 9, 1994~~
~~[40] Amended April 9, 1994~~
~~[41] Amended April 9, 1994~~

the absence or disability of the President, provided, however, that in case of death, resignation, or disability of the President, the Board may declare the office vacant and elect his or her successor. The Vice-President shall also perform such duties as are customarily performed by such officer of a Wisconsin ~~Business~~Nonstock Corporation.[42]

The Treasurer shall perform such duties with respect to the finances of the Company as are customarily performed by such officer of a Wisconsin ~~Business~~Nonstock Corporation.[43]

If required by the Board, the Treasurer shall post a fidelity bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board shall determine.

The Secretary shall sign such documents pertaining to the Company as he or she may be authorized or directed to sign by the Board; make all reports required by law; perform such other duties as may be required by law and shall perform such duties as may be designated by the Board. The Secretary shall additionally perform such duties with respect to the records of the Company as are customarily performed by such officer of a Wisconsin ~~Business~~Nonstock Corporation.[44]

Upon the election of a successor, the Secretary shall turn over to such successor, all records and other property belonging to the Company that may be in the possession of the Secretary.

Assistant Secretaries and Assistant Treasurers. There shall be such assistant secretaries and assistant treasurers as the Board may from time to time authorize. [45]~~—~~If required by the Board, the assistant treasurers shall post a fidelity bond for the faithful discharge of their duties in such sums and with such sureties as the Board shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the President or the Board.[46]

The Board may provide for the appointment of such additional officers as they, from time to time, deem to be in the best interests of the Company.

ARTICLE V
ADMINISTRATION

Section 1. President. The Board shall employ a President, who shall be the chief operating officer of the Company, to be known as President/Chief Operating Officer. The Board or a committee established by the Board which may consist of members other than ~~trustees~~directors, shall fix the President's compensation and the term of his or her employment as President. The President's compensation and term of office may be prescribed by an Employment Agreement approved by an affirmative vote of the Board.[47]

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[42] ~~Amended April 9, 1994~~
[43] ~~Amended April 9, 1994~~
[44] ~~Amended April 9, 1994~~
[45] ~~Amended April 9, 1994~~
[46] ~~Amended April 9, 1994~~
[47] ~~Amended April 9, 1994~~

The President shall have charge of the day-to-day business and administration of the Company under the direction of the Board. The President's recommendation, advice, and counsel shall be sought on all proposals that reasonably appear ~~[48]~~ to affect the business of the Company before a vote of the Board is taken.

Section 2. **Surety Bonds.** The Board may require the President and all other officers, agents, and employees charged by the Company with the responsibility for the custody of any of its funds or property, to provide a fidelity bond to adequately insure the faithful performance of their official duties. The premium for such bonds shall be paid by the Company. ~~If, however, "~~However, if any ~~trustee~~director shall personally have the handling of the funds of the Company, such ~~trustee~~director shall give a surety bond to said Company in double the amount of any sum for which such ~~trustee~~director shall be responsible at any time~~," pursuant to Article 5 of the Trust Indenture~~. Such bond shall be continued so long as the director be permitted to handle such money and until such time as his or her accounts with the Company shall be adjusted and paid.

Section 3. **Depository.** The Board shall elect one or more banks to act as designated depositories of the Company. The Board shall also decide what person or persons shall be designated as authorized signatories of the Company on resolutions or other documents required to be provided to such bank or banks, including resolutions designating authorized signatories on checks, notes and credit facilities from time to time established for the Company.~~[49]~~

Section 4. **Audits.** The Board shall engage the services of a certified public accounting firm which shall provide an audit of the books and accounts of the Company at least once a year and shall render a report in writing thereon to the Board. Such report shall include at least a balance sheet showing the true assets and liabilities of the Company; an operating statement for the fiscal year under review; and such other supplemental schedules as will reveal the true and accurate record of the complete business operations of the Company for the preceding fiscal year.

ARTICLE VI
PATRONAGE REFUNDS

Section 1. **Eligibility.** As authorized by the Articles, ~~Patronage~~patronage refunds in the amounts determined by the Board shall be paid to students, alumni, faculty members of the University of Wisconsin, Madison, and such other groups (or classes) of persons as may be specifically designated by the Board.

Section 2. **Computation of Refunds.** The Board shall decide annually the amount, if any, of the net earnings to be declared as patronage refunds, as well as the percentage rate which the refund shall be relative to each patron's purchases during the fiscal year's operations. However, the percentage of net sales ~~refunded~~distributed as a patronage refund shall never be greater in amount than the nearest whole percentage figure which the net earnings, after taxes, bear to the total net sales in the preceding fiscal year's operations. Net earnings shall include earnings from the sale of merchandise as well as from rental and other sources of income.

~~[48] Amended April 9, 1994~~
~~[49] Amended April 9, 1994~~

The total purchases of a patron upon which the patronage refunds are based may consist of both cash and credit purchases, provided, however, that credit purchases unpaid forty-five (45) days or more after the purchase date shall not be included in the computation of a patron's total purchases.

Section 3. **Payment of Patronage Refunds.** Patronage refunds shall be paid in cash only. Such refunds shall be paid to patrons who have a minimum aggregate total of ~~$25~~Twenty Five Dollars ($25.00) in purchases as indicated by purchase invoices or receipts that are properly presented by patrons requesting the refunds. Payments of patronage refunds will be made on a year-around basis, *however*, to facilitate ~~refunding~~distributing of merchandise which requires the presentation of purchase invoices or receipts, payments will be discouraged during the week preceding regular classes and the first two weeks of regular classes. This policy shall be applicable to the spring, fall and summer sessions.~~[50]~~

Patronage refunds shall be paid in lieu of any discounts or of a discount policy to defined members or classes of the University Community. Refunds shall be made to Senior students and Graduate students who are completing their residency on the campus ~~[51]~~ on any amount reflected by purchase invoices or receipts properly presented ~~[52]~~ to the ~~**Company**~~Corporation.

ARTICLE VII
FISCAL YEAR

The fiscal year of the Company shall commence the first day of May of each calendar year and shall end the last day of April the following calendar year.~~[53]~~

ARTICLE VIII
AMENDMENTS

These Bylaws may be changed or amended at any time by an affirmative vote of two-thirds of the then members of the Board at any meeting at which notice of a proposed change or amendment in a specific bylaw or bylaws is given at least thirty (30) days prior to such meeting, or by the unanimous action of the then ~~trustees~~directors at any other times, subject to formal approval by the University of Wisconsin Board of Regents.~~[54][55]~~

~~[50] Amended April 9, 1994~~
~~[51] Amended April 9, 1994~~
~~[52] Amended April 9, 1994~~
~~[53] Amended April 9, 1994~~
~~[54] Amended February 12, 1971~~
~~[55] Amended June 4, 1965~~

ARTICLE IX
INDEMNIFICATION OF ~~TRUSTEES~~DIRECTOR , OFFICERS, EMPLOYEES AND AGENTS[56]

Section 1. Definition of Terms.

(a) "~~Trustee~~Director," "Officer," "Employee" and "Agent" means any of the following:

(1) A natural person who is or was a ~~trustee~~director, officer, employee or agent of the Company.

(2) A natural person who, while a ~~trustee~~director, officer, employee or agent of the Company is or was serving at the Company's request as an officer, ~~trustee~~director, member of any governing or decision-making committee, employee or agent of another corporation or foreign corporation, partnership, joint venture, trust or other enterprise.

(3) A natural person who, while a ~~trustee~~director, officer, employee or agent of the Company is or was serving an employee benefit plan because his or her duties to the Company.

(4) Unless the context requires otherwise, the estate or personal representative of a ~~trustee~~director, officer, employee or agent.

(b) "Expenses" include fees, costs, charges, disbursements, attorneys' fees and any other expenses reasonably incurred in connection with a proceeding.

(c) "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including any excise tax assessed with respect to an employee benefit plan, and reasonable expenses.

(d) "Party" means a natural person who was or is threatened to be made, a named defendant or respondent in a proceeding.

(e) "Proceeding" means any threatened, pending or completed civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the **Company** or by any other person.

Section 2. Mandatory Indemnification for ~~Trustees~~Director and Officers.

(a) The Company shall indemnify a ~~trustee~~director or officer to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses of the proceeding if the ~~trustee~~director or officer was a party because he or she was a ~~trustee~~director of officer of the Company.

[56] ~~The entirety of Article IX was added by amendment approved April 9, 1994~~

(b) (1) In cases not included under Section 2(a) above, the Company shall indemnify a ~~trustee~~director or officer against liability incurred by the ~~trustee~~director or officer in a proceeding to which the ~~trustee~~director or officer was a party because he or she was a ~~trustee~~director or officer of the Company, unless liability was incurred because the ~~trustee~~director or officer breached or failed to perform a duty he or she owed to the Company and the breach or failure to perform constitutes any of the following:

a. A willful failure to deal fairly with the Company in connection with a matter in which the ~~trustee~~director or officer has a material conflict of interest.

b. A violation of criminal law, unless the ~~trustee~~director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful.

c. A transaction from which the ~~trustee~~director or officer derived an improper personal profit.

d. Willful misconduct.

(2) Determination of whether indemnification is required under this Section 2(b) shall be made pursuant to the procedures provided for in Section 6 of this Article.

(3) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification is not required under these Bylaws.

(c) A ~~trustee~~director or officer who seeks indemnification under these Bylaws shall make a written request to the Company.

(d) Indemnification under these Bylaws is not required to the extent the ~~trustee~~director or officer has previously received indemnification or allowance of expenses from any person, including the Company, in connection with the same proceeding.

Section 3. **Allowance of Expenses as Incurred.** Upon written request by a ~~trustee~~director or officer who is a party to a proceeding, the Company may pay or reimburse his or her reasonable expenses as incurred, if the ~~trustee~~director or officer provides the Company with all of the following:

(a) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Company.

(b) A written undertaking, executed personally or on his or her behalf, to repay the allowance and, if required by the Company, to pay reasonable interest on the allowance to the extent it is ultimately determined that indemnification is not required by these Bylaws and that indemnification is not ordered by a court under applicable Wisconsin Statutes. The undertaking under this subsection shall be an unlimited general obligation of the ~~trustee~~director or officer and may be accepted without reference to his or her ability to repay the allowance. The Company may, however, require the ~~trustee~~director or officer to secure the undertaking in any reasonable manner.

Section 4. **Mandatory Indemnification of Employees.** The Company shall indemnify an employee who is not or was not a ~~trustee~~director or officer of the Company, to the extent he or she has been successful on the merits or otherwise in defense of a proceeding, and to the extent required by applicable provisions of the Wisconsin ~~Business corporation~~Nonstock Corporation Law, for all reasonable expenses incurred in the proceeding, if the employee was a party because he or she was an employee of the Company. Indemnification is not required under this subsection to the extent the Employee has previously received indemnification or allowance of expenses from any person, including the Company, in connection with the same proceeding.

Section 5. **Optional Indemnification and Allowance of Expenses for Employees and Agents**.

(a) The Board may from time to time, by resolution, authorize the Company to indemnify and allow payment of reasonable expenses of employees and agents of the Company. The indemnification and allowance of expenses for employees and agents shall be in accordance with the standards and procedures contained in Sections 2, 3 and 6 of this Article.

(b) The resolution of the Board authorizing indemnification of employees and agents may be specific as to particular employees and agents or may be general as to all employees and agents.

(c) The resolution of the Board may authorize the Company to enter into written contracts with an employee or agent providing for indemnification and the allowance of expenses as provided for in these Bylaws.

Section 6. **Determination of Right to Indemnification.** Except for court ordered indemnification of ~~trustees~~directors and officers under provisions of the Wisconsin ~~Business~~Nonstock Corporation Law, the right of a ~~trustee~~director, officer, employee or agent to indemnification under Sections 2(b) or 4 of this Article shall be determined by one of the three methods set forth below. The determination of which method will be used shall be by an affirmative vote of a majority of the Board.

(a) By majority vote of a quorum of the Board consisting of those ~~trustees~~directors not at the time parties to the same or related proceedings. If a quorum of disinterested ~~Trustees~~directors cannot be obtained, then by majority vote of a committee duly appointed by the Board and consisting solely of two (2) or more

~~Trustees~~directors not at the time parties to the same or related proceedings. ~~Trustees~~Directors who are parties to the same or related proceedings may, however, participate in the designation of members of the committee.

(b) By independent legal counsel selected by a quorum of the Board or its committee in the manner prescribed in Section 6(b), above, to select independent legal counsel, one (1) arbitrator selected by the person seeking indemnification and one (1) arbitrator selected by the arbitrators previously selected.

Section 7. Insurance. The Company may purchase and maintain insurance on behalf of an individual who is a ~~trustee~~director, officer, employee or agent of the Company against liability asserted against and incurred by the individual in his or her capacity as a ~~trustee~~director, officer, employee or agent or arising from his or her status as a ~~trustee~~director, officer, employee or agent regardless of whether the Company is required or authorized to indemnify or allow expenses to the individual against the same liability under these Bylaws or applicable Wisconsin Statutes.

Section 8. Miscellaneous.

(a) The Board, by resolution, may authorize rights to indemnification and payment of expenses for ~~trustees~~director , officers, employees and agents, which are in addition to those provided for in Sections 2, 4 and 5 of this Article, provided that such authorization is determined by the Company's legal counsel to be permissible under Section ~~180.0858~~181.0877 of the Wisconsin Statutes.

(b) It is acknowledged that a ~~trustee~~director or officer of the Company has the right under Sections ~~180.0855~~181.0873(5) and ~~180.0854~~181.0879 of the Wisconsin Statutes to apply to a court of competent jurisdiction for a judicial determination of the right of a ~~trustee~~director or officer to be indemnified by the Company.

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Summary Report: **Litéra® Change-Pro TDC 7.0.0.360 Document Comparison done on 1/30/2014 11:30:00 AM**	
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Original DMS:iw://imanage/MBF/7439645/2	
Modified DMS: iw://imanage/MBF/14047668/2	
Changes:	
Add	187
~~Delete~~	348
~~Move From~~	1
Move To	1
Table Insert	0
~~Table Delete~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format Changes	0
Total Changes:	537

UW SYSTEM TRUST FUNDS
ANNUAL ENDOWMENT PEER BENCHMARKING REPORT

EXECUTIVE SUMMARY

BACKGROUND

The National Association of College and University Business Officers (NACUBO) and the Commonfund jointly conduct a detailed annual survey of college and university endowments (the "NCSE") as of fiscal years ending June 30. This survey gathers data on investment and spending policies and practices, investment performance and fees, staffing, and other measures. The survey provides overall averages, as well as statistics for endowments by different size-categories. Also, Penn State University conducts a more limited annual survey of Big Ten and other peer endowments. With the data from these two surveys, UW Trust Funds compiles its "Annual Endowment Peer Benchmarking Report," which compares data and characteristics for the UW Trust Funds endowment versus those of various peer groups. The report for fiscal year 2013 is attached.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

Key observations from the 2013 peer benchmarking report include the following:

1) The asset allocation of the UW Trust Funds endowment at June 30, 2013 was overweight to equities (particularly non-U.S.) and underweight to "alternative" asset classes (particularly in hedge funds, real estate, and natural resources), other than private capital, versus most peer groups.

2) The annualized investment return for the UW Trust Funds endowment (i.e., the Long Term Fund) underperformed the average performance for the "all institution" NCSE peer group for the most recent 1-year period, essentially equaled the average over the 3-year period, but outperformed over the 5- and 10-year periods ended June 30, 2013.

3) While for the 1-, 3-, and 5-year periods, UW Trust Funds' endowment return placed it in the third, second, and second quartiles, respectively, for the 10-year period, top quartile performance was achieved within the NCSE "all institution" peer group. Within the Penn State Survey peer group, top quartile performance was achieved in both 5- and 10-year periods.

4) Growth from new endowment gifts was below average: \$3.1 million versus \$6.0 million for the NCSE \$100-\$500 million peer group.

5) UW's policy spending rate of 4.0 percent was below the "all institution" average rate of 4.7 percent.

6) While UW Trust Funds had no “underwater” endowments, 55 percent of reporting institutions in the NCSE did, with on average 3.1 percent of their endowments “underwater.”

7) Long-term investment return objectives are in line with peer group numbers.

8) Investment staffing is in line with the average for similar-sized endowments.

9) UW Trust Funds does not use an investment consultant, while most peer institutions do.

10) UW Trust Funds employs fewer investment firms than do peers.

11) UW Trust Funds applies “some form of social investing policy” for its portfolio holdings, as does roughly only one-fifth of the “all institution” NCSE group.

RELATED REGENT POLICIES

None.

UNIVERSITY OF WISCONSIN SYSTEM
TRUST FUNDS

Annual Endowment Peer Benchmarking Report
Year Ended June 30, 2013

INTRODUCTION

- The Annual Endowment Peer Benchmarking Report utilizes two informational sources: 1) the 2013 NACUBO–Commonfund Study of Endowments (NCSE); and 2) the informal "Peer Benchmark Survey" conducted by Penn State University (hereafter referred to as the Penn State Survey).

- The NCSE is an annual survey of college and university endowments which reports data on investment and spending policies and practices, investment performance and fees, staffing, and other measures. The 2013 study included 533 private and 302 public institutions with an average endowment size of $537 million.

- The 2013 Penn State Survey reports data from 19 university endowments including 14 from Big Ten institutions and 5 from other "peer" universities. The survey contains data on investment performance, asset allocation, and spending policies. The institutions included had an average endowment size of $1.8 billion. The Penn State Survey data is presented wherever possible, as this information represents a distinct subset of the larger population.

- The data presented in the report that follows falls into the following categories:

    1. Asset Allocation
    2. Investment Performance
    3. Cost of Managing Investment Programs
    4. Investment Management Practices
    5. New Gifts to Endowment
    6. Spending Policies
    7. Investment Return Objectives
    8. Underwater Funds
    9. Resources, Management, and Governance
    10. Socially Responsible Investing Practices

UW SYSTEM TRUST FUNDS
Annual Endowment Peer Benchmarking Report
Fiscal Year Ended June 30, 2013

SUMMARY DATA

	NCSE Study	**Penn State Survey**
Number of Institutions Reporting – Total	835	19
Number of Institutions Reporting – Public	302	14
Number of Institutions Reporting – Private	533	5
Largest Endowment – Public	$20.5 billion[1]	$3.5 billion[3]
Largest Endowment – Private	$32.3 billion[2]	$6.7 billion[4]
Average Endowment Size	$537.0 million	$1.8 billion
Participating UW Institutions	UW System Trust Funds	UW System Trust Funds
	UW-Madison Foundation	UW-Madison Foundation
	UW-Eau Claire Foundation	
	UW-Oshkosh Foundation	
UW System Trust Funds Endowment	***$352 million***	

[1] *University of Texas System*
[2] *Harvard University*
[3] *University of North Carolina*
[4] *University of Chicago*

UW SYSTEM TRUST FUNDS
Annual Endowment Peer Benchmarking Report
Fiscal Year Ended June 30, 2013

ASSET ALLOCATION

Asset Class	***UW Trust Funds***[1]	NCSE All Pools[2]	NCSE $100-$500MM	NCSE >$1B	Penn State Survey[3]
Equities (sub-total)	***56%***	**49%**	**47%**	**34%**	**36%**
U.S. Equities	*25%*	31%	28%	16%	21%
Non-U.S. Equities	*31%*	18%	19%	18%	15%
Developed	*22%*	11%	14%	10%	10%
Emerging	*9%*	7%	5%	8%	5%
Fixed Income	***20%***	**18%**	**15%**	**10%**	**12%**
Alternatives (sub-total)	***23%***	**28%**	**32%**	**52%**	**47%**
Private Capital[4]	*12%*	6%	7%	17%	17%
Hedge Funds[5]	*9%*	13%	16%	20%	19%
Real Estate[6]	*0%*	3%	3%	6%	6%
Natural Resources[7]	*2%*	4%	4%	7%	5%
Other Alternatives	*2%*	2%	2%	2%	5%
Cash/Other	***1%***	**5%**	**6%**	**4%**	**5%**
TOTAL	*100%*	100%	100%	100%	100%

[1] It should be noted that UW Trust Funds employs a "global tactical asset allocation" strategy for a significant portion of the endowment fund, which involves tactical shifts in asset allocation. The numbers provided here, however, are allocations only as of the fiscal year-end.
[2] All NCSE figures represent equal-weighted averages.
[3] Penn State Survey figures represent equal-weighted averages.
[4] Category consists primarily of venture capital and other private equity.
[5] Category consists primarily of unregulated private investment partnerships investing in mostly marketable securities, but employing strategies (long/short, convertible arbitrage, leverage, etc.) designed to provide for more absolute returns with low correlation to the markets.
[6] Category includes both public and private real estate.
[7] Category includes timber, oil and gas partnerships, commodities, and managed futures.

ASSET ALLOCATION

Asset Allocation Approach for Portfolio Construction

	UW Trust Funds	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Functional classifications (or factors) used in portfolio construction:[1]				
Growth assets	***Yes***	94%	94%	93%
Risk reduction (long/short, fixed income)	***Yes***	93%	95%	96%
Inflation protection (real assets, TIPS)	***Yes***	87%	92%	93%
Opportunistic	***Yes***	59%	64%	80%
Liquidity	***Yes***	69%	71%	80%
Duration	***No***	50%	51%	52%
Other	***No***	5%	6%	7%

[1] *Multiple responses were allowed.*

ASSET ALLOCATION

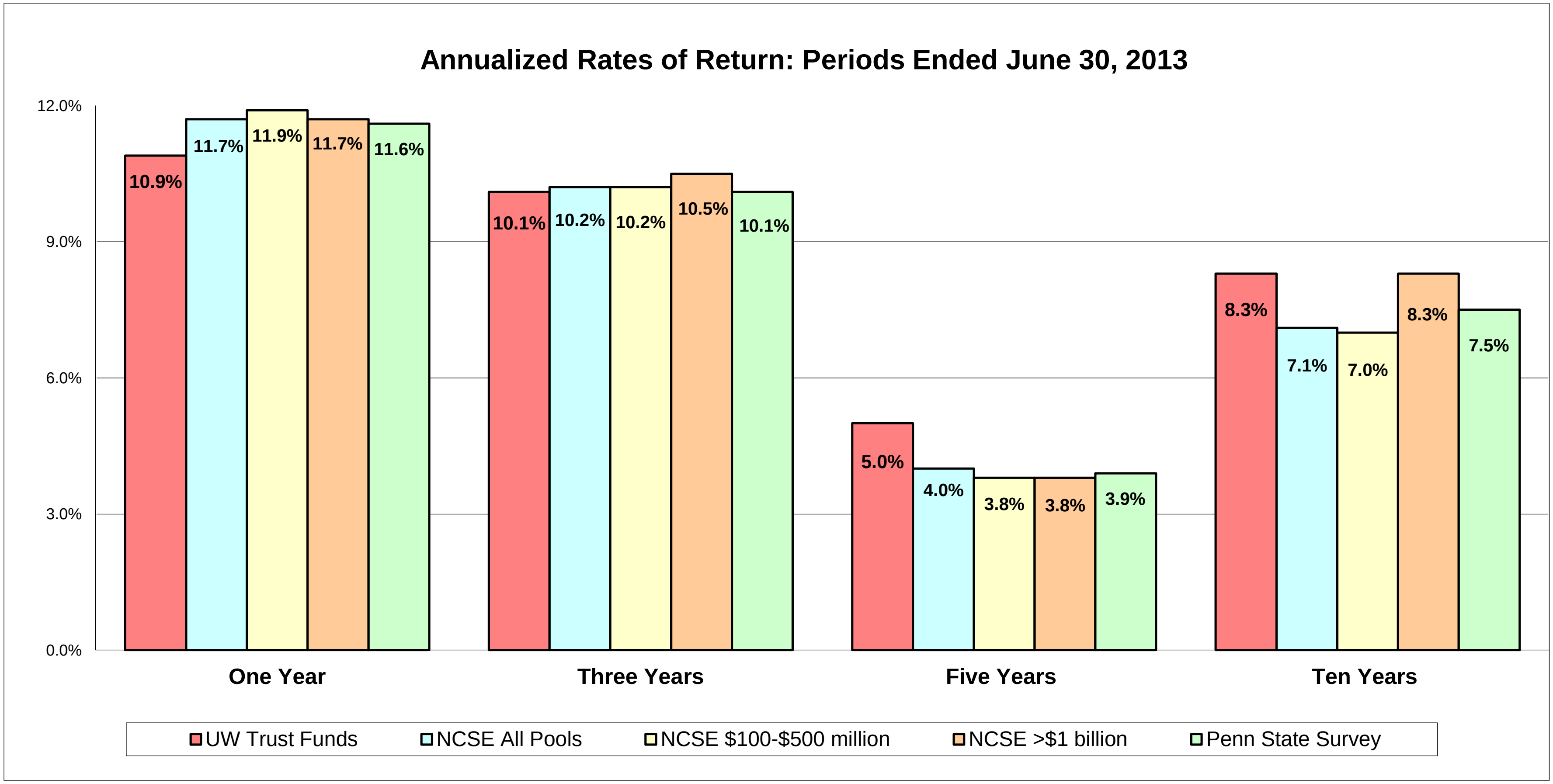
Percent Allocated to Liquidity Categories in Fiscal Year 2013[1]

Liquidity Category	***UW Trust Funds***	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Daily	***57%***	49%	46%	25%
Monthly	***29%***	17%	18%	13%
Quarterly	***0%***	10%	11%	13%
Semi-annually	***0%***	1%	2%	3%
Annually	***0%***	6%	7%	8%
Illiquid (> 365 days)	***14%***	15%	15%	34%
Other	***0%***	2%	1%	4%

[1] *Responses shown here are only for those institutions (610) that reported they use such liquidity classifications.*

UW SYSTEM TRUST FUNDS
Annual Endowment Peer Benchmarking Report
Fiscal Year Ended June 30, 2013

INVESTMENT PERFORMANCE



UW SYSTEM TRUST FUNDS
Annual Endowment Peer Benchmarking Report
Fiscal Year Ended June 30, 2013

INVESTMENT PERFORMANCE

Range of Returns: NCSE All Pools

	1 Year	3 Year	5 Year	10 Year
25th Percentile Average[1]	14.7%	11.7%	5.2%	7.5%
Average	11.7%	10.2%	4.0%	7.1%
UW Trust Funds Return	***10.9%***	***10.1%***	***5.0%***	***8.3%***
UW Trust Funds Rank	***3rd Quartile***	***3rd Quartile***	***2nd Quartile***	***1st Quartile***

[1] These NCSE figures represent the average values of investment returns of those endowments whose returns were in the top 25% of all endowments.

Range of Returns: Penn State Survey[1]

	1 Year	3 Year	5 Year	10 Year
25th Percentile[2]	12.5%	11.0%	4.8%	8.1%
Median	11.7%	10.7%	4.1%	7.5%
75th Percentile[2]	10.9%	9.4%	3.1%	6.8%
UW Trust Funds Return	***10.9%***	***10.1%***	***5.0%***	***8.3%***
UW Trust Funds Rank	***3rd Quartile***	***3rd Quartile***	***1st Quartile***	***1st Quartile***

[1] Note that for the Penn State Survey cohort, the average endowment size is $1.8 billion, the median endowment size is $1.6 billion, and the UW Trust Funds endowment is the 3rd smallest reporting organization among the 19 represented here.
[2] These Penn State Survey figures represent the "cut-off" investment returns for the 25th and 75th percentile groups.

COST OF MANAGING INVESTMENT PROGRAMS[1]

	UW Trust Funds[2]	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Average cost ($ thousands)	**$2,618**	$1,707	$1,395	$15,130
Average cost (basis points)	**77**	64	70	74
Median cost (basis points)	**N/A**	52	58	50

[1] Figures represent dollar-weighted averages. Caution must be used in interpreting these figures as the survey data suggests responding institutions experienced difficulties in accurately calculating fees, and reported fees are likely not on an "apples-to-apples" basis.
[2] UW Trust Funds fees include only asset management and mutual fund expenses; most (86%) of reporting institutions included these fees and some included other fees (e.g., 55% included "direct expenses", 66% included "consultant fees", 20% included "internal staff").

INVESTMENT MANAGEMENT PRACTICES[1]

Active, Passive, Extended Markets

Asset Class/Strategy	***UW Trust Funds***	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
U.S. Equities				
Active	***81%***	73%	71%	74%
Passive/Enhanced Index	***19%***	27%	29%	26%
Non-U.S. Equities				
Active (EAFE)	***71%***	50%	59%	46%
Passive (EAFE)	***0%***	12%	13%	12%
Emerging Markets	***29%***	38%	28%	42%
Fixed Income				
Active	***15%***	66%	64%	67%
Passive	***46%***	11%	14%	9%
U.S. High Yield	***36%***	8%	7%	9%
Non-U.S.-Developed	***0%***	12%	11%	12%
Emerging Markets	***3%***	3%	4%	3%

[1] *Figures represent dollar-weighted averages.*

INVESTMENT MANAGEMENT PRACTICES

Portfolio Rebalancing Practices[1]

Rebalancing Frequency	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Calendar-based			
Annually	9%	9%	3%
Semi-annually	4%	4%	4%
Quarterly	26%	28%	9%
Monthly	8%	7%	12%
Other	2%	1%	5%
Market value-based			
Target- and range-based	90%	92%	83%
Response to major cash flows	35%	35%	25%
Other	1%	0%	2%
UW Trust Funds	***Review quarterly; target- and range-based***		

[1] *Multiple responses were allowed.*

NEW GIFTS TO ENDOWMENT

	NCSE All Pools	NCSE \$100-\$500 million	NCSE >\$1 billion
Average gifts (\$ millions)	\$9.4	\$6.0	\$58.6
Median gifts (\$ millions)	\$2.3	\$4.1	\$40.1
UW Trust Funds	***\$3.1 million***		

SPENDING POLICIES

Spending Methodology[1]

	NCSE All Pools	NCSE \$100-\$500MM	NCSE >\$1B	Penn State Survey
Percent of a moving average	77.0%	78.0%	60.0%	81.0%
Average percentage used	4.7%	4.7%	4.7%	4.5%
Decide on an appropriate rate each year	12.0%	11.0%	10.0%	0.0%
Spend a pre-specified percentage of beginning market value	3.0%	3.0%	1.0%	0.0%
Weighted average or hybrid method	7.0%	10.0%	13.0%	0.0%
Last year's spending plus inflation	5.0%	6.0%	15.0%	11.0%
Spend all current income	3.0%	2.0%	4.0%	0.0%
Grow distribution at a predetermined inflation rate	0.0%	0.0%	1.0%	0.0%
Other	7.0%	5.0%	11.0%	28.0%
UW Trust Funds	***4% of moving 12-quarter average***			

[1] *Multiple responses were allowed.*

SPENDING POLICIES

Average Annual Effective Spending Rates[1]

NCSE All Pools	4.4%
NCSE \$100-\$500 million	4.4%
NCSE >\$1 billion	4.8%
UW Trust Funds	***4.0%***

[1] Average annual effective spending rates are computed by dividing endowment dollars distributed for spending by the beginning endowment market value. Figures represent equal-weighted averages.

Changes to Effective Spending Rates

	NCSE All Pools	NCSE \$100-\$500MM	NCSE >\$1B
Increased spending rate	51%	56%	64%
Average percentage increase	0.7%	0.6%	0.3%
Decreased spending rate	25%	26%	27%
Average percentage decrease	0.6%	0.6%	0.3%
No change	16%	13%	5%
No answer/uncertain	8%	5%	4%
UW Trust Funds	***No change***		

INVESTMENT RETURN OBJECTIVES

	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Have return objectives	72.0%	76.0%	61.0%
Less than 5%	1.0%	1.0%	0.0%
5.0%-5.9%	9.0%	8.0%	6.0%
6.0%-6.9%	7.0%	9.0%	5.0%
7.0%-7.9%	17.0%	21.0%	12.0%
8.0%-8.9%	30.0%	31.0%	30.0%
9.0% and over	7.0%	7.0%	7.0%
Do not have return objectives	13.0%	13.0%	12.0%
No answer/uncertain	15.0%	11.0%	27.0%
Average return objective	7.4%	7.4%	7.7%
Median return objective	8.0%	7.9%	8.0%
UW Trust Funds	***7.5% - 8.5%***		

UNDERWATER FUNDS[1]

	Percent of Endowment Underwater[2]
NCSE All Pools	3.1%
NCSE $100-$500 million	2.9%
NCSE >$1 billion	5.5%
UW Trust Funds	***0.0%***

[1] "Underwater funds" represent individual endowment accounts whose market values are below their "historic dollar value" (i.e., the original value of the gift).
[2] The figures are only for those institutions which reported having "underwater funds." Fifty-five percent of the survey institutions reported having "underwater funds."

RESOURCES, MANAGEMENT AND GOVERNANCE

Committee Size and Investment Staffing

	Average Number of Committee Members	Average Investment Staffing
NCSE All Pools	8.0	1.6
NCSE $100-$500 million	8.4	1.0
NCSE >$1 billion	9.2	9.7
UW Trust Funds	***8***	***1.5***

Consultant Use[1]

	UW Trust Funds	NCSE All Pools	NCSE $100-$500 mm	NCSE > $1 billion
Consultant Used	***No***	85%	95%	82%
Consultant Services Used				
Asset allocation/rebalancing		84%	89%	46%
Manager selection		83%	92%	43%
Policy review		77%	81%	40%
Performance attribution and measurement		85%	94%	52%
Outsourced investment management		39%	34%	10%

[1] *Multiple responses were allowed.*

RESOURCES, MANAGEMENT AND GOVERNANCE

Responsible for Ongoing Investment Manager Due Diligence[1]

	UW Trust Funds	NCSE All Pools	NCSE $100-$500 mm	NCSE > $1 billion
Board	***No***	16%	15%	0%
Investment or finance committee	***No***	62%	64%	12%
Dedicated internal staff	***Yes***	40%	44%	79%
Consultant	***No***	61%	78%	36%
Outsourced investment manager	***No***	6%	8%	4%

[1] *Multiple responses were allowed.*

Ongoing Investment Manager Due Diligence Employed[1]

	UW Trust Funds	NCSE All Pools	NCSE $100-$500 mm	NCSE > $1 billion
On site manager visits at my institution	***Yes***	61%	61%	82%
On site manager visits at their office	***Yes***	49%	58%	84%
Telephone conference calls with managers	***Yes***	71%	79%	85%
Quantitative attribution analysis of manager performance	***Yes***	56%	62%	77%
Position-based risk analysis	***Yes***	32%	32%	52%
Peer group comparisons	***Yes***	58%	62%	74%
Annual due diligence questionnaire updates	***Yes***	28%	37%	44%
Third party evaluation of managers	***No***	41%	44%	40%
Other	***No***	8%	11%	4%

[1] *Multiple responses were allowed.*

RESOURCES, MANAGEMENT AND GOVERNANCE

Average Number of Separate Investment Firms Used by Asset Class

	UW Trust Funds	NCSE All Pools	NCSE $100-$500 mm	NCSE > $1 billion
U.S. Equities	***3***	3.9	4.5	6.6
Non-U.S. Equities	***2***	3.5	3.8	9.1
Fixed Income	***3***	2.7	3.1	3.5
Alternative Strategies – Direct	***1***	13.8	9.5	79.4
Alternative Strategies – Fund of Funds	***3***	3.0	4.4	3.8

SOCIALLY RESPONSIBLE INVESTING PRACTICES

Percent with Some Form of Social Investing Policy

NCSE All Pools	18%
UW Trust Funds	***Yes***[1]

[1] UW Trust Funds are subject to various Regent Policies dealing with SRI, actively votes SRI-related proxies, solicits student and public comment on social issues, and may take ad hoc actions on social responsibility issues.

Criteria Considered in Policy[1]

	UW Trust Funds	NCSE All Pools	NCSE \$100-\$500MM	NCSE >\$1B
Environmental	***Yes***	7%	7%	9%
Social	***Yes***	16%	19%	20%
Governance	***Yes***	5%	5%	7%
Other	**-**	3%	5%	2%
None	**-**	71%	68%	56%
No answer	**-**	11%	9%	22%

[1] Multiple responses were allowed.

SOCIALLY RESPONSIBLE INVESTING PRACTICES

Percent that Vote Proxies Consistent with Social Investing Policy[1]

	UW Trust Funds	NCSE All Pools	NCSE $100-$500MM	NCSE >$1B
Yes	***Yes***	48%	55%	50%
No	**-**	14%	15%	17%
No answer	**-**	38%	32%	33%

[1] Numbers are percentages of only those institutions reporting some form of social investment policy.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the voting of the non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment, and the adoption of a new pre-approved issue, "Report/Act on Sandy Hook Principles."

UW SYSTEM TRUST FUNDS
VOTING OF 2014 NON-ROUTINE PROXY PROPOSALS

EXECUTIVE SUMMARY

BACKGROUND

Regent Policy 31-10 contains the proxy voting policy for UW System Trust Funds. Non-routine shareholder proposals, particularly those dealing with "social responsibility issues" (e.g., the environment, discrimination, or substantial social injury), are to be reviewed with the Business and Finance Committee so as to develop a voting position.

REQUESTED ACTION

Approval of Resolution I.2.g.

DISCUSSION AND RECOMMENDATIONS

The dominant social issues for the 2014 season are the following: corporate political contributions and lobbying, the environment and "sustainability," and human rights issues. For most of the proxies related to these dominant issues, the Trust Funds' investment managers will be directed to vote in the affirmative, as they fall under the 26 social issues or themes that the Business and Finance Committee has already approved for active voting.

The full report on shareholder proposals for the 2014 proxy season is attached. The report includes summaries of all pre-approved issues, as well as discussion of any new issues.

RELATED REGENT POLICIES

Regent Policy 31-10: Proxy Voting
Regent Policy 31-13: Social Responsibility and Investment Considerations

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Shareholder Proposals and Recommended Votes for 2014 Proxy Season

Background

This annually-provided report is intended to highlight significant "non-routine" proposals, from shareholders or management, which will be voted on by shareholders during the 2014 proxy season. Regent Policy 31-10, "Proxy Voting," stipulates that significant non-routine issues are to be reviewed by the Business and Finance Committee so as to develop a voting position on them. Non-routine issues are defined as the following: acquisitions and mergers; amendments to corporate charters or by-laws which might affect shareholder rights; shareholder proposals opposed by management; and "social responsibility" issues dealing with the environment, discrimination, or substantial social injury (issues addressed under Regent Policy 31-13).

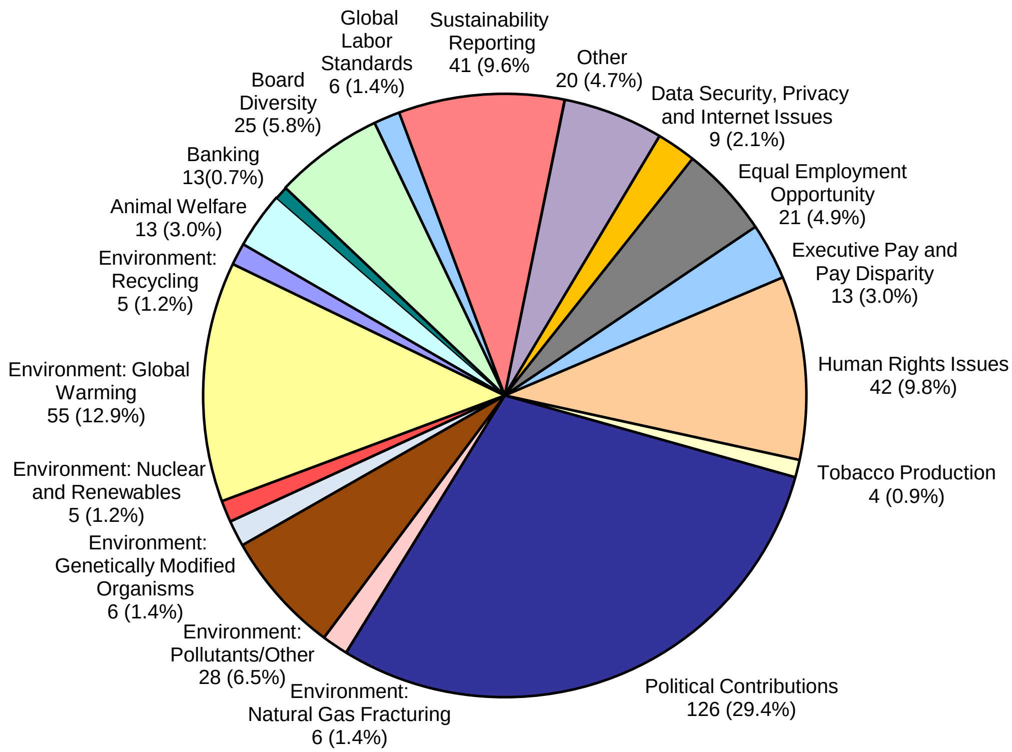
The majority of significant non-routine proposals are those dealing with social responsibility issues and corporate governance-related proposals which are often opposed by management. To the extent possible, similar shareholder proposals are grouped into identifiable "issues." Generally, it will be these issues (covering similar or identical proposals at various companies) that are reviewed and potentially approved for support by the Committee. On occasion, individual, company-specific proposals not falling under a broad "issue" will also be presented.

UW Trust Funds subscribes to the Institutional Shareholder Services (ISS) for proxy research and voting data. The data and statistics included in this report have been provided by ISS. All proxy resolutions are individually reviewed by Trust Funds staff, including the actual company proxy statements.

The 2014 Proxy Environment

As of early March, shareholders concerned with companies' management of social and environmental issues have filed an all-time high number of proposals (approximately 428) for the annual meetings of U.S. firms in 2014. By comparison, 396 proposals were filed in all of 2013. The dominant social issues for the 2014 season are the following: corporate political contributions and lobbying, the environment and "sustainability," and human rights issues. The following chart depicts the 2014 proxy proposals by major category, in terms of both the number of proposals by category and the percentage of all proposals.

Pending 2014 Social Issue Resolutions



For the third straight year, political contributions, along with a continuing campaign on the disclosure of spending for corporate lobbying, represented the largest single category of social issue proposals. So far in 2014, 126 proposals relating to political contributions have been filed, versus 123 in all of 2013. The majority of these resolutions included requests for disclosure of lobbying expenditures in addition to political contributions. The proposals in this category generally ask the target company to prepare an annual report disclosing “a listing of political contributions (both direct and indirect, including payments to trade associations) and payments used for lobbying, including the amount of the payment and the recipient. In addition, the report should include company policy, procedures, and the decision-making process governing political expenses and lobbying.

The diverse environmental category (shown in the chart under “Global Warming,” “Nuclear/Renewables,” “Natural Gas Fracturing,” “Pollutants/Other” and “Genetically Modified Organisms”) included 105 proposals, an all-time high for the category. Resolutions on global warming are up substantially with 55 proposals so far this year as compared to just 17 proposals in both 2012 and 2013. This significant re-engagement of investors concerned about global warming has apparently been spurred by recent studies finding that in order to keep climate change at “manageable” levels, the majority of fossil fuel reserves would have to be left unburned.

Other top categories for 2014 include human rights issues and sustainability reporting. The human rights category, which was down to just 16 proposals two years ago, included 42 resolutions this year which address a broad range of concerns including company- and industry-specific proposals. The sustainability reporting category accounted for 41 proposals.

Noteworthy for the 2014 proxy season are the number of resolutions filed on data privacy and security. Nine resolutions have been proposed so far in 2014. The rise of this issue can likely be attributed to public awareness following Edward Snowden's disclosure of surveillance by the National Security Agency, as well as recent security breaches of personal information at U.S. retailers. These proposals generally ask companies to report on board oversight of privacy and data security.

Also noteworthy this year, are three proposals relating to the "Sandy Hook Principles." The objective of the Sandy Hook Principles is to "influence the corporate behavior of gun and ammunition manufacturers, distributors, and retailers by establishing a baseline for responsible conduct." The Principles ask for action towards eliminating inadequately regulated firearm use and list twenty principle statements, such as requiring universal firearm background checks which can be shared by all federal agencies. The resolutions generally ask companies to report on the Sandy Hook Principles.

The Trust Funds proxy voting list may change as more resolutions are filed or come to light. Moreover, some proponents are likely to withdraw their resolutions if the companies agree to some or all of their requests, and other resolutions will be omitted if the Securities and Exchange Commission finds them to be in violation of its shareholder proposal rules.

Specific New Issues for 2014

A new shareholder campaign for 2014 relates to the "Sandy Hook Principles" as mentioned above. The Sandy Hook Principles are modeled after the Global Sullivan Principles and were introduced by Philadelphia Mayor Michael Nutter in 2013. The Sandy Hook Principles include 20 principle statements whose application the authors and supporters believe "will improve the health, safety, and well-being of communities." The principles include promoting automation of records and databases, requirement of universal firearm background checks which can be shared by all federal agencies, and development of technology-enhanced gun safety measures. A typical proposal in this campaign asks the company to report on the Sandy Hook Principles, including a list and summary of correspondence for all companies engaged in the policy.

For 2014, "Sandy Hook Principle" proposals have been presented at three companies: Amazon, Wal-Mart, and Allied Techsystems. Amazon stock is currently held directly by UW Trust Funds. However, the Amazon proxy proposal was withdrawn by the sponsors upon the company's insistence through the SEC that the sponsors be allowed to submit only one proposal (the same sponsors also submitted the "report on political contributions" proposal, which they elected to give priority to.) Nevertheless, as it is likely that similar shareholder proposals will be presented to large U.S. companies in the future, we recommend the adoption now of a new pre-approved issue, "Report/Act on Sandy Hook Principles."

Issues Previously Approved

Given below is a list of those issues that the Business and Finance Committee has previously approved for support (i.e., voting in the affirmative). A brief re-cap of each of these issues then follows. Any company-specific proposals not falling under a pre-approved issue are given in the voting detail attachment.

PREVIOUSLY APPROVED ISSUES

Issue	Issue	Recommended Vote	Related Regent Policy
1	Report on/implement pharmaceutical policy/pricing	FOR	31-13
2	Report on/label genetically modified organisms (GMOs)	FOR	31-13
3	Shareholder approval for future golden parachutes	FOR	Non-routine corp. governance
4	Redeem or vote on poison pill	FOR	Non-routine corp. governance
5	Report on/implement recycling development programs	FOR	31-13
6	No consulting by auditors	FOR	Non-routine corp. governance
7	Endorse core ILO principles	FOR	31-13
8	Predatory lending prevention	FOR	31-13
9	Report on executive compensation as related to performance and social issues	FOR	31-13 and corp. governance
10	Report on global warming	FOR	31-13
11	Report on international lending policies	FOR	31-13
12	Global labor standards	FOR	31-13
13	Endorse CERES principles	FOR	31-13
14	Report on EEO	FOR	31-13
15	Increase and report on board diversity	FOR	31-13
16	Implement MacBride Principles	FOR	31-13
17	Adopt sexual orientation non-	FOR	31-13

	discrimination policy		
18	Report on health pandemic in Africa	FOR	31-13
19	Sustainability reporting	FOR	31-5, 31-13
20	Review animal welfare methods	FOR	31-13
21	Report on political contributions	FOR	31-13
22	Report on product toxicity	FOR	31-5, 31-13
23	Report on internet privacy	FOR	31-13
24	Adopt Eurodad Charter on responsible lending	FOR	31-13
25	Adopt health care reform principles	FOR	31-13
26	Report/act on environmental impact of various practices	FOR	31-5, 31-13

1. Pharmaceutical Policies

Proposals to drug companies on the affordability of AIDS, tuberculosis, and malaria drugs in poor countries began over a decade ago. The resolutions ask the companies to "develop and implement a policy to provide pharmaceuticals for the prevention and treatment" of the three diseases “in ways that the majority of infected persons in poor nations can afford." Although proposals asking for reporting on the investigation, analysis and development of policies or programs to provide "affordable" drugs in Africa and other underdeveloped, pandemic-stricken areas should likely be universally supported, proposals requiring implementation of such policies or programs should be individually reviewed. There are no resolutions in this category thus far in the 2014 proxy season.

2. Genetically Modified Organisms (GMOs)

Food manufacturers are not required to label products made with bioengineered ingredients, and as a result many U.S. consumers may not be aware that they are eating foods made from GMOs. GMO developers, many farmers and the U.S. government all say that bioengineered plants are safe, but critics worry that the plants may threaten the environment, harm humans, and perhaps lead to the extinction of crops’ wild cousins, an important repository of plant genetics. The majority of related resolutions ask companies to label their foods made from bioengineered ingredients or to report to shareholders on their use of bioengineered plants and food ingredients made from these plants, as well as the company's position regarding the risks to which these uses may expose it. The GMO category continues to be an area of activity for shareholders. There are six GMO resolutions so far in 2014, down from eight in 2013.

3. Golden Parachutes

Large severance compensation agreements for executives, contingent on a change in corporate control have been the subject of shareholder and management interest for many years. Particularly during the 1980s, when hostile takeovers were commonplace, both shareholders and managers came to realize the costs and potential uses of these safety nets. Shareholder proposals typically ask for shareholder approval of future golden parachutes.

4. Poison Pills

Under a typical plan, shareholders are issued rights to buy stock at a significant discount from the market price. The rights are exercisable under certain circumstances, such as when a hostile third party buys a certain percentage of the company’s stock. If triggered, the pill would dilute the value and voting power of the hostile party’s holdings to such an extent that the takeover attempt presumably would never be made. Pills are not intended to be triggered, but rather serve as a tool to deter any hostile takeover and force would-be acquirers to deal with the board of directors and potentially increase their purchase bid. Boards are not required to get shareholder approval to adopt poison pills, and they rarely do so. Various academic and institutional studies have not convincingly shown that poison pills generally work to the benefit of or detriment of existing shareholders from a purely economic standpoint. The adoption of poison pills can more unambiguously serve to entrench existing boards and management. Convincingly, critics say the overriding issue is the right of shareholder/owners to decide for themselves what protections they want.

5. Recycling

Many recycling proposals ask the target company to research how they could make substantive progress in the use of recycled content for their products. Other resolutions ask for a report on the means for achieving a specified percent recovery rate within a reasonable time period. These reports should provide a cost-benefit analysis of options and an explanation of the company's position on recycling policies. In addition, reports should list all steps the company took in investigating options for the cost-effective use of recycled materials. For 2014, the recycling category proposals are focused on “extended producer responsibility,” a policy popular in Europe which shifts recycling accountability from governments and taxpayers to producers. The recycling category includes five proposals so far in 2014, down from seven last year.

6. Auditors

These proposals were prompted by concern from both investors and regulators about the provision by auditors of both audit and non-audit services to their audit clients, and the effects of these services on the independence of the audit process. The provision of certain non-audit services by a company’s auditor may impair the auditor’s independence and impartiality. There are no resolutions on this issue so far for the 2014 proxy season.

7. ILO Principles

The proposals ask companies to endorse core standards promoted by the International Labor Organization (ILO), a multilateral agency affiliated with the United Nations that represents national employer, labor, and government bodies of 185 member states. The core standards represent commitments to uphold basic human values and worker rights. There are no resolutions on this issue so far for the 2014 proxy season.

8. Predatory Lending

Predatory lending, most often associated with the sub-prime sector, is a loosely defined term that encompasses any number of unethical and illegal practices inflicted upon unsuspecting borrowers, often causing them financial distress or ruin. The proposals primarily ask that the companies develop a policy to ensure against predatory lending practices and to report to shareholders on the enforcement of such policies. There are two predatory lending proposals for 2014, at Wells Fargo and Bank of America.

9. Executive Compensation

Institutional investors have expressed interest in ensuring that executive pay levels are linked to corporate performance. In fact, increasing pressure since the late 1980s to tie executive compensation more directly to a company's success is contributing to the surge in executive pay. CEO compensation is now steeped with stocks and options, which have become popular vehicles to more closely align management's interests with shareholders' interests. Shareholder groups are asking boards of directors to study and report on executive compensation, and to consider ways to link compensation to corporate financial, environmental, and social performance. The executive compensation category so far includes 13 proposals in 2014.

10. Global Warming

Global warming proposals take on various forms: however, a typical resolution on global warming asks for a report on (i) what the company is doing in research and/or in action to reduce greenhouse gas emissions, (ii) the financial exposure due to the likely costs of reducing those emissions, and (iii) actions which promote the view that global warming is exaggerated, not real, or that global warming may be beneficial. The category has re-emerged this year with 55 resolutions. The most common resolution in 2014 asks the target company to adopt greenhouse gas emissions reduction goals.

11. Equal Employment Opportunity

The shareholder resolutions generally ask companies to make available information that is gathered for and reported to the Equal Employment Opportunity Commission. The information required includes statistical information in defined job categories, summary information of affirmative action policies, and reports on any material litigation involving race, gender, or the physically challenged. The category includes 21 resolutions for the 2014 proxy season, up from ten in 2013.

12. International Lending Policies

The effect of international bank lending in developing nations has been an ongoing concern for shareholders. Proponents concerned about poverty and debt in developing countries are submitting resolutions relating to commercial bank operations and services. The concern is that people in developing countries have not benefited from the recent increased capital flows to emerging markets. Proposals often ask for the development of a policy toward debt cancellation and provisions for new lending to heavily indebted poor countries or ask companies to develop policies which promote financial stabilization in emerging market economies. There are no international bank lending resolutions for the 2014 proxy season as of early March.

13. Global Labor Standards

Concern about conditions in third world factories that supply U.S. corporations has led to a proliferation of shareholder resolutions from a variety of proponents. Proxy proposals generally ask companies to take measures to ensure their global operations, or those of their suppliers, meet minimum labor and environmental standards. Proponents believe that companies that adopt favorable global labor policies will be less susceptible to negative impacts. The category includes six resolutions for the 2014 proxy season

14. CERES Principles

The principles affirm that corporations have a "responsibility to the environment" and that they "must conduct all aspects of their business as responsible stewards of the environment." There are ten principle statements that address environmental protection and management commitment to the environment. A typical resolution on the environment and CERES (Coalition for Environmentally Responsible Economies) asks that the company endorse the CERES principles. There have been no CERES Principles resolutions over the past two proxy seasons.

15. Board Diversity

The shareholder resolutions relating to Board diversity ask companies to report on the following issues: a) efforts to encourage diversified representation on the board; b) criteria for board qualification; c) process of selecting board nominees; and d) commitment to a policy of board inclusiveness. The category remains important to a number of institutional investors, particularly those with a socially responsible investment focus. The category includes 25 resolutions this year, about the same as last year.

16. MacBride Principles

The MacBride Principles offer a statement of equal opportunity/affirmative action principles for operations in Northern Ireland. These principle statements offer a code of conduct to combat religious discrimination in the Northern Irish workplace. There have been no McBride Principles resolutions over the past four proxy seasons.

17. Non-Discrimination: Sexual Orientation

These proposals typically ask target companies to “amend its equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and gender identity”. The category includes 14 resolutions so far in 2014, about the same as last year.

18. African Health Pandemics

The shareholder resolutions ask companies with substantial leverage in the labor markets of sub-Saharan Africa to report on the effect of deadly diseases on the company’s operations as well as on any measures taken in response. In addition, resolutions ask pharmaceutical companies to "establish and implement standards of response to the health pandemic of HIV/AIDS, tuberculosis, and malaria in developing countries, particularly Africa.” There are no resolutions on this issue so far in the 2014 proxy season.

19. Sustainability

A typical resolution asks firms to prepare a sustainability report at a reasonable cost. The most widely used definition of sustainability is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” The sustainability reporting issue remains one of the most prominent shareholder requests and the resolutions are often company specific, including concerns such as global warming, human rights, and water issues. The sustainability category includes 41 resolutions so far this year, approximately the same as last year.

20. Animal Welfare

A typical resolution asks firms to review or report on animal treatment or welfare practices, including slaughter methods, with the ultimate objective being to ensure more humane treatment of animals. The number of animal welfare resolutions has been on the decline in recent years and the category includes just 13 resolutions in 2014, down from 16 in 2013, and 29 as recently as 2010.

21. Report on Political Contributions

A typical resolution on this issue asks firms to report on their corporate political contributions, with the objective of holding companies accountable for how corporate political dollars are spent. In 2012, corporate lobbying language was added to many of the resolutions in this category and is now included in the majority of the proposals. Political contributions represent the largest single category of social issue proposals in 2014, which includes 126 proposals, approximately the same number as last year.

22. Report on Product Toxicity

A typical resolution on this issue asks companies to review and report on the toxicity of their products. The diverse product toxicity category includes seven resolutions so far in 2014, down from nine in 2013.

23. Report on Internet Privacy

A typical resolution on this issue asks internet service providers for a report examining the effects of the company's internet network management practices regarding public expectations of privacy and freedom of expression. This year, the proposals again focus on "net neutrality," concern about the ability of the internet service providers to control access to information. The category has only one resolution so far this year, down from three resolutions in 2013.

24. Adopt Eurodad Charter on Responsible Lending

A typical resolution on this issue asks companies to adopt the Eurodad Charter. The charter was developed by a network of non-governmental organizations from 19 countries and outlines the essential components of a responsible loan. There are no resolutions for this issue so far in the 2014 proxy season.

25. Adopt Health Care Reform Principles

A typical resolution on this issue asks companies to adopt and support the Institute of Medicine's Health Care Reform Principles. The reform principles include the following: health care should be universal, continuous, affordable, sustainable, and enhance the well-being of its members. There are no resolutions for this issue so far in the 2014 proxy season.

26. Report/Act on Environmental Impact of Various Practices

Given the broad environmental concerns expressed in Regent Policy 31-13, this pre-approved issue is for environmental resolutions which do not fall under other specific pre-approved issues.

Recommended Action

Trust Funds staff requests approval to vote in the affirmative for the 34 shareholder proposals presented in the attached list, and requests approval to adopt a new pre-approved issue, "Report/Act on Sandy Hook Principles." Furthermore, approval is requested to vote in the affirmative on additional proxies coming to vote in 2014 if the proposals can be viewed as falling under one of the pre-approved issues.

UW TRUST FUNDS
2014 Proxy Season Voting List

Company	Proposal	Issue Number
ALEXION PHARMACUETICALS	Submit poison pill to shareholder vote	4
AMAZON	Report on political contributions	21
APPLE	Report on trade associations that promote sustainability	19
APPLE	Adopt policy and report on board diversity	15
CITIGROUP INC	Report on lobbying payments and policy	21
COACH	Report on sustainability	19
COMCAST	Report on lobbying payments and policy	21
COMCAST	Report on political contributions	21
DANAHER CORP	Report on political contributions	21
EOG RESOURCES INC	Report on energy use management[1]	26
EOG RESOURCES INC	Report on methane emissions management and reduction targets	10
EOG RESOURCES INC	Report on management of hydraulic fracturing risks	26
GENERAL DYNAMICS	Report on lobbying payments and policy	21
HALLIBURTON	Report on human rights risk assessment process[2]	12
HESS CORP	Report on financial risks of climate change	10
HESS CORP	Report on political contributions	21
JP MORGAN CHASE	Report on lobbying payments and policy	21
JP MORGAN CHASE	Institute procedures to prevent investments which contribute to genocide[3]	12
LINCOLN NATIONAL CORP	Report on sustainability	19
MONDELEZ INTL	Assess environmental impact of non-recyclable packaging	26
MONDELEZ INTL	Report on human rights risk assessment process[2]	12
MONDELEZ INTL	Report on supply chain impact of deforestation[4]	26
MONSANTO CO	Report on risk of genetically engineered products	2
MORGAN STANLEY	Report on lobbying payments and policy	21
NORFOLK SOUTHERN	Report on lobbying payments and policy	21
PEPSICO	Report on supply chain impact of deforestation[4]	26
PHILIP MORRIS	Report on lobbying payments and policy	21
SIMON PROPERTY GROUP	Report on sustainability	19
UNITED HEALTH	Report on lobbying payments and policy	21
WALT DISNEY CORP	Report on options for reducing chemicals in products[5]	22
WASTE MANAGEMENT	Report on political contributions	21
WELLS FARGO	Review fair housing and fair lending compliance	8
WELLS FARGO	Adopt and report on predatory lending and direct deposit advance policy	8

[1] *The resolution asks the company to issue an energy efficiency report describing the company's short- and long-term strategies on energy use management. The requested report should include a company-wide review of policies, practices, and metrics.*

[2] *The resolution asks the company to issue a report on their process for evaluating human rights risks in their operations and supply chain.*

[3] *The resolution asks the company to implement procedures that prevent it from investing in companies that contribute to genocide. The proposal references investments in companies that are active in Sudan, and specifically cites PetroChina.*

[4] *The resolution asks the company to issue a report describing how it is "assessing the company's supply chain impact on deforestation and the company's plans to mitigate these risks." The resolution notes that as one of the largest consumer products companies, it uses a variety of products whose demand is fueling deforestation.*

[5] *The resolution asks the company to report on its options for adopting voluntary programs to implement a "safer alternatives policy" in order to "identify, disclose, reduce, and eliminate chemical hazards" in the company's products. The proposal references protests at company stores and online petitions after testing found toxic chemicals in the company's products, including lunch boxes and children's rain coats.*