

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee

Thursday, February 6, 2014
UW-Madison, Union South
Varsity Hall I, 2nd Floor
Madison, Wisconsin

8:15 a.m. BUSINESS AND FINANCE COMMITTEE

- 8:50 a.m.

- a. Approval of the Minutes of the December 4, 2013, meeting of the Business and Finance Committee
- b. Report on Additional Faculty and Staff FY12 and FY13 Compensation
- c. Report of the Senior Vice President
 - Management Financial Report – *Performance Report*
 - Status of the Search for Vice President for Finance (CFO)

Business & Finance Committee Recesses

10:45 a.m. BUSINESS AND FINANCE COMMITTEE RECONVENES-Varsity Hall I, 2nd Floor

Business and Finance Committee meets jointly with Audit Committee

- d. Approval of the Minutes of the December 4, 2013, meeting of the Audit Committee
- e. 2013 Annual Financial Report and Auditor's Opinion
- f. 2014 Audit Plan Presentation and Approval
[Resolution I.2.f.]
- f1. Review of HRS Audit Findings

Audit Committee Adjourns

- g. Approval of UW Colleges Bookstore Contractual Agreement
[Resolution I.2.g.]
- h. Quarterly Report of Gifts, Grants, and Contracts (2nd Qtr)

- i. UW System Information Technology Report as Required by Wis. Stats. 13.58(5)(b)(3)
 - 1. UW System Strategic Plans for Major Information Technology Projects
 - 2. Semi-Annual Status Report for Major Information Technology Projects
- j. 2013 Annual Trust Funds Report
- k. Approval of QEI trademark Assignment to QEI, Inc.
[Resolution I.2.k.]
- l. *This item has been removed from the agenda*
- m. Acceptance of Conflict of Interest Review Assessment regarding UW-Madison Agreement with Intraband, Inc. and U.S. Navy
[Resolution I.2.m.]

**REPORT ON
FACULTY AND STAFF BASE SALARY
ADJUSTMENTS and LUMP SUM PAYMENTS
FOR FY2012 and FY2013**

EXECUTIVE SUMMARY

BACKGROUND

UW System Chancellors have authority delegated to them pursuant to s. 36.09(1)(j), Wis. Stats., to adjust salaries for unclassified faculty and staff, for the purposes of correcting salary inequities, recognizing job reclassifications or promotions, or addressing other competitive factors. Unclassified staff include faculty, academic staff, and limited appointees. For these employees, the statutes do not permit adjustments for merit or exceptional performance, outside of the state-approved pay plan.

Under the same delegated authority for personnel transactions used to provide base salary adjustments, Chancellors have the authority to provide lump sum additional pay to unclassified staff (faculty, academic staff, and limited appointees) for additional work performed beyond what is normally expected as part of a full teaching, research, and or service/administrative work load. Additionally, Discretionary Merit Compensation (DMCs) for classified staff can be in the form of a lump sum adjustment.

Different than base salary adjustments for equity, competitive factors, and change in duties/promotions, lump sum payments are non-base building compensation for additional work of a one time or non-recurring nature. Examples of additional work include teaching an additional class to meet unanticipated demand, teaching an interim class when not part of the fall or spring semester teaching loads, serving in an interim capacity in addition to current job responsibilities when release time from teaching or administrative responsibilities is not an option, covering duties and responsibilities of an unexpected leave.

As required by s. 36.09(1)(j), Wis. Stats., the University of Wisconsin System's report on 2012-13 Base Salary Adjustments to Recognize Competitive Factors was submitted to the Joint Committee on Finance, the Department of Administration, and the Office of State Employment Relations on October 1, 2013. The attached information is not required to be included in the competitive factors report, but is provided as supplemental information.

REQUESTED ACTION

This report is for information only.

FACULTY AND STAFF BASE SALARY ADJUSTMENTS FY12 and FY13

DISCUSSION

The attached tables also reflect salary adjustments for classified staff that include merit-based pay adjustments as permitted by Chapter 230 and OSER regulations.

The following notes may provide useful context as you review these data.

Table 1: FY12 and FY13 Budgeted Salaries and Base Adjustments – All Types of Base Adjustments

In fiscal year 2012, 3,315 (9.9%) staff received a base adjustment and 7,235 (21.3%) staff received a base adjustment in fiscal year 2013. A total of about 30% (10,550) of all staff received base adjustments during this two-year period.

In fiscal year 2012 the median base adjustment for classified staff was \$2,777. For unclassified staff, the median adjustment was \$4,286.

In fiscal year 2013 the median base adjustment for classified staff was \$3,366. For unclassified staff, the median adjustment was \$3,362.

In fiscal year 2012, UW Chancellors reallocated \$19,009,051 on a payroll base of \$2.14 billion to fund these adjustments (0.89%). In fiscal year 2013, adjustments required that Chancellors reallocate \$33,682,364 of existing resources on a payroll base of \$2.18 billion (1.55%).

Table 2: FY12 Base Adjustments by Classified and Unclassified Staff – for Merit, Equity, and Market Base Adjustments (excluding promotions, title changes, and change in duties)

In fiscal year 2012, 1,547 (46.7%) of the base adjustments were for reasons other than a promotion or change in duties.

In fiscal year 2012, 4.6% of all staff (1,547) received a base adjustment for reasons other than promotion or change in duties.

Table 3: FY13 Base Adjustments by Classified and Unclassified Staff – Only Merit, Equity, and Market Base Adjustments (excluding promotions, title changes, and change in duties)

In fiscal year 2013 5,863 of the base adjustments (81%) were for reasons other than a promotion or change in duties.

In fiscal year 2013, 17.3% of all staff (5,863) received a base adjustment for reasons other than promotion or change in duties.

Table 4: Number of Individuals Receiving Merit, Equity, and Market Base Adjustments in both FY12 and FY13 (excluding promotions, title changes, and change in duties)

In fiscal years 2012 and 2013, a total of 376 individuals received a base adjustment in both years. These individuals make up approximately 1% of all staff.

November 20, 2013

Table 1

University of Wisconsin System
 FY2012 and FY2013 Budgeted Salaries and Base Adjustments* (Without Student Assistants in Headcount)
 All Base Adjustments* (All Funds) Including Adjustments for Promotions, Title Changes and Change in Duties

	FY 2012								FY2013							
Institution	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Base Adjust-ments	Total Head-count	Percent Receiving Base Adjust-ments	FY 2012 Base Adjustments	Percent of Total Salary Dollars	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Base Adjust-ments	Total Head-count	Percent Receiving Base Adjust-ments	FY 2013 Base Adjustments	Percent of Total Salary Dollars
Madison	\$842,350,263	\$295,291,079	\$1,137,641,342	1,631	16,098	10.13%	\$12,729,443	1.12%	\$865,086,658	\$293,590,503	\$1,158,677,161	3,612	16,295	22.17%	\$23,132,664	2.00%
Milwaukee	158,986,809	63,342,423	222,329,232	421	3,873	10.87%	2,107,052	0.95%	163,076,487	65,065,750	228,142,237	1,203	3,907	30.79%	4,250,299	1.86%
Eau Claire	48,737,668	25,521,307	74,258,975	127	1,295	9.81%	508,966	0.69%	50,231,305	25,361,342	75,592,647	338	1,282	26.37%	953,266	1.26%
Green Bay	24,285,723	11,376,918	35,662,641	37	722	5.12%	170,022	0.48%	24,485,417	11,420,070	35,905,487	56	744	7.53%	164,749	0.46%
La Crosse	51,967,356	18,609,939	70,577,295	34	1,182	2.88%	121,880	0.17%	52,479,672	18,077,859	70,557,531	434	1,228	35.34%	794,324	1.13%
Oshkosh	54,083,230	23,466,412	77,549,642	221	1,482	14.91%	649,208	0.84%	55,760,337	22,682,775	78,443,112	220	1,492	14.75%	568,339	0.72%
Parkside	21,529,827	9,350,938	30,880,765	19	634	3.00%	59,812	0.19%	21,964,142	9,390,299	31,354,441	22	597	3.69%	96,154	0.31%
Platteville	33,110,219	17,239,188	50,349,407	57	914	6.24%	200,067	0.40%	35,397,270	18,368,992	53,766,262	94	956	9.83%	372,331	0.69%
River Falls	26,869,933	13,830,840	40,700,773	65	757	8.59%	208,663	0.51%	27,296,827	14,445,400	41,742,227	81	765	10.59%	217,684	0.52%
Stevens Point	43,718,313	24,648,730	68,367,043	121	1,196	10.12%	387,019	0.57%	43,693,022	24,205,054	67,898,076	297	1,178	25.21%	677,253	1.00%
Stout	39,051,896	21,357,608	60,409,504	89	1,155	7.71%	314,823	0.52%	38,807,843	21,273,968	60,081,811	455	1,191	38.20%	726,440	1.21%
Superior	14,128,244	7,028,091	21,156,335	14	468	2.99%	46,428	0.22%	14,579,692	7,022,993	21,602,685	21	466	4.51%	79,813	0.37%
Whitewater	46,896,417	20,623,633	67,520,050	287	1,176	24.40%	744,144	1.10%	47,152,279	20,466,909	67,619,188	153	1,206	12.69%	631,633	0.93%
Colleges	36,643,043	10,916,847	47,559,890	58	1,282	4.52%	188,474	0.40%	37,380,441	10,610,328	47,990,769	106	1,317	8.05%	309,673	0.65%
Extension	101,336,309	20,447,125	121,783,434	129	1,132	11.40%	558,466	0.46%	101,773,623	19,071,300	120,844,923	112	1,143	9.80%	536,836	0.44%
System Adm.	4,616,726	2,448,502	7,065,228	1	91	1.10%	539	0.01%	4,293,685	2,583,108	6,876,793	17	95	17.89%	102,321	1.49%
Systemwide	4,730,112	4,377,404	9,107,516	4	105	3.81%	14,045	0.15%	4,901,024	4,154,777	9,055,801	14	97	14.43%	68,585	0.76%
TOTAL	\$1,553,042,088	\$589,876,984	\$2,142,919,072	3,315	33,562	9.88%	\$19,009,051	0.89%	\$1,588,359,724	\$587,791,427	\$2,176,151,151	7,235	33,959	21.31%	\$33,682,364	1.55%

DATA SOURCES:

Budgeted Salaries are from the 2012 and 2013 UW Annual Budgets

Base Adjustments are from HRS as June 30, 2013

Headcount data are from the 2011 and 2012 October payrolls

Base Adjustments*

Classified and Unclassified Staff: Adjustments for promotions, title changes and change in duties

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 12 BASE ADJUSTMENTS* by Classified and Unclassified Staff (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Change in Duties Base Adjustments
All Funds

FISCAL YEAR 12														
		FY 12 Classified Staff Base Adjustments				FY 12 Unclassified Staff Base Adjustments				FY 12 Totals				
Institution	FY 12 Total Budgeted Salary Dollars	Total Dollars for Classified Base Adjs.	Number of Classified Staff Receiving Base Adjs	Total Classified Headcount	Percent Classified Staff Receiving Base Adjustment	Total Dollars for Uncl Base Adjs.	Number of Uncl Staff Receiving Base Adjs	Total Uncl Headcount	Percent Uncl Staff Receiving Base Adjustment	Total Base Adj Dollars	Number of Staff Receiving Base Adjs	Total Headcount	Percent of Staff Receiving Base Adjs.	Total Base Adjs as Percent of Total Budgeted Salaries
MADISON	\$1,137,641,342	\$274,858	61	5,207	1.17%	\$6,701,144	607	10,891	5.57%	\$6,976,002	668	16,098	4.15%	0.61%
MILWAUKEE	222,329,232	71,068	14	1,007	1.39%	977,762	192	2,866	6.70%	1,048,830	206	3,873	5.32%	0.47%
EAU CLAIRE	74,258,975	87,875	23	402	5.72%	54,946	26	893	2.91%	142,821	49	1,295	3.78%	0.19%
GREEN BAY	35,662,641	6,456	2	206	0.97%	97,859	13	516	2.52%	104,315	15	722	2.08%	0.29%
La CROSSE	70,577,295	0	0	327	0.00%	0	0	855	0.00%	0	0	1,182	0.00%	0.00%
OSHKOSH	77,549,642	62,885	26	380	6.84%	239,360	119	1,102	10.80%	302,245	145	1,482	9.78%	0.39%
PARKSIDE	30,880,765	0	0	177	0.00%	17,950	3	457	0.66%	17,950	3	634	0.47%	0.06%
PLATTEVILLE	50,349,407	50,841	12	276	4.35%	30,000	2	638	0.31%	80,841	14	914	1.53%	0.16%
RIVER FALLS	40,700,773	0	0	210	0.00%	122,831	40	547	7.31%	122,831	40	757	5.28%	0.30%
STEVENS POINT	68,367,043	85,729	20	382	5.24%	107,604	66	814	8.11%	193,333	86	1,196	7.19%	0.28%
STOUT	60,409,504	12,885	4	384	1.04%	88,693	18	771	2.33%	101,578	22	1,155	1.90%	0.17%
SUPERIOR	21,156,335	0	0	138	0.00%	7,200	1	330	0.30%	7,200	1	468	0.21%	0.03%
WHITEWATER	67,520,050	35,495	9	365	2.47%	543,672	253	811	31.20%	579,167	262	1,176	22.28%	0.86%
COLLEGES	47,559,890	0	0	231	0.00%	6,956	5	1,051	0.48%	6,956	5	1,282	0.39%	0.01%
EXTENSION	121,783,434	33,666	10	217	4.61%	124,841	20	915	2.19%	158,507	30	1,132	2.65%	0.13%
UW SYS ADMIN	7,065,228	0	0	43	0.00%	0	0	48	0.00%	0	0	91	0.00%	0.00%
SYSTEM WIDE	9,107,516	4,243	1	63	1.59%	0	0	42	0.00%	4,243	1	105	0.95%	0.05%
	\$2,142,919,072	\$726,001	182	10,015	1.82%	\$9,120,818	1,365	23,547	5.80%	\$9,846,819	1,547	33,562	4.61%	0.46%

DATE SOURCE:

Budgeted Salaries are from the 2011-12 UW Annual Budget

Base Adjustments are from HRS as of June 30, 2012

Headcount data are from the 2011 October Payroll

***BASE ADJUSTMENTS:**

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 13 BASE ADJUSTMENTS* by Classified and Unclassified Staff (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Change in Duties Base Adjustments
All Funds

FISCAL YEAR 13														
		FY 13 Classified Staff Base Adjustments				FY 13 Unclassified Staff Base Adjustments				FY 13 Totals				
Institution	FY 13 Total Budgeted Salary Dollars	Total Dollars for classified Base Adjs.	Number of Classified Staff Receiving Base Adjs	Total Classified Headcount	Percent Classified Staff Receiving Base Adjustment	Total Dollars for Uncl Base Adjs.	Number of Uncl Staff Receiving Base Adjs	Total Uncl Headcount	Percent Uncl Staff Receiving Base Adjustment	Total Base Adj Dollars	Number of Staff Receiving Base Adjs	Total Headcount	Percent of Staff Receiving Base Adjs.	Total Base Adjs as Percent of Total Budgeted Salaries
MADISON	\$1,158,677,161	\$2,510,539	589	5,247	11.23%	\$16,307,264	2,278	11,048	20.62%	\$18,817,803	2,867	16,295	17.59%	1.62%
MILWAUKEE	228,142,237	284,793	109	1,043	10.45%	3,034,627	952	2,864	33.24%	3,319,420	1,061	3,907	27.16%	1.45%
EAU CLAIRE	75,592,647	161,959	45	414	10.87%	323,011	198	868	22.81%	484,970	243	1,282	18.95%	0.64%
GREEN BAY	35,905,487	18,131	4	209	1.91%	81,459	29	535	5.42%	99,590	33	744	4.44%	0.28%
La CROSSE	70,557,531	7,786	1	337	0.30%	547,382	407	891	45.68%	555,168	408	1,228	33.22%	0.79%
OSHKOSH	78,443,112	8,243	4	403	0.99%	373,130	175	1,089	16.07%	381,373	179	1,492	12.00%	0.49%
PARKSIDE	31,354,441	4,043	2	172	1.16%	690	2	425	0.47%	4,733	4	597	0.67%	0.02%
PLATTEVILLE	53,766,262	113,072	27	300	9.00%	123,968	20	656	3.05%	237,040	47	956	4.92%	0.44%
RIVER FALLS	41,742,227	13,683	8	210	3.81%	87,788	40	555	7.21%	101,471	48	765	6.27%	0.24%
STEVENS POINT	67,898,076	76,147	20	374	5.35%	302,967	251	804	31.22%	379,114	271	1,178	23.01%	0.56%
STOUT	60,081,811	87,780	56	406	13.79%	440,858	379	785	48.28%	528,638	435	1,191	36.52%	0.88%
SUPERIOR	21,602,685	5,521	1	140	0.71%	5,556	1	326	0.31%	11,077	2	466	0.43%	0.05%
WHITEWATER	67,619,188	79,348	18	364	4.95%	399,784	97	842	11.52%	479,132	115	1,206	9.54%	0.71%
COLLEGES	47,990,769	7,592	2	244	0.82%	105,989	64	1,073	5.96%	113,581	66	1,317	5.01%	0.24%
EXTENSION	120,844,923	49,200	12	214	5.61%	232,386	42	929	4.52%	281,586	54	1,143	4.72%	0.23%
UW SYS ADMIN	6,876,793	22,082	6	47	12.77%	76,558	10	48	20.83%	98,640	16	95	16.84%	1.43%
SYSTEM WIDE	9,055,801	48,404	12	67	17.91%	16,500	2	30	6.67%	64,904	14	97	14.43%	0.72%
	\$2,176,151,151	\$3,498,323	916	10,191	8.99%	\$22,459,917	4,947	23,768	20.81%	\$25,958,240	5,863	33,959	17.26%	1.19%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Base Adjustments are from HRS as of June 30, 2013

Headcount data are from the 2012 October Payroll

***BASE ADJUSTMENTS:**

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

UNIVERSITY OF WISCONSIN SYSTEM
 Number of Individuals Base Adjustments* in FY12 AND FY13 (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Changes in Duties Base Adjustments
 All Funds

FISCAL YEAR 12 and FISCAL YEAR 13															
Institution	Classified Staff FY 12 and FY 13					Unclassified Staff FY 12 and FY 13					Total for FY 12 and FY 13				
	FY 12 Number of Classified Staff Receiving Base Adjs	FY 13 Number of Classified Staff Receiving Base Adjs	Total Number of Classified Staff Receiving Adjs. In FY 12 and FY13	Total Number of Classified Staff Receiving Adjs. in both FY 12 and FY 13	Percent Classified Staff Receiving Base Adjs who received them in both FY 12 and FY 13	FY 12 Number of Uncl Staff Receiving Base Adjs	FY 13 Number of Uncl Staff Receiving Base Adjs	Total Number of Uncl Staff Receiving Adjs. In FY 12 and FY13	Total Number of Uncl Staff Receiving Adjs. in both FY 12 and FY 13	Percent Uncl Staff Receiving Base Adjs who received them in both FY 12 and FY 13	Total Number of Classified Staff Receiving Base Adjs in FY 12 and FY 13	Total Number of Uncl Staff Receiving Base Adjs in FY 12 and FY 13	Total Number of All Staff Receiving Adjs. In FY 12 and FY13	Total Number of All Staff Receiving Adjs. in both FY 12 and FY 13	Percent of All Staff Receiving Base Adjs who received them in both FY 12 and FY 13
MADISON	61	589	650	4	0.62%	607	2,278	2,885	177	6.14%	650	2,885	3,535	181	5.12%
MILWAUKEE	14	109	123	1	0.81%	192	952	1,144	55	4.81%	123	1,144	1,267	56	4.42%
EAU CLAIRE	23	45	68	5	7.35%	26	198	224	3	1.34%	68	224	292	8	2.74%
GREEN BAY	2	4	6	0	0.00%	13	29	42	1	2.38%	6	42	48	1	2.08%
La CROSSE	0	1	1	0	0.00%	0	407	407	0	0.00%	1	407	408	0	0.00%
OSHKOSH	26	4	30	0	0.00%	119	175	294	11	3.74%	30	294	324	11	3.40%
PARKSIDE	0	2	2	0	0.00%	3	2	5	0	0.00%	2	5	7	0	0.00%
PLATTEVILLE	12	27	39	4	10.26%	2	20	22	0	0.00%	39	22	61	4	6.56%
RIVER FALLS	0	8	8	0	0.00%	40	40	80	0	0.00%	8	80	88	0	0.00%
STEVENS POINT	20	20	40	5	12.50%	66	251	317	55	17.35%	40	317	357	60	16.81%
STOUT	4	56	60	0	0.00%	18	379	397	13	3.27%	60	397	457	13	2.84%
SUPERIOR	0	1	1	0	0.00%	1	1	2	1	50.00%	1	2	3	1	33.33%
WHITEWATER	9	18	27	1	3.70%	253	97	350	35	10.00%	27	350	377	36	9.55%
COLLEGES	0	2	2	0	0.00%	5	64	69	0	0.00%	2	69	71	0	0.00%
EXTENSION	10	12	22	2	9.09%	20	42	62	3	4.84%	22	62	84	5	5.95%
UW SYS ADMIN	0	6	6	0	0.00%	0	10	10	0	0.00%	6	10	16	0	0.00%
SYSTEM WIDE	1	12	13	0	0.00%	0	2	2	0	0.00%	13	2	15	0	0.00%
	182	916	1,098	22	2.00%	1,365	4,947	6,312	354	5.61%	1,098	6,312	7,410	376	5.07%

DATE SOURCE:

Base Adjustments are from HRS as of June 30, 2013

***Base Adjustments Include:**

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

FACULTY AND STAFF LUMP SUM PAYMENTS FOR FY12 and FY13

DISCUSSION

The four attached tables provide information on additional non-base building payments made in FY12 and FY13, and the number of people receiving such payments in both fiscal years. Staff who receive only lump sums as a form of compensation are not included in these table (e.g. summer camp employees, summer session staff payments made as lump sums).

Table 1: FY12 and FY13 Budgeted Salaries and Additional Compensation Payments

In FY2012, UW Chancellors reallocated one-time resources of \$18,608,712 on a payroll base of \$2.14 billion to fund these adjustments (0.87%). In FY2013, adjustments required that Chancellors reallocate \$23,660,803 on a payroll base of \$2.18 billion (1.09%).

Over the two fiscal years 2012 and 2013 respectively, 4,729 (14%) and 6,841 (20%) of faculty and staff received additional pay. Of those receiving additional pay, 2,760 (23.9%) received additional pay in both years.

For those receiving additional pay, the average amount paid was \$3,935 for FY12 and \$3,460 for FY13.

Table 2: FY12 Additional Compensation Payments by Classified and Unclassified Staff

In fiscal year 2012, 324 (3.2%) classified staff received additional pay and 4,405 (18.7%) unclassified staff received additional pay.

Table 3: FY13 Additional Compensation Payments by Classified and Unclassified Staff

In fiscal year 2013, 2,107 (20.7%) classified staff received additional pay and 4,734 (19.9%) unclassified staff received additional pay.

Table 4: Number of Individuals Receiving Additional Compensation Payments in both FY12 and FY13

Of the total staff who received additional compensation payments, 2,760 (23.9%) of the staff received additional compensation payments in both fiscal years.

University of Wisconsin System
FY2012 and FY2013 Budgeted Salaries and Additional Compensation Payments (Without Student Assistants in Headcount)
All Funds

	FISCAL YEAR 2012								FY 2013		FISCAL YEAR 13					
Institution	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent Receiving Add'l Comp. Payments	FY 2012 Add'l Comp. Payments	Percent of Total Salary Dollars	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent Receiving Add'l Comp. Payments	FY 2013 Add'l Comp. Payments	Percent of Total Salary Dollars
MADISON	\$842,350,263	\$295,291,079	\$1,137,641,342	619	16,098	3.85%	\$1,369,833	0.12%	\$865,086,658	\$293,590,503	\$1,158,677,161	1,250	16,295	7.67%	\$3,217,910	0.28%
MILWAUKEE	158,986,809	63,342,423	222,329,232	420	3,873	10.84%	1,887,840	0.85%	163,076,487	65,065,750	228,142,237	689	3,907	17.64%	2,335,576	1.02%
EAU CLAIRE	48,737,668	25,521,307	74,258,975	342	1,295	26.41%	1,556,024	2.10%	50,231,305	25,361,342	75,592,647	457	1,282	35.65%	1,867,454	2.47%
GREEN BAY	24,285,723	11,376,918	35,662,641	150	722	20.78%	918,925	2.58%	24,485,417	11,420,070	35,905,487	212	744	28.49%	1,213,501	3.38%
La CROSSE	51,967,356	18,609,939	70,577,295	337	1,182	28.51%	1,420,854	2.01%	52,479,672	18,077,859	70,557,531	499	1,228	40.64%	1,950,858	2.76%
OSHKOSH	54,083,230	23,466,412	77,549,642	388	1,482	26.18%	1,470,510	1.90%	55,760,337	22,682,775	78,443,112	527	1,492	35.32%	1,773,410	2.26%
PARKSIDE	21,529,827	9,350,938	30,880,765	123	634	19.40%	450,975	1.46%	21,964,142	9,390,299	31,354,441	133	597	22.28%	609,875	1.95%
PLATTEVILLE	33,110,219	17,239,188	50,349,407	313	914	34.25%	1,437,230	2.85%	35,397,270	18,368,992	53,766,262	701	956	73.33%	2,285,028	4.25%
RIVER FALLS	26,869,933	13,830,840	40,700,773	172	757	22.72%	684,263	1.68%	27,296,827	14,445,400	41,742,227	185	765	24.18%	731,713	1.75%
STEVENS POINT	43,718,313	24,648,730	68,367,043	472	1,196	39.46%	1,975,341	2.89%	43,693,022	24,205,054	67,898,076	520	1,178	44.14%	2,059,491	3.03%
STOUT	39,051,896	21,357,608	60,409,504	288	1,155	24.94%	1,420,891	2.35%	38,807,843	21,273,968	60,081,811	424	1,191	35.60%	1,416,743	2.36%
SUPERIOR	14,128,244	7,028,091	21,156,335	131	468	27.99%	697,726	3.30%	14,579,692	7,022,993	21,602,685	148	466	31.76%	739,373	3.42%
WHITEWATER	46,896,417	20,623,633	67,520,050	441	1,176	37.50%	1,926,497	2.85%	47,152,279	20,466,909	67,619,188	576	1,206	47.76%	2,108,296	3.12%
COLLEGES	36,643,043	10,916,847	47,559,890	481	1,282	37.52%	1,210,281	2.54%	37,380,441	10,610,328	47,990,769	480	1,317	36.45%	1,204,853	2.51%
EXTENSION	101,336,309	20,447,125	121,783,434	43	1,132	3.80%	165,362	0.14%	101,773,623	19,071,300	120,844,923	27	1,143	2.36%	98,607	0.08%
UW SYS ADMIN	4,616,726	2,448,502	7,065,228	4	91	4.40%	6,300	0.09%	4,293,685	2,583,108	6,876,793	6	95	6.32%	23,026	0.33%
SYSTEM WIDE	4,730,112	4,377,404	9,107,516	5	105	4.76%	10,860	0.12%	4,901,024	4,154,777	9,055,801	7	97	7.22%	25,089	0.28%
TOTAL	\$1,553,042,088	\$589,876,984	\$2,142,919,072	4,729	33,562	14.09%	\$18,609,712	0.87%	\$1,588,359,724	\$587,791,427	\$2,176,151,151	6,841	33,959	20.14%	\$23,660,803	1.09%

DATA SOURCES:

Budgeted Salaries are from the 2012 and 2013 UW Annual Budgets

Adjustments are from HRS as June 30, 2013

Headcount data are from the 2011 and 2012 October payrolls

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 12 ADDITIONAL COMPENSATION PAYMENTS by Classified and Unclassified Staff (Without Student Assistants in Headcount)
(All Funds)

FISCAL YEAR 12														
Institution	FY 12 Total Budgeted Salary Dollars	FY 12 Classified Add'l Comp. Payments				FY 12 Unclassified Add'l Comp. Payments				FY 12 Totals				
		Total Dollars for Add'l Comp. Payments	Number of Classified Staff Receiving Add'l Comp. Payments	Total Classified Headcount	Percent Classified Staff Receiving Add'l's Comp. Payments	Total Dollars for Add'l Comp. Payments	Number of Uncl Staff Receiving Add'l Comp. Payments	Total Uncl Headcount	Percent Uncl Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payment Dollars	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent of Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payments as Percent of Total Budgeted Salaries
MADISON	\$1,137,641,342	\$254,905	131	5,207	2.52%	\$1,114,928	488	10,891	4.48%	\$1,369,833	619	16,098	3.85%	0.12%
MILWAUKEE	222,329,232	34,992	13	1,007	1.29%	1,852,848	407	2,866	14.20%	1,887,840	420	3,873	10.84%	0.85%
EAU CLAIRE	74,258,975	37,200	17	402	4.23%	1,518,824	325	893	36.39%	1,556,024	342	1,295	26.41%	2.10%
GREEN BAY	35,662,641	10,366	6	206	2.91%	908,559	144	516	27.91%	918,925	150	722	20.78%	2.58%
La CROSSE	70,577,295	0	0	327	0.00%	1,420,854	337	855	39.42%	1,420,854	337	1,182	28.51%	2.01%
OSHKOSH	77,549,642	23,167	12	380	3.16%	1,447,343	376	1,102	34.12%	1,470,510	388	1,482	26.18%	1.90%
PARKSIDE	30,880,765	5,816	4	177	2.26%	445,159	119	457	26.04%	450,975	123	634	19.40%	1.46%
PLATTEVILLE	50,349,407	37,320	10	276	3.62%	1,399,910	303	638	47.49%	1,437,230	313	914	34.25%	2.85%
RIVER FALLS	40,700,773	0	0	210	0.00%	684,263	172	547	31.44%	684,263	172	757	22.72%	1.68%
STEVENS POINT	68,367,043	83,723	59	382	15.45%	1,891,618	413	814	50.74%	1,975,341	472	1,196	39.46%	2.89%
STOUT	60,409,504	11,163	11	384	2.86%	1,409,728	277	771	35.93%	1,420,891	288	1,155	24.94%	2.35%
SUPERIOR	21,156,335	17,234	5	138	3.62%	680,492	126	330	38.18%	697,726	131	468	27.99%	3.30%
WHITEWATER	67,520,050	22,523	8	365	2.19%	1,903,974	433	811	53.39%	1,926,497	441	1,176	37.50%	2.85%
COLLEGES	47,559,890	26,707	28	231	12.12%	1,183,574	453	1,051	43.10%	1,210,281	481	1,282	37.52%	2.54%
EXTENSION	121,783,434	63,369	20	217	9.22%	101,993	23	915	2.51%	165,362	43	1,132	3.80%	0.14%
UW SYS ADMIN	7,065,228	0	0	43	0.00%	6,300	4	48	8.33%	6,300	4	91	4.40%	0.09%
SYSTEM WIDE	9,107,516	0	0	63	0.00%	10,860	5	42	11.90%	10,860	5	105	4.76%	0.12%
	\$2,142,919,072	\$628,485	324	10,015	3.24%	\$17,981,227	4,405	23,547	18.71%	\$18,609,712	4,729	33,562	14.09%	0.87%

DATE SOURCE:

Budgeted Salaries are from the 2011-12 UW Annual Budget

Additional Compensation Payments are from HRS as of June 30, 2013

Headcount data are from the 2011 October Payroll

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 13 ADDITIONAL COMPENSATION PAYMENTS by Classified and Unclassified Staff (Without Student Assistants in Headcount)
(All Funds)

FISCAL YEAR 13														
		FY 13 Classified Add'l Comp. Payments				FY 13 Unclassified Add'l Comp. Payments				FY 13 Totals				
Institution	FY 13 Total Budgeted Salary Dollars	Total Dollars for Add'l Comp. Payments	Number of Classified Staff Receiving Add'l Comp. Payments	Total Classified Headcount	Percent Classified Staff Receiving Add'l Comp. Payments	Total Dollars for Uncl Add'l Comp. Payments	Number of Uncl Staff Receiving Add'l Comp. Payments	Total Uncl Headcount	Percent Uncl Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payment Dollars	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent of Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payments as Percent of Total Budgeted Salaries
MADISON	\$1,158,677,161	\$2,075,203	762	5,247	14.52%	\$1,142,707	488	11,048	4.42%	\$3,217,910	1,250	16,295	7.67%	0.28%
MILWAUKEE	228,142,237	434,302	278	1,043	26.65%	1,901,274	411	2,864	14.35%	2,335,576	689	3,907	17.64%	1.02%
EAU CLAIRE	75,592,647	360,416	113	414	27.29%	1,507,038	344	868	39.63%	1,867,454	457	1,282	35.65%	2.47%
GREEN BAY	35,905,487	48,600	43	209	20.57%	1,164,901	169	535	31.59%	1,213,501	212	744	28.49%	3.38%
La CROSSE	70,557,531	123,109	91	337	27.00%	1,827,749	408	891	45.79%	1,950,858	499	1,228	40.64%	2.76%
OSHKOSH	78,443,112	184,019	103	403	25.56%	1,589,391	424	1,089	38.93%	1,773,410	527	1,492	35.32%	2.26%
PARKSIDE	31,354,441	9,536	4	172	2.33%	600,339	129	425	30.35%	609,875	133	597	22.28%	1.95%
PLATTEVILLE	53,766,262	365,953	252	300	84.00%	1,919,075	449	656	68.45%	2,285,028	701	956	73.33%	4.25%
RIVER FALLS	41,742,227	24,853	22	210	10.48%	706,860	163	555	29.37%	731,713	185	765	24.18%	1.75%
STEVENS POINT	67,898,076	208,327	117	374	31.28%	1,851,164	403	804	50.12%	2,059,491	520	1,178	44.14%	3.03%
STOUT	60,081,811	137,327	177	406	43.60%	1,279,416	247	785	31.46%	1,416,743	424	1,191	35.60%	2.36%
SUPERIOR	21,602,685	31,288	9	140	6.43%	708,085	139	326	42.64%	739,373	148	466	31.76%	3.42%
WHITEWATER	67,619,188	222,333	94	364	25.82%	1,885,963	482	842	57.24%	2,108,296	576	1,206	47.76%	3.12%
COLLEGES	47,990,769	46,162	28	244	11.48%	1,158,691	452	1,073	42.12%	1,204,853	480	1,317	36.45%	2.51%
EXTENSION	120,844,923	42,671	12	214	5.61%	55,936	15	929	1.61%	98,607	27	1,143	2.36%	0.08%
UW SYS ADMIN	6,876,793	3,126	2	47	4.26%	19,900	4	48	8.33%	23,026	6	95	6.32%	0.33%
SYSTEM WIDE	9,055,801	0	0	67	0	25,089	7	30	23.33%	25,089	7	97	7.22%	0.28%
	\$2,176,151,151	\$4,317,225	2,107	10,191	20.68%	\$19,343,578	4,734	23,768	19.92%	\$23,660,803	6,841	33,959	20.14%	1.09%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Additional Compensation Payments are from HRS as of June 30, 2013

Headcount data are from the 2012 October Payroll

UNIVERSITY OF WISCONSIN SYSTEM
 Number of Individuals Receiving Additional Compensation Payments in FY12 AND FY13 (Without Student Assistants in Headcount)
 (All Funds)

FISCAL YEAR 12 and FISCAL YEAR 13															
Institution	Classified Staff FY 12 and FY 13					Unclassified Staff FY 12 and FY 13					Total for FY 12 and FY 13				
	FY 12 Number of Classified Staff Receiving Add'l Comp. Payments	FY 13 Number of Classified Staff Receiving Add'l Comp. Payments	Total Number of Classified Staff Receiving Add'l Comp. Payments in FY 12 and FY 13	Total Number of Classified Staff Receiving Add'l Comp. Payments in both FY 12 and FY 13	Percent Classified Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13	FY 12 Number of Uncl Staff Receiving Add'l Comp. Payments	FY 13 Number of Uncl Staff Receiving Add'l Comp. Payments	Total Number of Uncl Staff Receiving Add'l Comp. Payments in FY 12 and FY 13	Total Number of Uncl Staff Receiving Add'l Comp. Payments in both FY 12 and FY 13	Percent Uncl Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13	Total Number of Staff Receiving Add'l Comp. Payments in FY 12	Total Number of Staff Receiving Add'l Comp. Payments in FY 13	Total Number of All Staff Receiving Add'l Comp. Payments in FY 12 and FY13	Total Number of All Staff Receiving Add'l Comp. Payments in both FY 12 and FY 13	Percent of All Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13
MADISON	131	762	893	29	3.25%	488	488	976	173	17.73%	619	1,250	1,869	202	10.81%
MILWAUKEE	13	278	291	1	0.34%	407	411	818	193	23.59%	420	689	1,109	194	17.49%
EAU CLAIRE	17	113	130	8	6.15%	325	344	669	219	32.74%	342	457	799	227	28.41%
GREEN BAY	6	43	49	0	0.00%	144	169	313	108	34.50%	150	212	362	108	29.83%
La CROSSE	0	91	91	0	0.00%	337	408	745	237	31.81%	337	499	836	237	28.35%
OSHKOSH	12	103	115	5	4.35%	376	424	800	250	31.25%	388	527	915	255	27.87%
PARKSIDE	4	4	8	1	12.50%	119	129	248	32	12.90%	123	133	256	33	12.89%
PLATTEVILLE	10	252	262	7	2.67%	303	449	752	196	26.06%	313	701	1,014	203	20.02%
RIVER FALLS	0	22	22	0	0.00%	172	163	335	96	28.66%	172	185	357	96	26.89%
STEVENS POINT	59	117	176	39	22.16%	413	403	816	255	31.25%	472	520	992	294	29.64%
STOUT	11	177	188	5	2.66%	277	247	524	187	35.69%	288	424	712	192	26.97%
SUPERIOR	5	9	14	4	28.57%	126	139	265	97	36.60%	131	148	279	101	36.20%
WHITEWATER	8	94	102	2	1.96%	433	482	915	313	34.21%	441	576	1,017	315	30.97%
COLLEGES	28	28	56	2	3.57%	453	452	905	295	32.60%	481	480	961	297	30.91%
EXTENSION	20	12	32	0	0.00%	23	15	38	3	7.89%	43	27	70	3	4.29%
UW SYS ADMIN	0	2	2	0	0.00%	4	4	8	1	12.50%	4	6	10	1	10.00%
SYSTEM WIDE	0	0	0	0	0.00%	5	7	12	2	16.67%	5	7	12	2	16.67%
	0					0									
	324	2,107	2,431	103	4.24%	4,405	4,734	9,139	2,657	29.07%	4,729	6,841	11,570	2,760	23.85%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Additional Compensation Payments are from HRS as of June 30, 2013

Headcount data are from the 2012 October Payroll

**UW SYSTEM
2013 ANNUAL FINANCIAL REPORT
AND AUDITOR'S OPINION**

EXECUTIVE SUMMARY

BACKGROUND

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. The statements are audited by the Legislative Audit Bureau, and also appear, in a somewhat modified format, in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR).

REQUESTED ACTION

This report is submitted for information only.

DISCUSSION

Overview of Accrual-Based Financial Reporting

The UW System's Annual Financial Report is prepared using full accrual-based accounting, which is an accounting method that measures the performance and position of an entity by recognizing economic events when the transactions occur, regardless of when cash is paid or received. This is in contrast to cash-based accounting, which reports transactions only when cash is exchanged. Accrual-based accounting is required by GAAP.

In accordance with GAAP, the UW System Annual Financial Report for the year ending June 20, 2013, includes the following statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

It also includes an unmodified or "clean" audit opinion from the Legislative Audit Bureau. The accompanying "Notes to the Financial Statements" are an integral part of the statements, including disclosures required by GAAP and explanations intended to aid the reader in understanding the statements. In addition, the Annual Financial Report includes a "Management's Discussion and Analysis" (MD&A) that is intended to provide an objective and less-technical analysis of the UW System's financial activities. Of particular interest within the MD&A is a section entitled "Factors Affecting Future Periods." The UW System's Annual Financial Report may be found at: <http://www.uwsa.edu/fadmin/finrep/afr.htm> .

Analysis of the UW System's financial statements and notes provides management with an understanding of operations and assists in making business decisions. The statements may also be used by Regents and other key stakeholders, including legislators and the Higher Learning Commission, in evaluating financial performance. Because the UW System's financial statements are included in the State's CAFR, financial institutions, such as lending and bond rating agencies, use the statements when extending debt securities to finance capital projects.

It is important to note that the financial statements in the 2013 UW System Annual Financial Report reflect activity for the 2012-13 fiscal year only, which runs from July 1, 2012 to June 30, 2013. They do not reflect the significant actions included in the 2013-15 biennial budget, which began July 1, 2013. 2013 Wisconsin Act 20 included a two-year freeze on tuition rates and required UW System to provide \$114.1 million in funding for ongoing costs and base reductions. In addition, Act 20 required UW to provide \$88.5 million from its program revenue balances to fund several one-time initiatives and transfers.

Analysis of Financial Statements

At an overall UW System level, total revenues and expenses increased from fiscal year 2012 and fiscal year 2013, as shown in the table below.

(in millions)	2013	2012	Percentage Change
Total Revenues (accrual-based)	\$5,080.8	\$4,890.9	3.9%
Total Expenses (accrual-based)	4,577.4	4,482.9	2.1%
Increase In Net Position	503.4	408.0	

According to the UW System's audited financial statements, total revenues in fiscal year 2013 were nearly \$5.1 billion, which represents an increase of \$189.9 million, or 3.9%, from fiscal year 2012. The primary factors contributing to the revenue increase were Tuition and Fees, Gifts, and Investment Income. Total expenses in fiscal year 2013 were nearly \$4.6 billion. This is an increase of \$94.5 million, or 2.1%, from fiscal year 2012, with the majority of the increase relating to salary and fringe benefits.

The UW System's Net Position, which is defined as the difference between assets and liabilities, increased by \$503.4 million from fiscal year 2012 to fiscal year 2013.

(in millions)	2013	2012	Percentage Change
Total Assets	\$8,555.8	\$7,884.1	8.5%
Total Liabilities	2,207.1	2,038.8	8.3%
Net Position	6,348.7	\$5,845.3	8.6%

Net Position is divided into the following three categories:

- Invested in Capital Assets, which increased by \$111.2 million in fiscal year 2013.
- Restricted by External Stipulations, such as legal or donor restrictions, which increased by \$172.7 million.
- Unrestricted, which increased by \$219.5 million. The largest factors to this increase in Unrestricted were:
 - Tuition - \$95.4 million

- General Operations - \$29.9 million
- Auxiliary Operations - \$21.9 million

In an effort to make our financial statements more understandable and transparent, Note 13, entitled Classification of Net Position, has been revised to provide additional information on the sources of UW System's Net Position.

Cash and Cash Equivalents, from the Statement of Cash flows, increased \$337.8 million in 2013, to \$1.685 billion. The largest factors for this increase are:

- Tuition - \$91.1 million
- Construction/bond proceeds - \$79.6 million
- Federal grants and contracts - \$50.0 million
- General Operations - \$35.5 million

Because Cash and Cash Equivalents are accrual-based in our financial statements, it should not be confused with, and does not represent, a year-end program revenue cash balance. Accrual-based Cash and Cash Equivalents differ from year-end program revenue cash balances in that Cash and Cash Equivalents include:

- Account clearing activity, such as tax withholding collected but not yet paid
- Proceeds received from the issuance of capital debt above actual debt paid

Financial Reporting Impacts

Considerable attention and scrutiny to UW System program revenue cash balances began in early 2013. Subsequently, 2013 Wisconsin Act 20 imposed a number of requirements for the UW System to develop policies around the management of its revenues, expenses, and balances. To meet the legislative requirement for a policy addressing balances, the Board of Regents approved Regent Policy Document (RPD) 21-6, Program Revenue Balances and Reserves Policy, in October 2013. This policy is currently awaiting legislative action.

As previously noted, UW System's audited financial statements contained in the Annual Financial Report reflect the full accrual of all financial transactions, as prescribed by GAAP. Program revenue balances calculated under RPD 21-6 are calculated on a modified cash basis, and will not include all accrual transactions.

RELATED REGENT POLICIES

None

February 6, 2014

Agenda Item I.2.e.

2013 ANNUAL FINANCIAL REPORT AND AUDITOR'S OPINION

The complete report can be viewed at <http://www.uwsa.edu/fadmin/finrep/afr.htm>

Internal Audit
Calendar Year 2014 Audit Plan

AUDIT COMMITTEE:

Resolution:

That, upon the recommendation of the Interim President of the University of Wisconsin System, the Board of Regents approves the Calendar Year 2014 Audit Plan.

OFFICE OF INTERNAL AUDIT

EXECUTIVE SUMMARY

BACKGROUND

The Office of Internal Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System. Annually, the Office develops a risk-based audit plan to determine internal audit activity priorities, consistent with the organization's goals.

REQUESTED ACTION

Approval of Resolution I.2.f.

That, upon the recommendation of the Interim President of the University of Wisconsin System, the Audit Committee approves the Calendar Year 2014 Internal Audit Plan.

DISCUSSION

The *2014 Audit Plan* highlights proposed topics to be audited during calendar year 2014.

Additionally, it should be noted that this plan assumes full staffing within the Office of Internal Audit and does not include reserves for unplanned projects, such as investigations. During the year should significant modifications to the 2014 audit plan be deemed necessary for any reasons, the Chief Audit Executive (CAE) will notify the Chair of the Audit Committee of the Board of Regents as soon as practical.

RELATED REGENT POLICIES

None.

UW-System Administration
CALENDAR YEAR 2014 AUDIT PLAN

1) Strategic:

- Flexible Degree Option:
 - Review of internal controls over the flexible degree option
 - Document compliance with financial aid and Title IV requirements
 - Review assessment integrity including:
 - Proctoring processes,
 - Adequacy of technology and related controls for subscription enrollment and expiration,
 - Qualifications and accountability of academic success coaches,
 - Compensation agreements for faculty “mentoring” of students, and
 - Quality and timeliness of student and employer feedback.
- Governance/Ethics:
 - Review documentation of System and Institutional governance and ethics policies, including but not limited to:
 - Tone at the top
 - Ethics education and training requirements
 - Conflict of interest policies
 - Policies regarding personal relationships which may impact independence of work
 - Employees' responsibility to report fraudulent activity
 - May include recommendations such as implementation of a hotline and documentation and communication of whistle blower protection

2) Financial:

- Query Library Data Integrity: The query library is a compilation of reports which are available to UW faculty, staff and administrative HRS users. The reports have been delivered with PeopleSoft or were developed by the HRS Project Team.
 - Document departments using query library report information for internal and external reporting
 - Review and document individuals with authority to initiate new report development by DoIT, and those with access to make changes to information within reports or format of reports after they are developed
 - Review and document process for evaluating accuracy of report information
- Donor Intent:
 - Document controls in place to ensure appropriate accounting
 - Test a sample of new gifts for identified restrictions and intentions
 - Test a sample of spending occurring on gifts with temporary or permanent restrictions to ascertain compliance with donor intent
- NCAA Division III:
 - Review significant policies and procedures applicable to the athletics program including compliance with select aspects of NCAA Bylaw Article 15 related to financial aid and Article 15.4.5 Athletics Staff Involvement
 - Ascertain the adequacy of internal controls and compliance with policies related to various categories of athletics' revenues and expenses

3) Compliance:

- PCI Compliance: Payment Card Industry Data Security Standards affect organizations that handle cardholder information for the major debit, credit, prepaid, ATM, and POS cards.
 - Test compliance with applicable regulations
 - Review institutional processes for potential efficiencies and cost savings of working collaboratively system-wide to obtain proper validation from fewer outside parties
- Affordable Care Act (ACA) Reporting Requirements:
 - Evaluate internal controls to monitor compliance with ACA
 - Review policies and procedures in place for reporting requirements including mandatory disclosures to employees and IRS
 - Review compliance with benefits coverage, i.e. adjunct faculty
- Animal Research:
 - Examine necessary documentation for compliance with related federal regulations
 - Review internal controls to ensure compliance
 - Review facility inspection reports and research protocols

4) Operational:

- Grading Data Security:
 - Review of policies and procedures for professors/grad students to safeguard information entered for student grades, grade changes, information reported
 - Review internal controls over security of the student information systems
- Appointment Letters for LTEs:
Examine letters of appointment for limited appointees' compliance with system and institution policies.

CALENDAR YEAR 2014 PLAN: Carry Forward Topics

Physical Security/Access

COBRA

Payroll

Travel

Clery

Procurement (P-cards)

Payroll/Benefits (Gross to Net)

Follow up on Management Responses from prior engagements

CALENDAR YEAR 2014 PLAN: Consulting/Committee Work

Human Resource System (HRS) Controls

Travel Management and Operations Committee

Premium in Advance

Enterprise Risk Management Committee

UW Colleges Contractual Agreement
with Neebo Complete College Outfitter

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin Colleges and the Interim President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the University of Wisconsin Colleges and Neebo Complete College Outfitter to provide Bookstore Services.

UW COLLEGES CONTRACTUAL AGREEMENT WITH NEEBO COMPLETE COLLEGE OUTFITTER

BACKGROUND

UW Board of Regents policy 13-1 requires any grant or contract with private profit-making organizations in excess of \$500,000 be presented to the Board for formal acceptance prior to execution.

The University of Wisconsin Colleges has run a competitive bid process (PS-14-2573) to seek a Bookstore Services contract for the following institutions: UW-Fond du Lac, UW-Fox Valley, UW-Colleges On-Line, UW-Richland, UW-Sheboygan, UW-Marathon, UW-Washington County, and UW-Waukesha and is seeking approval for award.

REQUESTED ACTION

Approval of Resolution I.2.g.

DISCUSSION

In 2012, UW Colleges was faced with the challenge of creating a textbook delivery system that met the following business requirements:

- Develop a solution for four campuses with expiring contracts.
- Address the UW Board of Regents Resolution 9778/Policy 4-18 “Making Textbooks Affordable”.
- Create a textbook delivery system model that would remain financially viable.
- Provide flexibility for faculty and staff.
- Create a consistent and efficient Bookstore Services business model for UW Colleges campuses.

A Bookstore Committee was formed of faculty, staff, administrators, and students to develop a long-term Bookstore Services strategic plan and strategy. The result of the committee’s development activities was the **Student Choice Model**. The Student Choice Model provides students several choices for acquiring textbook materials. It gives them a choice on how they want to learn, and provides options for purchasing textbook materials with the “Best Price Guarantee.” The contract is built to accommodate the increase in

demand for e-books. While the current number of students using e-books is minimal (nation-wide 5% to 7%), it is a growing trend.

The Student Choice Model for Bookstore Services was endorsed by the UW Bookstore Committee, Vice Chancellor Steve Wildeck, the UW Colleges Senate, the UW Colleges Chancellor's Executive Committee, and President of the UW Colleges Student Government Council Alex Roberts.

Seven UW Colleges campuses and UW Colleges Online will participate in the UW Colleges Bookstore Services contract. This level of participation has allowed the UW Colleges to obtain high value in this contract.

The request for bid process was used to set requirements for the contract and obtain competitive bids. Two vendors submitted bids. Based on the bid results, Neebo Complete College Outfitter (Neebo) was selected for award of the contract. Neebo met all the bid requirements, including favorable book pricing, and provided the highest commission rate.

Some highlights of the contract are as follows:

- Contractor will assume operation of the Bookstore Services for three (3) years with the option of four (4) one (1) year extensions. The maximum contract term is seven (7) years.
- Annual net revenue to the Contractor is valued at approximately \$3,261,493 per year.
- The UW Colleges will receive approximately \$358,998 annually in commission.
- The average estimated commission for the life of the contract is 11.01%.
- The estimated increase in annual commission revenue is \$129,773, to participating UW Colleges campuses.
- The estimated commissions to UW Colleges campuses for the life of the contract: \$2,512,986.
- Estimated revenue to the vendor for life of the contract: \$22,830,171.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval and Reporting

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2013 THROUGH DECEMBER 31, 2013

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the six-month period July 1, 2013 through December 31, 2013. Total gifts, grants, and contracts for the period were approximately \$781.1 million; this is an increase of \$7.0 million from the same period in the prior year. Federal awards increased \$38.9 million, while non-federal awards decreased by \$31.9 million.

RELATED REGENT POLICIES

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2013-2014 (2nd Quarter)

FISCAL YEAR 2013-2014	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	54,158,993	33,305,679	601,623	63,119,175	15,496,176	492,117,080	122,286,919	781,085,645
Federal	34,107,651	22,581,966	0	7,757,273	0	338,877,112	111,996,451	515,320,452
Nonfederal	20,051,342	10,723,713	601,623	55,361,904	15,496,176	153,239,969	10,290,468	265,765,193
FISCAL YEAR 2012-2013								
Total	54,368,704	41,622,874	7,330,204	60,976,236	9,719,372	494,922,720	105,189,889	774,130,000
Federal	30,591,641	27,117,192	0	7,509,432	0	314,444,678	96,744,312	476,407,255
Nonfederal	23,777,063	14,505,681	7,330,204	53,466,804	9,719,372	180,478,042	8,445,577	297,722,745
INCREASE(DECREASE)								
Total	(209,711)	(8,317,194)	(6,728,582)	2,142,939	5,776,804	(2,805,640)	17,097,031	6,955,646
Federal	3,516,010	(4,535,227)	0	247,841	0	24,432,434	15,252,140	38,913,197
Nonfederal	(3,725,721)	(3,781,968)	(6,728,582)	1,895,098	5,776,804	(27,238,074)	1,844,892	(31,957,551)

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2013-2014 (2nd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2013-2014								
Madison	18,182,424	21,523,585	584,755	51,936,143	15,388,016	472,941,597	27,424,149	607,980,668
Milwaukee	5,191,678	1,436,390	0	3,594,375	37,160	15,025,997	18,989,100	44,274,699
Eau Claire	88,252	1,365,119	0	0	0	248,363	6,987,906	8,689,640
Green Bay	1,267	1,877,990	0	182,691	0	982,606	5,020,996	8,065,551
La Crosse	337,596	20,000	0	906,200	0	692,460	5,109,354	7,065,610
Oshkosh	564,359	4,372,237	0	0	0	508,488	8,230,399	13,675,483
Parkside	62,905	393,752	0	28,191	29,816	108,540	4,979,999	5,603,202
Platteville	75,443	0	0	1,220,364	0	360,873	4,976,684	6,633,365
River Falls	1,145,906	1,085,553	0	824,083	3,790	125,374	4,613,786	7,798,492
Stevens Point	422,560	186,559	0	288,141	0	1,029,193	8,529,956	10,456,408
Stout	910,621	117,229	0	1,130,676	0	34,598	6,253,357	8,446,481
Superior	0	0	0	741,189	0	20,341	2,530,671	3,292,201
Whitewater	25,270	13,070	0	458,256	37,394	38,650	8,011,258	8,583,898
Colleges	2,175	656,967	16,868	574,906	0	0	10,629,305	11,880,220
Extension	27,148,538	0	0	0	0	0	0	27,148,538
System-Wide	0	257,229	0	1,233,960	0	0	0	1,491,189
Totals	54,158,993	33,305,679	601,623	63,119,175	15,496,176	492,117,080	122,286,919	781,085,645
Madison	15,628,838	12,110,731	0	1,656,861	0	322,785,851	19,276,674	371,458,955
Milwaukee	3,200,261	1,341,390	0	2,099,886	0	13,199,520	18,988,125	38,829,182
Eau Claire	86,944	1,091,109	0	0	0	236,276	6,987,033	8,401,362
Green Bay	0	1,506,115	0	60	0	587,334	5,002,571	7,096,080
La Crosse	185,477	0	0	861,700	0	458,792	5,109,354	6,615,323
Oshkosh	554,359	4,268,980	0	0	0	503,488	7,734,087	13,060,914
Parkside	10,000	275,531	0	0	0	0	4,864,124	5,149,655
Platteville	0	0	0	384,198	0	332,907	4,976,684	5,693,789
River Falls	1,132,514	1,084,812	0	562,299	0	109,550	4,160,446	7,049,621
Stevens Point	25,000	0	0	0	0	628,795	8,477,830	9,131,625
Stout	816,556	76,312	0	978,659	0	34,598	6,251,007	8,157,132
Superior	0	0	0	722,497	0	0	2,380,671	3,103,168
Whitewater	4,400	0	0	256,149	0	0	7,531,569	7,792,118
Colleges	0	569,757	0	234,965	0	0	10,256,276	11,060,998
Extension	12,463,302	0	0	0	0	0	0	12,463,302
System-Wide	0	257,229	0	0	0	0	0	257,229
Federal Totals	34,107,651	22,581,966	0	7,757,273	0	338,877,112	111,996,451	515,320,452
Madison	2,553,586	9,412,854	584,755	50,279,283	15,388,016	150,155,746	8,147,475	236,521,714
Milwaukee	1,991,417	95,000	0	1,494,489	37,160	1,826,476	975	5,445,517
Eau Claire	1,308	274,010	0	0	0	12,087	873	288,278
Green Bay	1,267	371,875	0	182,631	0	395,272	18,425	969,470
La Crosse	152,119	20,000	0	44,500	0	233,668	0	450,287
Oshkosh	10,000	103,257	0	0	0	5,000	496,312	614,569
Parkside	52,905	118,221	0	28,191	29,816	108,540	115,875	453,547
Platteville	75,443	0	0	836,166	0	27,966	0	939,576
River Falls	13,392	741	0	261,784	3,790	15,824	453,340	748,871
Stevens Point	397,560	186,559	0	288,141	0	400,398	52,126	1,324,783
Stout	94,064	40,917	0	152,017	0	0	2,350	289,349
Superior	0	0	0	18,693	0	20,341	150,000	189,034
Whitewater	20,870	13,070	0	202,107	37,394	38,650	479,689	791,780
Colleges	2,175	87,210	16,868	339,941	0	0	373,029	819,222
Extension	14,685,236	0	0	0	0	0	0	14,685,236
System-Wide	0	0	0	1,233,960	0	0	0	1,233,960
Nonfederal Totals	20,051,342	10,723,714	601,623	55,361,903	15,496,176	153,239,968	10,290,468	265,765,193

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	21,075,588	26,684,183	7,315,827	50,623,241	9,674,002	469,226,933	22,186,325	606,786,100
Milwaukee	5,222,675	3,753,096	13,200	2,933,623	0	17,091,139	19,246,154	48,259,887
Eau Claire	139,145	1,587,786	0	0	0	424,874	7,551,504	9,703,309
Green Bay	39,241	1,769,880	0	246,950	0	284,826	28,752	2,369,650
La Crosse	628,396	104,629	0	1,111,499	0	1,628,841	5,516,257	8,989,622
Oshkosh	944,079	6,103,664	0	0	0	1,800,210	7,464,102	16,312,055
Parkside	687,814	727,149	0	26,340	8,430	100,982	2,060	1,552,774
Platteville	253,118	(16,171)	0	4,750	0	986,229	5,605,453	6,833,379
River Falls	419,160	2,353	1,177	1,196,052	511	298,052	371,177	2,288,482
Stevens Point	2,591,549	170,045	0	889,982	0	1,405,098	8,932,049	13,988,723
Stout	1,755,122	128,747	0	1,865,486	0	24,222	6,878,254	10,651,831
Superior	106,800	0	0	782,443	0	195,139	2,498,615	3,582,997
Whitewater	1,900,811	31,396	0	641,883	36,428	177,734	7,880,283	10,668,535
Colleges	7,200	553,207	0	644,957	0	232,699	11,028,903	12,466,966
Extension	18,598,007	0	0	0	0	0	0	18,598,007
System-Wide	0	22,910	0	9,030	0	1,045,742	0	1,077,682
Totals	54,368,704	41,622,874	7,330,204	60,976,236	9,719,372	494,922,720	105,189,889	774,130,000
Madison	19,507,033	14,428,593	0	1,112,716	0	294,925,970	15,367,915	345,342,226
Milwaukee	3,081,233	3,165,916	0	1,652,323	0	14,089,415	19,179,647	41,168,534
Eau Claire	111,649	1,299,353	0	0	0	272,520	7,549,567	9,233,089
Green Bay	35,502	1,321,145	0	45	0	248,386	20,827	1,625,905
La Crosse	366,128	103,879	0	1,006,981	0	403,646	5,466,257	7,346,891
Oshkosh	845,968	5,562,274	0	0	0	1,482,960	7,464,102	15,355,304
Parkside	686,989	581,474	0	0	0	0	0	1,268,463
Platteville	183,307	0	0	0	0	831,505	5,605,453	6,620,265
River Falls	415,264	0	0	895,480	0	260,961	336,677	1,908,382
Stevens Point	112,638	0	0	423,915	0	509,595	8,834,370	9,880,518
Stout	1,355,753	93,442	0	1,053,478	0	0	6,557,115	9,059,788
Superior	106,800	0	0	762,340	0	0	2,498,615	3,367,755
Whitewater	1,898,356	0	0	317,530	0	155,228	7,212,430	9,583,544
Colleges	5,700	553,207	0	284,624	0	218,750	10,651,337	11,713,618
Extension	1,879,322	0	0	0	0	0	0	1,879,322
System-Wide	0	7,910	0	0	0	1,045,742	0	1,053,652
Federal Totals	30,591,641	27,117,192	0	7,509,432	0	314,444,678	96,744,312	476,407,255
Madison	1,568,556	12,255,590	7,315,827	49,510,525	9,674,002	174,300,963	6,818,411	261,443,874
Milwaukee	2,141,441	587,180	13,200	1,281,300	0	3,001,724	66,507	7,091,353
Eau Claire	27,496	288,433	0	0	0	152,354	1,937	470,220
Green Bay	3,739	448,735	0	246,905	0	36,440	7,925	743,745
La Crosse	262,268	750	0	104,518	0	1,225,195	50,000	1,642,731
Oshkosh	98,111	541,390	0	0	0	317,250	0	956,751
Parkside	825	145,675	0	26,340	8,430	100,982	2,060	284,311
Platteville	69,811	(16,171)	0	4,750	0	154,724	0	213,114
River Falls	3,896	2,353	1,177	300,572	511	37,091	34,500	380,100
Stevens Point	2,478,911	170,045	0	466,067	0	895,503	97,679	4,108,205
Stout	399,369	35,305	0	812,008	0	24,222	321,139	1,592,044
Superior	0	0	0	20,103	0	195,139	0	215,242
Whitewater	2,455	31,396	0	324,353	36,428	22,506	667,853	1,084,991
Colleges	1,500	0	0	360,333	0	13,949	377,566	753,348
Extension	16,718,685	0	0	0	0	0	0	16,718,685
System-Wide	0	15,000	0	9,030	0	0	0	24,030
Nonfederal Totals	23,777,063	14,505,681	7,330,204	53,466,804	9,719,372	180,478,042	8,445,577	297,722,745

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	(2,893,164)	(5,160,598)	(6,731,072)	1,312,902	5,714,013	3,714,663	5,237,824	1,194,568
Milwaukee	(30,997)	(2,316,706)	(13,200)	660,752	37,160	(2,065,143)	(257,054)	(3,985,188)
Eau Claire	(50,893)	(222,667)	0	0	0	(176,511)	(563,598)	(1,013,669)
Green Bay	(37,974)	108,110	0	(64,259)	0	697,780	4,992,243	5,695,901
La Crosse	(290,800)	(84,629)	0	(205,299)	0	(936,381)	(406,903)	(1,924,012)
Oshkosh	(379,721)	(1,731,427)	0	0	0	(1,291,722)	766,297	(2,636,572)
Parkside	(624,909)	(333,398)	0	1,851	21,385	7,559	4,977,939	4,050,428
Platteville	(177,675)	16,171	0	1,215,614	0	(625,356)	(628,769)	(200,014)
River Falls	726,746	1,083,200	(1,177)	(371,969)	3,279	(172,678)	4,242,609	5,510,010
Stevens Point	(2,168,989)	16,514	0	(601,841)	0	(375,905)	(402,093)	(3,532,315)
Stout	(844,501)	(11,518)	0	(734,810)	0	10,376	(624,897)	(2,205,350)
Superior	(106,800)	0	0	(41,253)	0	(174,798)	32,056	(290,795)
Whitewater	(1,875,541)	(18,326)	0	(183,627)	966	(139,084)	130,975	(2,084,637)
Colleges	(5,025)	103,760	16,868	(70,052)	0	(232,699)	(399,597)	(586,745)
Extension	8,550,531	0	0	0	0	0	0	8,550,531
System-Wide	0	234,319	0	1,224,930	0	(1,045,742)	0	413,507
Totals	(209,711)	(8,317,194)	(6,728,582)	2,142,939	5,776,804	(2,805,640)	17,097,031	6,955,646
Madison	(3,878,194)	(2,317,862)	0	544,145	0	27,859,881	3,908,760	26,116,729
Milwaukee	119,028	(1,824,526)	0	447,563	0	(889,895)	(191,522)	(2,339,352)
Eau Claire	(24,705)	(208,244)	0	0	0	(36,244)	(562,534)	(831,727)
Green Bay	(35,502)	184,970	0	15	0	338,949	4,981,744	5,470,176
La Crosse	(180,651)	(103,879)	0	(145,281)	0	55,146	(356,903)	(731,568)
Oshkosh	(291,609)	(1,293,294)	0	0	0	(979,472)	269,985	(2,294,390)
Parkside	(676,989)	(305,943)	0	0	0	0	4,864,124	3,881,192
Platteville	(183,307)	0	0	384,198	0	(498,598)	(628,769)	(926,476)
River Falls	717,250	1,084,812	0	(333,181)	0	(151,411)	3,823,769	5,141,239
Stevens Point	(87,638)	0	0	(423,915)	0	119,200	(356,540)	(748,893)
Stout	(539,196)	(17,130)	0	(74,819)	0	34,598	(306,108)	(902,655)
Superior	(106,800)	0	0	(39,843)	0	0	(117,944)	(264,587)
Whitewater	(1,893,956)	0	0	(61,381)	0	(155,228)	319,139	(1,791,426)
Colleges	(5,700)	16,550	0	(49,659)	0	(218,750)	(395,061)	(652,620)
Extension	10,583,980	0	0	0	0	0	0	10,583,980
System-Wide	0	249,319	0	0	0	(1,045,742)	0	(796,423)
Federal Totals	3,516,010	(4,535,227)	0	247,841	0	24,432,434	15,252,140	38,913,197
Madison	985,030	(2,842,736)	(6,731,072)	768,757	5,714,013	(24,145,217)	1,329,064	(24,922,161)
Milwaukee	(150,025)	(492,180)	(13,200)	213,189	37,160	(1,175,248)	(65,532)	(1,645,836)
Eau Claire	(26,188)	(14,423)	0	0	0	(140,267)	(1,064)	(181,942)
Green Bay	(2,472)	(76,860)	0	(64,274)	0	358,832	10,499	225,726
La Crosse	(110,149)	19,250	0	(60,018)	0	(991,527)	(50,000)	(1,192,444)
Oshkosh	(88,111)	(438,133)	0	0	0	(312,250)	496,312	(342,182)
Parkside	52,080	(27,455)	0	1,851	21,385	7,559	113,815	169,236
Platteville	5,632	16,171	0	831,416	0	(126,758)	0	726,462
River Falls	9,496	(1,612)	(1,177)	(38,788)	3,279	(21,267)	418,840	368,771
Stevens Point	(2,081,351)	16,514	0	(177,926)	0	(495,105)	(45,553)	(2,783,422)
Stout	(305,305)	5,612	0	(659,991)	0	(24,222)	(318,789)	(1,302,695)
Superior	0	0	0	(1,410)	0	(174,798)	150,000	(26,208)
Whitewater	18,415	(18,326)	0	(122,246)	966	16,144	(188,164)	(293,211)
Colleges	675	87,210	16,868	(20,392)	0	(13,949)	(4,537)	65,875
Extension	(2,033,449)	0	0	0	0	0	0	(2,033,449)
System-Wide	0	(15,000)	0	1,224,930	0	0	0	1,209,930
Nonfederal Totals	(3,725,721)	(3,781,968)	(6,728,582)	1,895,098	5,776,804	(27,238,074)	1,844,891	(31,957,552)

**UW SYSTEM INFORMATION TECHNOLOGY REPORT
UW STRATEGIC PLANS
FOR MAJOR INFORMATION TECHNOLOGY PROJECTS**

BACKGROUND

As prescribed in 2007 Wisconsin Act 20, the Board of Regents is required to create a reporting format for the University of Wisconsin System and each of the University of Wisconsin institutions' "strategic information technology plans." The strategic plans are to be provided to the Board by March 1 of each year.

The statute also requires the Board to create specific and detailed policies on all "large" IT projects [defined as costing over \$1 million] or projects defined as vital to the functions of the system or the institution. These policies were approved [Resolution I.2.e.5.] at the April 2008 meeting, and were submitted to the Joint Committee on Information Policy and Technology for approval.

The statute further requires the Board of Regents to provide to the Joint Committee on Information Policy and Technology on March 1 and September 1 of each year a specific and detailed "progress" report on all large and high-risk projects.

REQUESTED ACTION

This report is for information only.

DISCUSSION AND RECOMMENDATIONS

The first institutional IT plans were submitted for 2008. All institutions completed IT strategic plans from FY 2008 to FY 2014. Some plans are multi-year and do not change materially from year to year. Most plans follow a format which contains Information Technology & University Strategic Objectives, with nine key items: 1) plan development; 2) plan principles; 3) plan outcome measurements; 4) plan relationship to the university's strategic objectives; 5) plan format; 6) critical plan objectives with implementation plans; 7) timeline; 8) description of plan governance; and 9) major themes of the plan. Some campus plans embed these key items within the plan narrative without specifically highlighting them. The institutional strategic IT plans may be found at: <http://www.uwsa.edu/olit/cio/ITplans/>

RELATED REGENT POLICIES

None



UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

ANNUAL REPORT 2013

To the UW System Board of Regents, Donors and Friends, UW Campuses and Departments

The University of Wisconsin System Trust Funds is composed mostly of gifts, grants, and bequests from individuals and corporations. Although active fundraising is primarily the purview of individual campus foundations, the University also benefits from the generosity of alumni and friends who have gifted directly to one of the UW institutions rather than through an affiliated foundation.

For the fiscal year ended June 30, 2013, UW System Trust Funds received \$9.2 million in gifts, up from the \$6.8 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$17.0 million, compared to \$14.5 million in the fiscal year ended June 30, 2012. Consistent with donor designations, disbursements have predominately gone toward research, student aid, extension and public service, and instruction.

Investment returns added \$40.9 million to total net asset value for the fiscal year, compared to just \$1.5 million for the prior period, while disbursements and expenses exceeded total receipts for the fiscal year by approximately \$12.9 million. The result was an increase in net assets of \$28.0 million. As of June 30, 2013, Trust Funds' net assets totaled \$484.3 million, compared to \$456.3 million at the end of the prior fiscal year.

Regarding investment results for the fiscal year, developed market equities globally rebounded from the prior fiscal year's mediocre performance in the case of U.S. equities and double-digit negative returns in the case of non-U.S. developed and emerging market equities. For the 2013 fiscal year, global developed market equities returned approximately +20%. Emerging market equities continued to struggle, however, returning only +4.2%. In higher risk fixed income markets, U.S. high yield continued to perform strongly, returning +9.6% for the year, while emerging market debt was basically flat. In the higher quality fixed income markets, U.S. Treasuries, TIPS and broad-market bonds generated losses for the year, as both nominal and real interest rates in the U.S. rose. "Cash" continued to provide an essentially 0% nominal return, equating to a negative real return and loss of purchasing power. Regarding more non-traditional or "alternative" investments, results were again mixed. For example, hedge funds overall returned only +2.7%, commodities were basically flat, and real assets such as private commercial real estate and timber performed well, returning approximately +9% to +10% for the year. Meanwhile, inflation in the U.S. chugged along at a mild annual rate of only +1.8%.

For the 2013 fiscal year, the widely-diversified Long Term Fund (used primarily for endowments) gained +10.9%. The *Intermediate Term Fund*, which is invested largely in high quality intermediate-maturity bonds but with some equity and high yield fixed income exposure, returned +5.4% for the fiscal year. The short-term, money market-like *Income Fund* returned +0.1%.

The Annual Report that follows includes detailed information on the various investment funds; contributions, disbursements, and expenses; as well as statements of financial position and cash activities.

To the donors, families and friends of all our contributors, we extend our deep gratitude.



Steven Wildeck
Interim Vice President for Finance & Trust Officer
University of Wisconsin System



Douglas J. Hoerr, CFA
Director & Assistant Trust Officer
University of Wisconsin System

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OVERVIEW

The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) consist predominately of bequests from individuals via wills or other trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents, directly, or any UW System institution, without specifically identifying a UW-related foundation. (UW-related foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has in essence restricted the use of “principal” and may or may not have imposed additional restrictions as to purpose (in accounting parlance, “restricted – nonexpendable” gifts), or 2) “quasi-endowments,” where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either “restricted – expendable” or fully “unrestricted” gifts).

Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the “principal” is to be preserved into perpetuity) and other long-term investments, the *Long Term Fund* has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the *Intermediate Term Fund* and *Income Fund* have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to a mutual fund, where investors buy and sell Fund units representing proportional shares of the Funds’ underlying investments. The investment objectives for each of the Funds are inherently different and are discussed separately below.

Long Term Fund

Used primarily for investing endowed assets, the principal investment objective of the *Long Term Fund* is to achieve, net of administrative and investment expenses, significant and attainable “real returns;” that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Assets invested in the *Long Term Fund* receive an annual “spending rate” distribution of a set percentage (currently four percent) of the Fund’s average market value over the prior twelve quarters (three years). The spending rate percentage is reviewed annually by Trust Funds and the Business and Finance Committee of the Board of Regents.

Intermediate Term Fund

The primary objective of the *Intermediate Term Fund* is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, similar to that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund seeks to maximize its expected return for any given targeted level of volatility.

Income Fund

The *Income Fund* receives spending and interest income distributions from the other Funds. All Trust Funds spending is conducted through the *Income Fund*. The primary objective of the *Income Fund* is to provide competitive investment returns consistent with the need for preservation of “principal” and immediate liquidity. Expected risk and return for the Fund is also expected to be similar to high-quality “money market” funds. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, which is managed by the State of Wisconsin Investment Board.

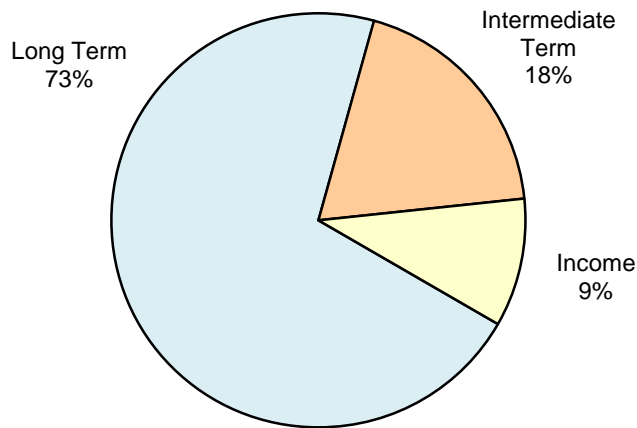
INVESTMENT FUND DATA: TOTAL ASSETS
As of Fiscal Years Ended June 30

The tables and graphs below provide summary data on the invested assets of the UW System Office of Trust Funds.

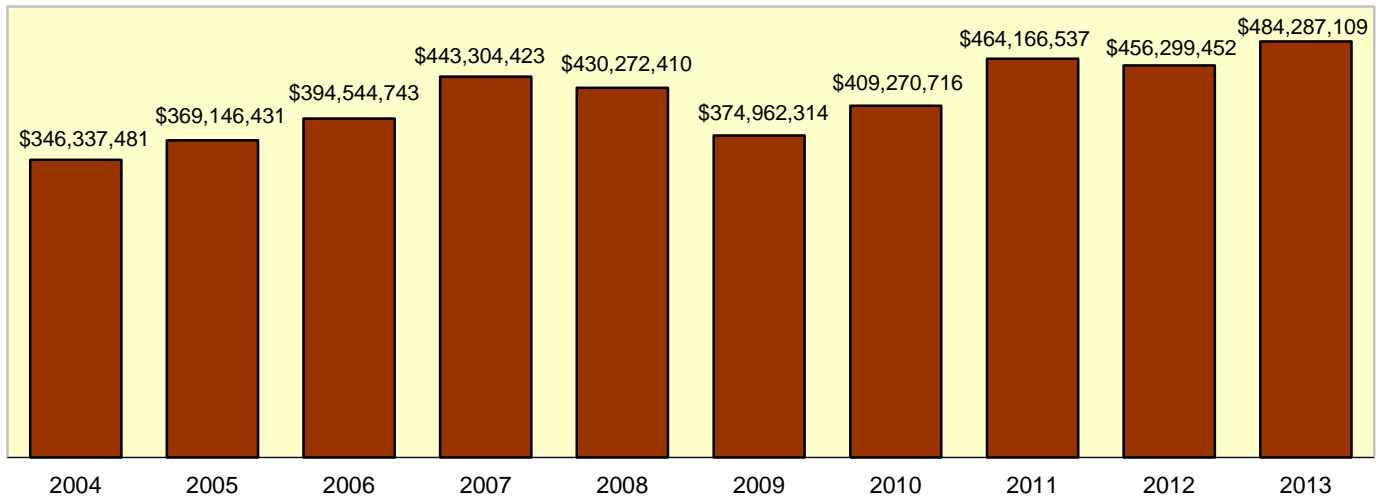
MARKET VALUES AND PERCENTS BY FUND

Investment Fund	Market Values (\$millions)	
	2013	2012
Long Term Fund	\$ 352.0	\$ 327.1
Intermediate Term Fund	86.2	85.8
Income Fund	46.1	43.4
TOTAL	\$ 484.3	\$ 456.3

As of June 30, 2013



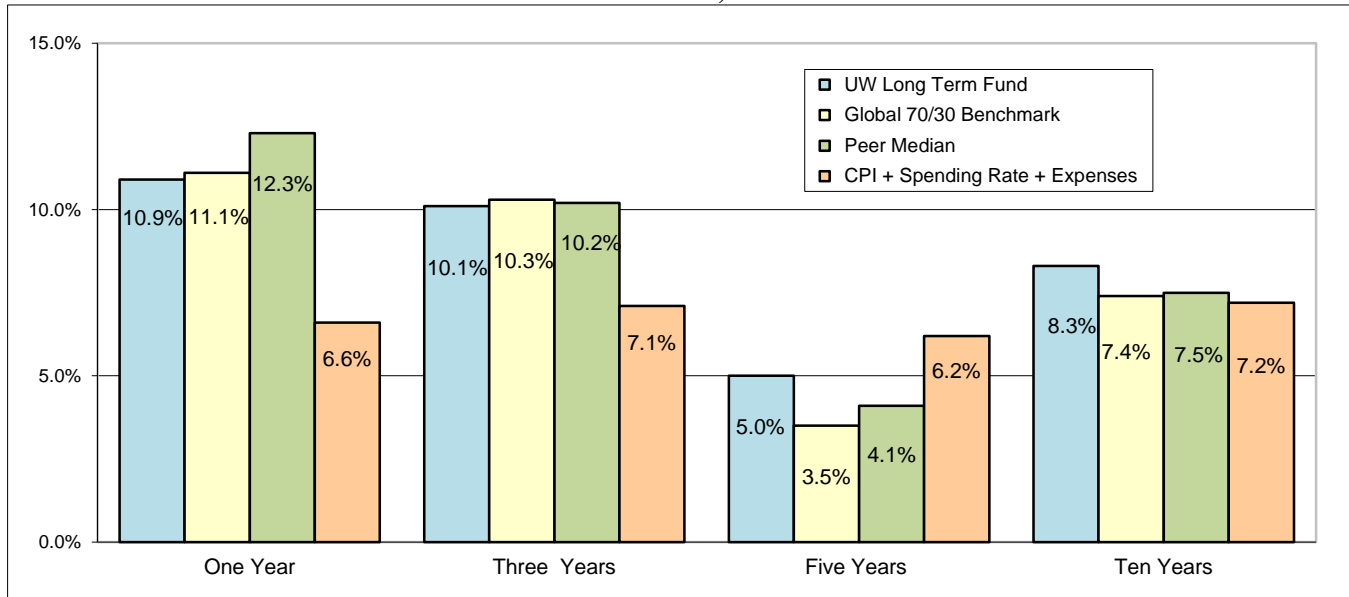
TOTAL NET ASSETS



INVESTMENT FUND DATA: LONG TERM FUND
As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Long Term Fund* for the most recent fiscal year as well as over longer periods. For comparative purposes, the performance of the following benchmarks are also shown: a more “traditional” and passive portfolio consisting of 70 percent global equities and 30 percent bonds; and a “target” or “hurdle” rate consisting of the inflation rate, plus the spending distribution rate, plus expenses.

INVESTMENT PERFORMANCE
As of June 30, 2013



Note: The “Global 70/30 benchmark” represents a more “traditional” asset allocation of 70% stocks/30% bonds, comprised of 70% MSCI ACWI and 30% Barclay’s Global Aggregate Bond indexes. The annual spending rate is currently 4.0%, expenses are assumed to average 0.80% per year, and the change in the Consumer Price Index (CPI) is used as the inflation indicator. Peer data is from the Russell BNY Mellon Analytical Services trust universe database based on the “Foundations and Endowments < \$1 Billion” classification.

The annual “spending rate” distribution for the *Long Term Fund* has remained at four percent since June 30, 2005. The ten-year history of the spending rate and dollar distributions is given in the table below.

**TEN-YEAR HISTORY OF
SPENDING RATES AND DISTRIBUTIONS**

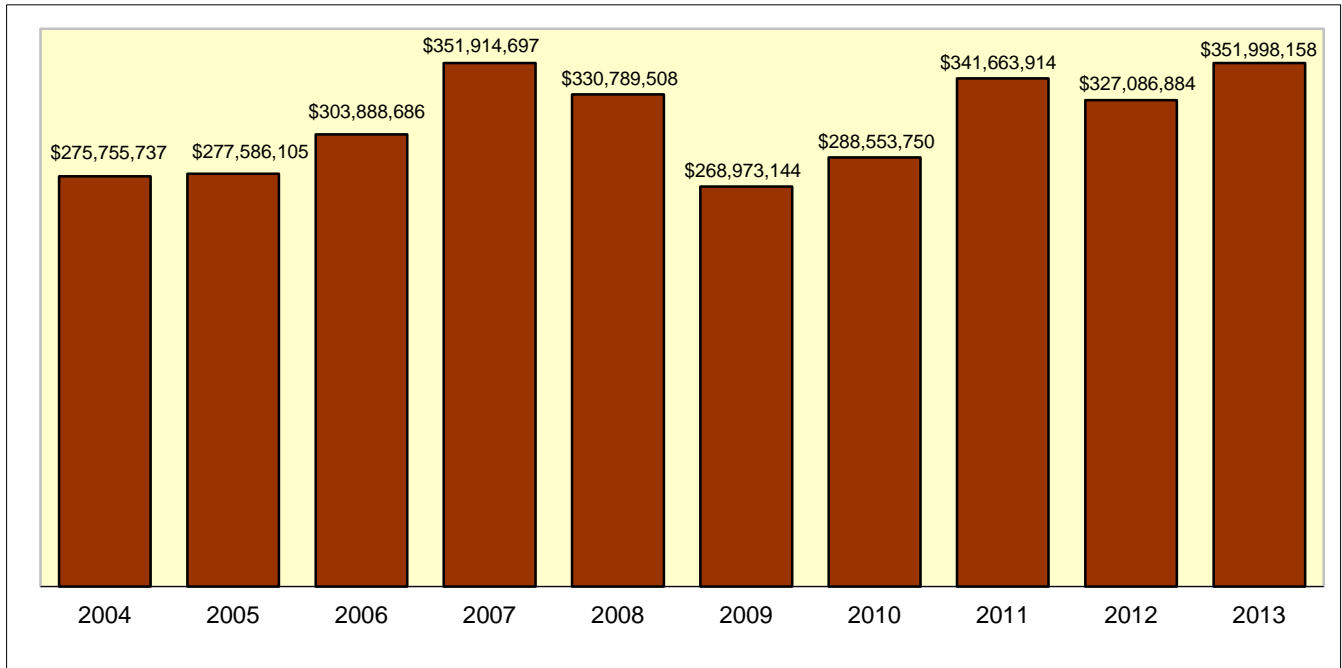
Fiscal Year	Spending Rate	Distribution
2004	4.5%	10,902,801
2005	4.4% ¹	10,836,217
2006	4.0%	10,704,542
2007	4.0%	11,636,132
2008	4.0%	12,683,559
2009	4.0%	12,809,947
2010	4.0%	12,414,177
2011	4.0%	11,992,394
2012	4.0%	12,183,564
2013	4.0%	12,924,658
TEN YEAR TOTAL		\$ 119,087,991

¹ This reflects a 4.5% annual rate for the first three quarters and a 4.0% rate for the fourth quarter.

INVESTMENT FUND DATA: LONG TERM FUND
As of Fiscal Years Ended June 30

Contributing to the overall change in the *Long Term Fund's* net assets are the following: new gifts, plus investment returns, less spending distributions and expenses. The following chart depicts the historical change in net assets of the Fund.

LONG TERM FUND NET ASSETS

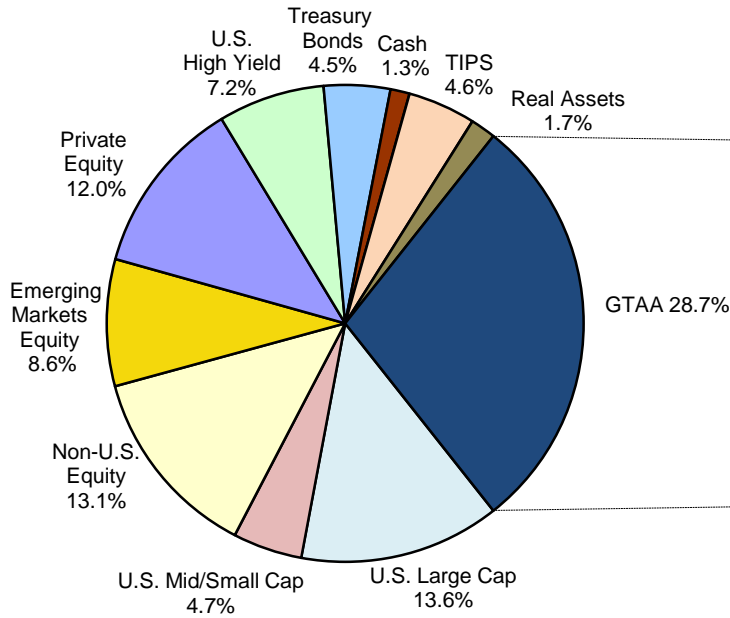


The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

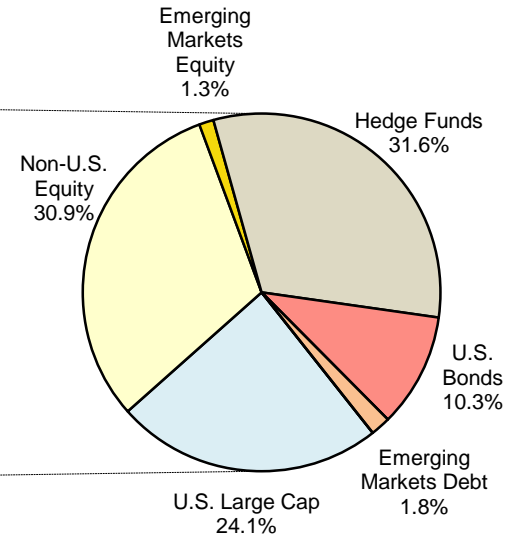
INVESTMENT FUND DATA: LONG TERM FUND
As of Fiscal Year Ended June 30

ASSET/STRATEGY ALLOCATIONS

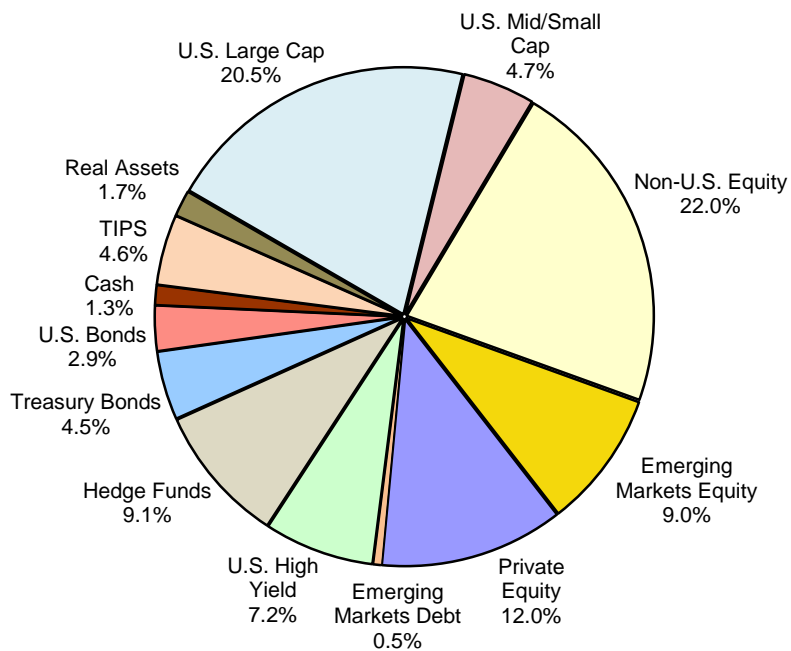
Total Portfolio Asset/Strategy Allocation



Global Tactical Asset Allocation



Total Effective Portfolio Asset Allocation



INVESTMENT FUND DATA: LONG TERM FUND
As of Fiscal Years Ended June 30

ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS/STRATEGY

	2013		2012	
	Market Value	% of Fund	Market Value	% of Fund
Global Tactical Asset Allocation				
GMO Real Global Balanced Strategy	\$100,910,733	28.7%	\$90,065,664	27.5%
U.S. Equities - Large Cap				
UBS Global Asset Management	47,847,074	13.6%	36,843,139	11.3%
U.S. Equities – Mid/Small Cap				
300 North Capital	0	0.0%	4,783,348	1.4%
Russell 2000 ETF	7,450,229	2.1%	7,334,172	2.2%
Russell Mid-Cap ETF	9,019,042	2.6%	7,315,777	2.2%
		4.7%		5.8%
Non-U.S. Developed Market Equities				
UBS Global Asset Management	46,297,063	13.1%	40,075,383	12.3%
Emerging Market Equities				
GMO Emerging Markets Fund	30,128,890	8.6%	32,011,386	9.8%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	25,344,942	7.2%	19,737,903	6.0%
Private Equity/Venture Capital				
Adams Street Partners	21,579,837	6.1%	22,957,975	7.0%
JP Morgan Investment Management	20,949,656	5.9%	21,178,997	6.5%
		12.0%		13.5%
U.S. Investment-Grade Fixed Income				
Applied Security Analysis Program	32,100,698	9.1%	36,829,762	11.3%
U.S. Cash and Cash Equivalents				
JP Morgan Prime Money Market Fund	4,514,318	1.3%	3,855,403	1.2%
Real Assets				
GMO Forestry Fund	5,855,676	1.7%	3,876,000	1.2%
Opportunistic				
GMO Emerging Illiquid Fund	0	0.0%	221,975	0.1%
TOTALS	\$ 351,998,158	100.0%	\$ 327,086,884	100.0%

<p align="center">INVESTMENT FUND DATA: LONG TERM FUND As of Fiscal Year Ended June 30, 2013</p>

SUMMARY OF INVESTMENT POSITIONS

Public Equities – 56.2% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	45.7%
United Kingdom	9.3%
Japan	9.0%
Germany	3.7%
China	3.4%
France	2.9%
Switzerland	2.6%
Korea	2.4%
Russia	2.2%
Brazil	1.8%
TOTAL	83.0%

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	19.8%
Health Care	11.8%
Information Technology	11.6%
Industrials	10.9%
Consumer Discretionary	10.1%
Energy	10.1%
Consumer Staples	9.7%
Materials	6.4%
Telecommunications	5.4%
Utilities	3.4%
TOTAL	99.2%

<u>Top Ten Holdings</u>	<u>% of Equities</u>
BP	1.1%
Philip Morris	1.1%
Toyota Motor	1.0%
Novartis	0.8%
Apple	0.8%
Vodafone	0.8%
HSBC	0.8%
Nestle	0.8%
Microsoft	0.7%
Johnson & Johnson	0.7%
TOTAL	8.6%

Fixed Income – 19.7% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	90.0%
Non-U.S.	10.0%
TOTAL	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	32.8%
Cash and Cash Equivalents	32.0%
U.S. TIPS	25.7%
Other	7.4%
Asset Backed Securities	1.3%
TOTAL	99.2%

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fixed Income</u>
Ally Financial	0.8%
Diamonds Resorts Corp	0.4%
Sabine Pass Liquefaction	0.4%
Hawk Acquisition Group	0.4%
Dish DBS	0.4%
Harland Clarke Holdings	0.3%
CCO Holdings Capital	0.3%
Clear Channel Worldwide	0.3%
CHC Helicopter	0.3%
Softbank Corp	0.3%
TOTAL	3.9%

<u>Average Portfolio Maturity</u>	8.3 Years
<u>Average Portfolio Duration</u>	4.4 Years
<u>Average Portfolio Quality</u>	A+

Cash – 1.3% of Fund

JP Morgan Prime Money Market Fund	100.0%
-----------------------------------	--------

<p align="center">INVESTMENT FUND DATA: LONG TERM FUND As of Fiscal Year Ended June 30</p>

SUMMARY OF INVESTMENT POSITIONS

Hedge Funds – 9.1% of Fund

<u>Hedge Fund Classifications</u>	<u>% of Hedge Funds</u>
Market Neutral/Absolute Return	100.0%

<u>Number of Fund Holdings</u>	9
--------------------------------	---

<u>Top Five Funds</u>	<u>% of Hedge Funds</u>
GMO Systematic Global Macro	16.7%
GMO Completion	16.4%
GMO Mean Reversion	16.1%
GMO Emerging Country Debt	12.6%
<u>GMO Fixed Income Hedge</u>	<u>11.0%</u>
<u>TOTAL</u>	<u>72.8%</u>

Real Assets – 1.7% of Fund

<u>Investment</u>	<u>% of Real Assets</u>
GMO Forestry Fund 9, L.P.	100%

Private Equity – 12.0% of Fund

<u>U.S./Non-U.S. Positions</u>	<u>% of Private Equity</u>
U.S.	74.2%
Non-U.S.	25.8%
<u>TOTAL</u>	<u>100.0%</u>

<u>Types of Partnerships</u>	<u>% of Private Equity</u>
Buyouts	45.6%
Venture Capital	35.7%
Special Situations	11.7%
<u>Debt/Restructuring</u>	<u>7.0%</u>
<u>TOTAL</u>	<u>100.0%</u>

<u>Investment Program Inception</u>	2002
<u>Number of Vintage Years</u>	12
<u>Number of Partnerships¹</u>	

Adams Street Partners	437
JP Morgan	200

<u>Number of Underlying Companies¹</u>	
Adams Street Partners	8,889
JP Morgan	6,351

¹ Some underlying partnerships and portfolio companies may be represented in both Adams Street and JP Morgan portfolios, such that there may be some double-counting.

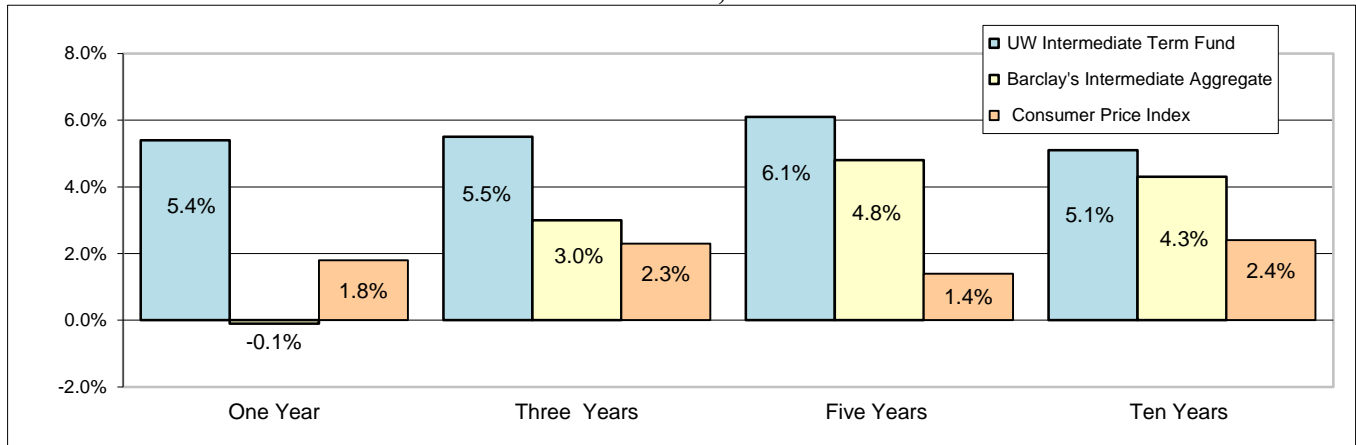
INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Intermediate Term Fund* for the most recent fiscal year as well as over longer periods. Also shown is the performance of a passive, benchmark index – the Barclay’s Intermediate Aggregate Bond Index.

INVESTMENT PERFORMANCE

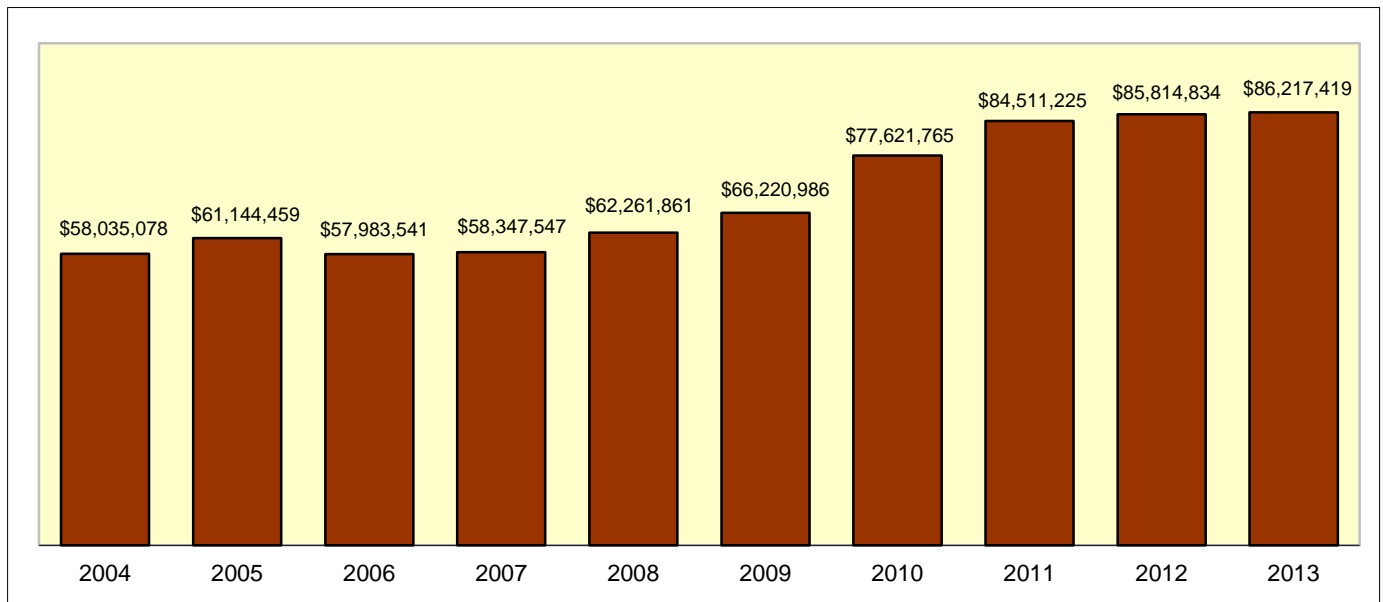
As of June 30, 2013



Note: The Barclay’s Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more “traditional” asset allocation for a portfolio with an intermediate investment “duration.” The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Intermediate Term Fund*’s assets are the following: new gifts, plus investment returns, less interest income distributions, expenses, and expenditures of principal. The following chart depicts the historical change in net assets of the Fund.

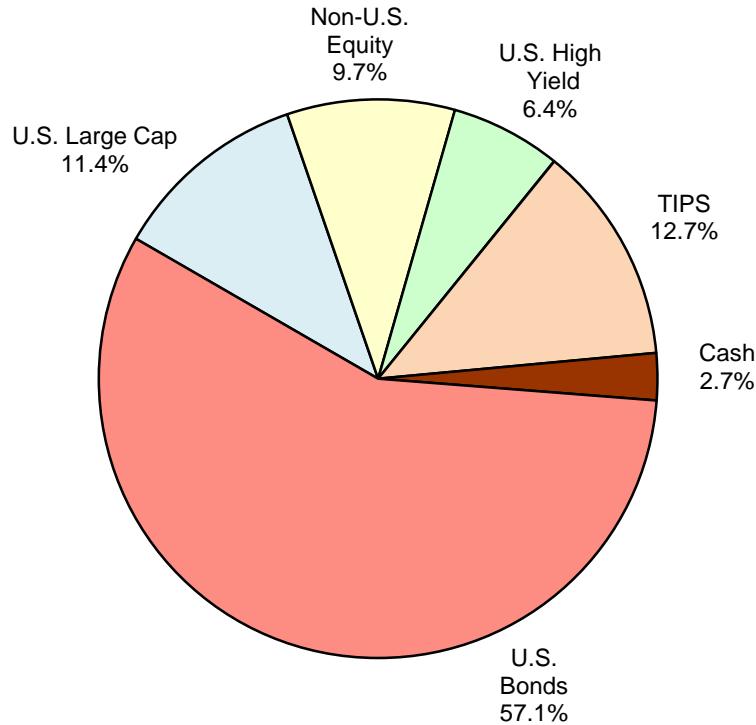
INTERMEDIATE TERM FUND NET ASSETS



The graphs and charts that follow present information on the Fund’s asset allocation, investment managers, and investment positions.

<p align="center">INVESTMENT FUND DATA: INTERMEDIATE TERM FUND</p> <p align="center">As of Fiscal Years Ended June 30</p>

ASSET/STRATEGY ALLOCATIONS



ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS

	2013		2012	
	Market Value	% of Fund	Market Value	% of Fund
U.S. Equities – Large Cap				
S&P 500 ETF	\$ 9,794,059	11.4%	\$ 8,320,417	9.7%
Non-U.S. Developed Market Equities				
MSCI EAFE ETF	8,368,184	9.7%	7,286,066	8.5%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	5,559,100	6.4%	5,397,239	6.3%
U.S. Investment-Grade Fixed Income				
Reams Asset Management	39,166,354	45.5%	40,577,162	47.3%
Barclays 0-5 Year TIPS ETF	10,937,263	12.7%	12,894,781	15.0%
Applied Security Analysis Program	10,029,035	11.6%	10,833,161	12.6%
		69.8%		74.9%
U.S. Cash and Cash Equivalents				
JP Morgan Prime Money Market Fund	2,363,424	2.7%	506,008	0.6%
TOTALS	\$ 86,217,419	100.0%	\$ 85,814,834	100.0%

INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

As of Fiscal Year Ended June 30, 2013

Public Equities – 21.1% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	53.9%
Japan	10.3%
United Kingdom	9.7%
Switzerland	4.4%
France	4.1%
Germany	4.0 %
Australia	3.6%
Sweden	1.4%
Netherlands	1.3%
<u>TOTAL</u>	<u>92.7%</u>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	20.4%
Consumer Discretionary	11.9%
Information Technology	11.7%
Health Care	11.6%
Industrials	11.2%
Consumer Staples	11.1%
Energy	8.8%
Materials	5.4%
Telecommunications	3.9%
Utilities	3.5%
<u>TOTAL</u>	<u>99.5%</u>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Exxon Mobil	1.3%
Apple Inc.	1.2%
Nestle SA	1.0%
HSBC Holdings	0.9%
Microsoft	0.8%
General Electric	0.8%
Johnson & Johnson	0.8%
Google	0.8%
Chevron	0.7%
Proctor & Gamble	0.7%
<u>TOTAL</u>	<u>9.0%</u>

Fixed Income – 76.2% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	43.8%
U.S. Government Mortgages	20.8%
U.S. TIPS	15.9%
U.S. Government	9.9%
Commercial Mortgage Backed	4.9%
Money Market	4.0%
Asset Backed Securities	0.8%
<u>TOTAL</u>	<u>100.0%</u>

Number of Non-Government Holdings 407

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fund</u>
JP Morgan Chase	2.6%
Morgan Stanley	2.6%
Goldman Sachs	2.2%
WFRBS Commercial Mortgage	1.9%
Bank of America	1.9%
General Electric	1.8%
Citigroup	1.8%
American International	1.8%
Lincoln National	1.4%
Metropolitan Life	1.3%
<u>TOTAL</u>	<u>19.4%</u>

Average Portfolio Maturity 4.1 Years

Average Portfolio Duration 3.2 Years

Average Portfolio Quality AA-

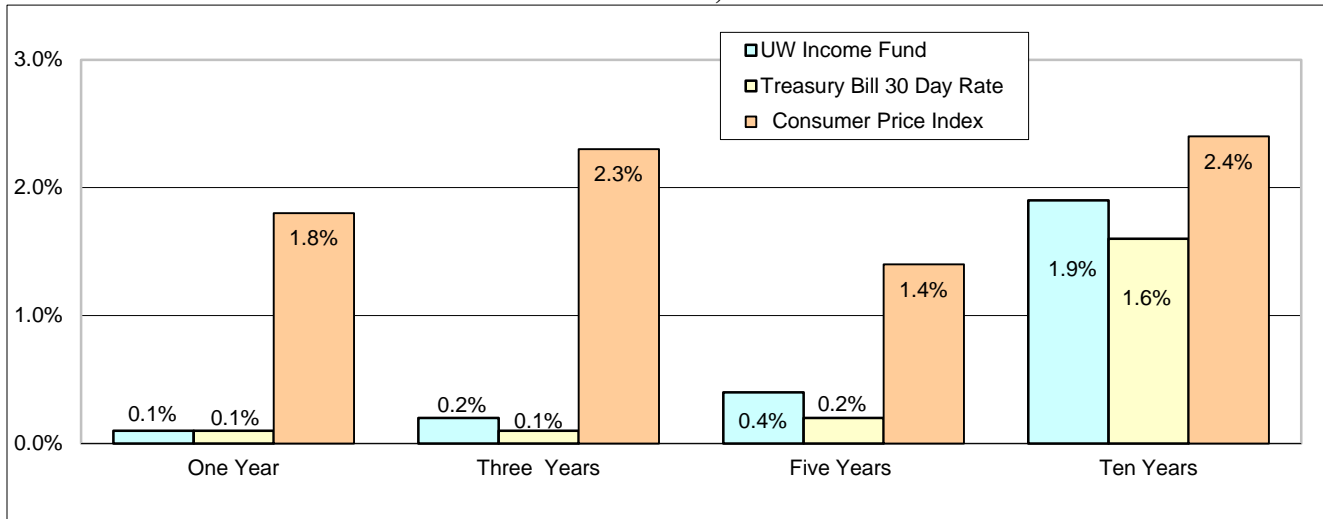
Cash – 2.7% of Fund

JP Morgan Prime Money Market Fund 100.0%

INVESTMENT FUND DATA: INCOME FUND
As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Income Fund* for the most recent fiscal year as well as over longer periods. Also shown, for comparative purposes, is the performance of 30-day Treasury Bills.

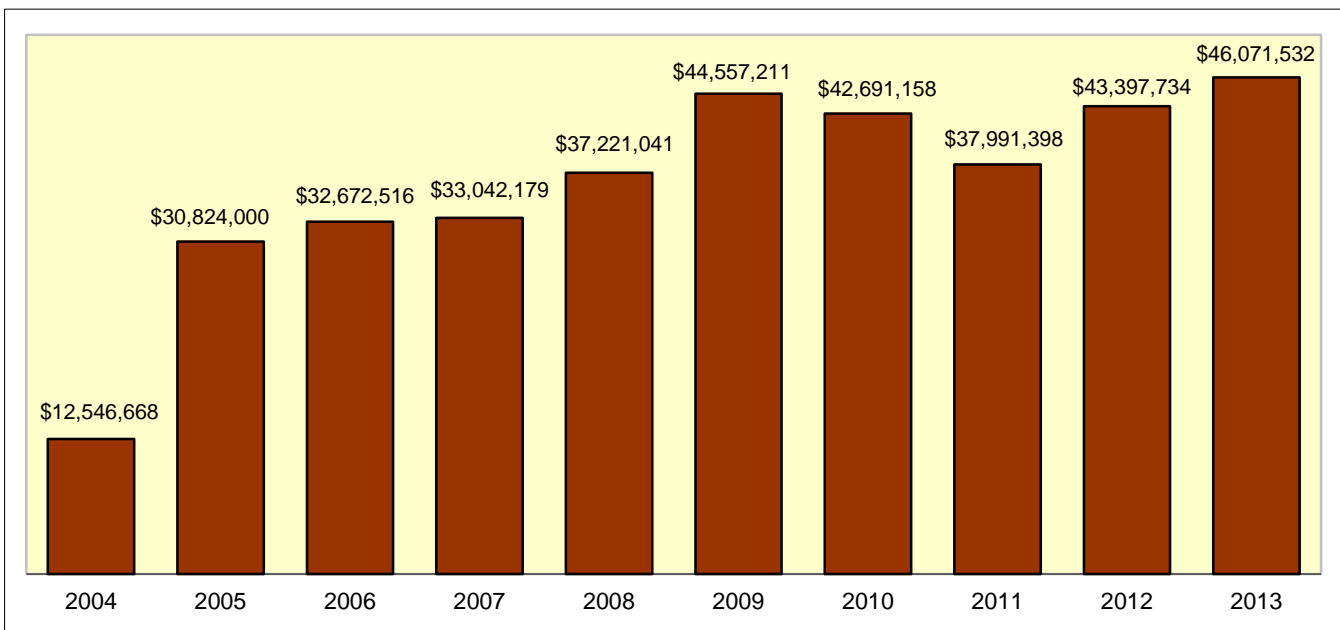
INVESTMENT PERFORMANCE
As of June 30, 2013



Note: The 30-day Treasury Bill rate is used as the benchmark for this short-term, money market-like Fund. The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Income Fund's* net assets are the following: interest income and spending rate distributions received from the *Intermediate* and *Long Term Funds*, plus interest earnings, less expenses and expenditures. The following chart depicts the historical change in net assets of the Fund.

INCOME FUND NET ASSETS



<p align="center">GIFTS, DISBURSEMENTS AND BALANCES For Fiscal Years Ended June 30</p>

2013 GIFTS BY TYPE OF GIFT

Gift Type	Total Gifts	Number of Gifts
Bequests	\$ 4,896,324	172
General Gifts	4,348,462	377
TOTAL	\$ 9,244,786	549

Note: General Gifts are generally gifts received from individual living donors, corporations, or foundations. Bequests are generally gifts made through a will or other form of legal trust.

2013 GIFTS BY ENDOWMENT CATEGORY

Endowment Category	Total Gifts	Percentage
Quasi Endowment	\$ 6,147,825	66.5%
True Endowment	1,674,352	18.2%
Designated Endowment	1,422,609	15.4%
TOTAL	\$ 9,244,786	100.0%

Note: Quasi Endowments are those where the donor has not restricted use of principal. True Endowments are those gifts where the donor has in essence restricted the use of principal. Designated Endowments are those where the donor has not restricted principal, but the benefiting institution or Board of Regents have elected to do so.

2013 GIFTS BY USAGE DESIGNATION

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 4,242,514	45.9%
Student Aid	2,821,544	30.5%
Public Service	1,573,365	17.0%
Research	607,363	6.6%
TOTAL	\$ 9,244,786	100.0%

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

GIFTS, DISBURSEMENTS AND BALANCES
For Fiscal Years Ended June 30

2013 GIFTS BY CAMPUS AND COLLEGE

Campus	Total Gifts	Number of Gifts
Madison		
School of Medicine and Public Health	\$ 856,091	56
General Services	785,252	10
General Education Administration	759,195	8
Graduate School	614,985	5
College of Letters & Science	456,258	198
College of Engineering	414,582	19
School of Veterinary Medicine	195,982	2
School of Education	146,000	33
School of Nursing	106,976	19
Law School	100,000	1
College of Agriculture & Life Sciences	81,208	12
Officer Education	375	3
School of Pharmacy	274	1
Madison Subtotal	\$ 4,517,178	367
Extension	3,304,301	67
Milwaukee	1,422,949	15
La Crosse	50,000	1
Superior	40,205	4
Parkside	18,709	9
Green Bay	1,700	2
Colleges	200	2
Systemwide/Administration	(110,456)	82
TOTAL	\$ 9,244,786	549

Note: The categories of General Education Administration and General Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The gift amount for Systemwide/Administration is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

TEN-YEAR HISTORY OF TOTAL GIFTS

Fiscal Year	Total Gifts	As Percent of Prior Year Principal Market Value
2004	\$ 12,805,149	4.3%
2005	8,640,969	2.6%
2006	8,059,469	2.3%
2007	16,478,500	4.5%
2008	11,617,369	3.2%
2009	13,891,569	3.5%
2010	6,640,429	2.0%
2011	11,749,776	3.0%
2012	6,756,465	1.6%
2013	9,244,786	2.2%
TEN YEAR TOTAL	\$ 105,884,481	AVERAGE 2.9%

<p align="center">GIFTS, DISBURSEMENTS AND BALANCES For Fiscal Years Ended June 30</p>

2013 DISBURSEMENTS BY DESIGNATION

Designation	Total Disbursements	Percentage
Research	\$ 7,395,838	43.4%
Extension & Public Service	3,747,741	22.0%
Student Aid	3,377,938	19.9%
Instruction	1,643,112	9.7%
Academic Support	855,764	5.0%
Other	928	0.0%
TOTAL	\$ 17,021,321	100.0%

TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
2004	\$ 21,771,311	7.4%
2005	20,412,504	6.1%
2006	22,382,067	6.5%
2007	24,980,366	6.5%
2008	20,348,667	5.6%
2009	17,446,575	4.4%
2010	16,863,697	5.0%
2011	17,054,576	5.1%
2012	14,462,572	3.4%
2013	17,021,321	3.9%
TOTAL	\$ 192,743,656	AVERAGE 5.4%

<p align="center">GIFTS, DISBURSEMENTS AND BALANCES As of Fiscal Year Ended June 30, 2013</p>
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2013 TOTAL BALANCES BY CATEGORY

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 186,155,180	42.2%	461
Quasi Endowment	155,486,026	35.3%	788
Designated Endowment	99,089,018	22.5%	111
Term Endowment	135,042	0.3%	1
TOTAL	\$ 440,865,266	100.0%	1,361

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal" by the Trust Funds accounting system. Therefore, it does not equal the total Trust Funds market value shown elsewhere in this report, which includes "income." Essentially, total principal market value consists of the market values of the *Long Term* and *Intermediate Term Funds*, plus that portion of the *Income Fund* designated as "principal," which is generally monies awaiting investment in the other Funds.

2013 TOTAL BALANCES BY USAGE DESIGNATION

Usage Designation	Principal Market Value	Percentage	Number of Accounts
Miscellaneous	\$ 186,871,595	42.5%	538
Student Aid	131,111,325	29.7%	534
Research	85,032,457	19.3%	193
Public Service	14,334,067	3.3%	39
Library	12,578,190	2.9%	23
Instruction	9,444,190	2.1%	22
Physical Plant	1,269,325	0.2%	8
Auxiliary Services	191,086	0.0%	2
General Operations	33,031	0.0%	2
TOTAL	\$ 440,865,266	100.0%	1,361

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

GIFTS, DISBURSEMENTS AND BALANCES

As of Fiscal Year Ended June 30, 2013

2013 TOTAL BALANCES BY CAMPUS AND COLLEGE

Campus	Principal Market Value	Percentage	Number of Accounts
Madison			
School of Medicine and Public Health	\$ 76,378,943	17.3%	278
College of Letters & Sciences	62,417,122	14.2%	281
College of Ag & Life Sciences	57,651,157	13.1%	161
General	47,640,398	10.8%	6
General Education Administration	16,579,638	3.8%	14
General Services	27,385,654	6.2%	80
Graduate School	20,592,845	4.7%	28
Business Services	16,491,569	3.7%	24
College of Engineering	11,587,661	2.6%	56
School of Business	8,794,356	2.0%	22
School of Education	6,774,445	1.5%	44
General Library	6,524,624	1.5%	14
School of Nursing	6,144,535	1.4%	20
Division of International Studies	4,111,011	0.9%	4
School of Human Ecology	4,110,201	0.9%	25
School of Pharmacy	3,830,173	0.9%	16
Law School	3,349,336	0.8%	29
Academic Services	3,190,593	0.7%	7
Other	2,220,195	0.5%	6
School of Veterinary Medicine	1,291,463	0.3%	6
Intercollegiate Athletics	1,025,540	0.2%	8
University Housing	1,022,943	0.2%	3
Officer Education (ROTC)	65,006	0.0%	3
Madison Subtotal	\$ 389,179,408	88.3%	1,135
Extension	15,397,496	3.5%	29
Milwaukee	12,904,280	2.9%	76
Systemwide	6,333,662	1.4%	24
La Crosse	4,519,923	1.0%	8
Platteville	3,804,484	0.9%	5
Superior	2,749,195	0.6%	13
Parkside	1,307,957	0.3%	21
Colleges	1,216,720	0.3%	12
Oshkosh	793,340	0.2%	6
Stout	792,404	0.2%	9
Eau Claire	665,511	0.2%	4
Whitewater	540,014	0.1%	11
Green Bay	369,452	0.1%	4
Stevens Point	149,484	0.0%	1
River Falls	141,936	0.0%	3
TOTAL	\$ 440,865,266	100.0%	1,361

Note: The categories of General, General Education Administration, General Services, Business Services, and Academic Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The Systemwide market value is also impacted by timing differences between when new gifts are deposited into the System Administration pending account, and when they are transferred out to individual permanent accounts.

FINANCIAL STATEMENTS As of Fiscal Years Ended June 30
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STATEMENTS OF FINANCIAL POSITION

	2013	2012
	Total Principal and Income Market Value	Total Principal and Income Market Value
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 71,900,533	\$ 66,914,208
Accounts Receivable, Net	2,648,324	1,948,345
Prepaid Expenses	39,639	0
Total Current Assets	\$ 74,588,496	\$ 68,862,553
Investments		
U.S. Government & Agency Obligations	36,237,128	38,579,944
Corporate Bonds	25,228,606	27,912,163
Mortgage & Asset Backed Securities	3,985,500	3,700,856
Common Stocks	45,604,379	40,623,830
GMO Strategic Opportunities Fund	68,957,554	64,530,347
UBS Int'l Relationship Fund	46,297,064	40,075,383
GMO Emerging Markets Fund III	30,128,890	32,011,386
GMO Emerging Illiquid Fund	0	221,975
iShares Russell Midcap Index	9,019,042	7,315,777
iShares S&P 500 Index	9,794,059	8,320,417
iShares MSCI EAFE Index	8,368,184	7,286,066
iShares Barclays 0-5 Year TIPS Index	10,937,263	12,894,781
iShares Russell 2000 Index	7,450,229	7,334,172
Seix High Yield Fund	30,904,042	25,135,142
Limited Partnerships	80,338,348	73,548,289
Total Investments	\$ 413,250,288	\$ 389,490,528
TOTAL ASSETS	\$ 487,838,784	\$ 458,353,081
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities	2,925,606	1,380,440
Compensated Absences	626,070	673,183
Total Liabilities	\$ 3,551,676	\$ 2,053,629
Net Assets		
Restricted:		
Nonexpendable	166,599,785	154,999,375
Expendable	207,644,830	198,694,026
Student Loans	12,562,237	12,506,550
Other	14,354,938	15,504,972
Unrestricted:	83,125,319	74,594,529
Total Net Assets	\$ 484,287,109	\$ 456,299,452
TOTAL LIABILITIES & NET ASSETS	\$ 487,838,785	\$ 458,353,081

Note: Restricted net assets are subject to externally-imposed stipulations. Restricted – Nonexpendable net assets are subject to an externally-imposed stipulation that they be maintained permanently (generally, these equate to the *Long Term Fund's* "historic dollar value," or original gift principal, of all True Endowments). Restricted – Expendable net assets are subject to externally-imposed stipulations as to usage or purpose, but are otherwise fully expendable (generally, these equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments, and the excess/deficit of the market value over/under the "historic dollar value" for the *Long Term Fund* holdings of True Endowments). Unrestricted net assets are not subject to externally-imposed stipulations of any kind and are fully expendable (generally, these would equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments.)

FINANCIAL STATEMENTS As of Fiscal Years Ended June 30
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STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS

<u>RECEIPTS/GAINS</u>	2013	2012
Contributions	\$9,244,786	\$6,756,465
Net Investment Income, Realized/Unrealized Gains	40,913,543	1,527,767
Total Contributions, Investment Gains/Losses	\$ 50,158,329	\$ 8,284,232
Transfers In:		
From Other UW Funds	2,671,696	3,503,132
Student Loans	399,292	410,070
Total Transfers In	\$ 3,070,988	\$ 3,913,202
TOTAL RECEIPTS/GAINS	\$ 53,229,317	\$ 12,197,434
<u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Research	7,395,838	6,590,048
Extension and Public Service	3,747,741	1,794,704
Student Aid and Services	3,377,938	4,183,988
Instruction	1,643,112	1,120,087
Academic Support	855,764	772,245
Other	928	1,500
Total Distributions to UW Institutions	\$ 17,021,321	\$ 14,462,572
Transfers Out:		
To Other UW Funds	5,153,498	3,146,762
Student Loans	1,368,621	819,751
Total Transfers Out	\$ 6,522,119	\$ 3,966,513
Expenses:		
Investment Management and Custody	1,245,970	1,196,109
General Administrative	452,250	439,325
Total Expenses	\$ 1,698,220	\$ 1,635,434
TOTAL DISBURSEMENTS	\$ 25,241,660	\$ 20,064,519
<u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	27,987,657	(7,867,085)
Net Assets - Beginning of Period	456,299,452	464,166,537
Net Assets - End of Period	\$ 484,287,109	\$ 456,299,452

Note: Transfers to/from Other UW Funds consist primarily of transfers to/from sponsored gift and grant appropriations where the sponsor requires the funds be invested (or endowed) to benefit the stipulated programs/projects.

<p align="center">SUPPLEMENTARY DATA For Fiscal Years Ended June 30</p>
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INVESTMENT MANAGEMENT AND OTHER RELATED FEES

	2013	2012
Intermediate Term Fund		
Reams Asset Management	\$ 82,399	\$ 81,066
Applied Security Analysis Program ¹	0	0
Long Term Fund		
GMO	615,945	584,553
UBS Global Asset Management	512,641	486,715
300 North Capital	24,629	31,064
Legal Fees	0	5,500
Total Investment Management Fees²	\$ 1,235,614	\$ 1,188,898

¹ Applied Security Analysis Program is the UW-Madison Business School's applied investment management program for graduate students. Trust Funds pays no management fees to the program.

² The fees listed in the above chart are only those separately billed to UW Trust Funds. Trust Funds also invested through various commingled fund providers: GMO Emerging Markets Fund III, GMO Real Return Global Balanced Fund, GMO Forestry Fund, Adams Street Partners Private Equity Funds, JP Morgan Private Equity Funds, Seix Advisors High Yield Fund, iShares Russell 2000 Index Fund, iShares Russell Midcap Index Fund, iShares Barclays TIPS Index Fund, iShares S&P 500 Index Fund, and iShares MSCI EAFE Index Fund. Fees for these funds are taken directly out of fund assets rather than separately billed. Estimated investment management expenses for these various providers for 2013 were as follows: \$333,081; \$322,384; \$43,732; \$331,686; \$287,056; \$165,252; \$2,991; \$3,331; \$24,440; \$6,381; and \$27,917, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of total average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.66% and 0.65% for fiscal years 2013 and 2012, respectively. Fees as a percent of assets by separate Fund were 0.77% and 0.20% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2013, versus 0.76% and 0.20%, respectively, for fiscal year ended 2012.

CUSTODY FEES

	2013	2012
BNY Mellon Trust	\$ 10,356	\$ 7,211

Trust Funds' custodial services are provided through a custodial agreement with BNY Mellon Trust. This agreement was negotiated by the State of Wisconsin Investment Board (SWIB), which also employs BNY Mellon. Fees are billed to SWIB and charged back to Trust Funds. Custodial expenses as a percent of average Trust Fund assets were 0.002% and 0.002% for fiscal years 2013 and 2012, respectively. While commingled fund shares are recorded and custodied at BNY Mellon, the actual securities held by these funds are custodied elsewhere.

<p style="text-align: center;">SUPPLEMENTARY DATA For Fiscal Years Ended June 30</p>

ADMINISTRATIVE EXPENSES

	2013	2012
Staff and Staff Support		
Salaries	\$ 277,603	\$ 244,731
Fringe Benefits	112,297	141,984
Computer Hardware/Software	9,918	3,199
Travel and Training Expenses	7,806	5,290
Other Expenses	2,664	3,013
Telecommunications/Telephone Service	1,560	1,528
Publications	1,559	2,124
Office Supplies/Equipment	526	435
Professional Services		
Trust Accounting System (SunGard)	36,535	35,668
Information Services Support	1,782	1,353
Total Administrative Expenses	\$ 452,250	\$ 439,325

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term*, *Intermediate Term* and *Income Funds*) were 0.10% and 0.10% for fiscal years 2013 and 2012, respectively.

**UW SYSTEM TRUST FUNDS:
TRUSTEES AND STAFF**

Business and Finance Committee of the Board of Regents of the UW System
As of June 30, 2013

Gerald Whitburn (Chair)
John Behling (Vice Chair/Audit Liaison)
Margaret Farrow
Tim Higgins
Janice Mueller
Charles Pruitt
Gary Roberts
David Walsh

UW System Administration

Senior Management

Kevin P. Reilly, President
David Miller, Senior Vice President for Administration and Fiscal Affairs
Steven Wildeck, Interim Vice President for Finance and Trust Officer
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff

Douglas J. Hoerr, Director and Assistant Trust Officer
Thomas R. Reinders, Senior Investment Portfolio Analyst
Lori J. Keil, Senior Accountant
Jamies L. Erbs, Financial Specialist III
Carol Yanna, Program Associate

Assignment of QEI trademark to QEI, Inc.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Interim President of the University of Wisconsin System, the Board of Regents authorizes Jane Radue, Corporate Secretary of the Board of Regents, to sign an agreement transferring rights to the Board-owned "QEI" trademark to QEI, Inc.

ASSIGNMENT OF BOARD-OWNED QEI TRADEMARK TO QEI, INC.

BACKGROUND

QEI, Inc. is a non-profit, educational organization, as defined by Section 501(c)(3) of the Internal Revenue Code. Its core mission is to develop, maintain, and provide a storage and sharing infrastructure for the provision of electronic access to educators' licensure documentation. QEI was originally established in partnership with the Board of Regents, the UW-Extension, and other Wisconsin education groups. Following a memorandum of understanding set forth in 2006 and re-established in 2010, QEI established itself as an independent non-profit organization. University of Wisconsin System staff members serve on QEI's board of directors. QEI now seeks to have control over its logo.

Additional information can be found in the attached background documents:

- A copy of the QEI MOU from 2010
- A current copy of the QEI By-laws
- A copy of the Trademark as it would appear on letterhead

REQUESTED ACTION

Approval of Resolution I.2.k.

DISCUSSION AND RECOMMENDATION

In 2002 the University of Wisconsin Board of Regents began engaging in a number of deliberations about the status of teacher preparation and effectiveness, including the need for collaboration amongst the state entities involved in the process of educator preparation. During the period that followed, discussions took place by the Board about the need for a better relationship between the entities involved. In 2010 a Memorandum of Understanding was established, including the formation of a Board of Directors with membership from the Association of Wisconsin School Administrators, University of Wisconsin System Administration, University of Wisconsin-Extension, Wisconsin Association of School District Administrators and the Wisconsin Education Association Council. This agreement was entered into with the following purpose:

“At the time QEI was established in partnership with the Board of Regents, the Board trademarked the QEI logo through filings with the State of Wisconsin. QEI, Inc. now seeks to have the Board assign it full rights to its logo.”

In order to effectively accomplish its goals and so as to not encumber the UW System Board, it was suggested that QEI become its own separate business entity. This was done for financial and managerial reasons in order to serve all institutions (public and private) and the base of students within the state. Further, in 2011, steps were undertaken to begin the process for QEI to become its own business establishment including IRS 501(c) status and the creation of its own by-laws, a governance policy and an operations budget necessary to ensure the financial integrity and viability of the organization.

The current QEI board consists of the following:

- 1) Ron Jetty-President. PK-16 Director, UW System Administration
- 2) Joe Schroder-Vice President, Associate Executive Director, Association of Wisconsin School Administrators
- 3) Tami McGrattan-Secretary. Instruction and Professional Development Consultant, Wisconsin Education Association Council
- 4) John Fischer-QEI Executive Director. Association of Wisconsin School Administrators (non-voting)

As an in-kind contribution, the Board of Regents trademarked the QEI logo through filings with the State of Wisconsin, and perfected a supplemental register service mark with the United States Patent and Trademark Office. QEI, Inc. now seeks to have the Board assign it full rights to the logo.

The University of Wisconsin General Counsel's Office has reviewed the QEI request and agrees that there is no real value to the Board of Regents or the University of Wisconsin System to retaining rights to the QEI trademark. The University will benefit from QEI, Inc.'s continued operation to provide a visible method for the creating, storing, and sharing of educators' professional development plans. Allowing QEI full rights to its trademark will help ensure its continued, visible presence in providing this valuable service.

RELATED REGENT POLICIES

None

Memorandum of Agreement

Between the following:

Wisconsin School Leadership Center (WSLC)

(Association of Wisconsin School Administrators, Wisconsin Association of School District Administrators, Wisconsin Association of School Business Officials, & the Wisconsin Council of Administrators of Student Services),

University of Wisconsin System,

and the **Wisconsin Education Association Council (WEAC)**

For the Quality Educator Interactive, Inc. (QEI)

Updated: October 1, 2012

Wisconsin's educator licensure requirements (PI 34) expand the framework for professional development, anchoring licensure in Wisconsin Standards. Throughout the career of the educator, this licensure process will reinforce individual responsibility and collegial support as the educator seeks the requisite knowledge and skills designed to enhance student learning.

This educator-directed approach to professional development opens up a wealth of choices of activities, resources, and models. In an effort to help educators effectively and efficiently manage their time and professional growth activities, The **Quality Educator Interactive, Inc. (QEI)** offers support by simplifying record-keeping demands and connecting educators with the resources they need to manage their own professional growth.

The **QEI**:

- Supports educators throughout their careers as lifelong learners and educators.
- Provides a model for effective collaboration around teacher quality and student learning.
- Connects educators with professional development resources and providers.
- Provides a model for online management of tier-based educator licensing.

The **QEI** is built upon a sound theoretical foundation of educator preparation and professional development, one in which the educator is at the center and remains empowered to direct his/her own professional and personal growth. The **QEI** includes an interactive database of professional development opportunities and resources as well as a secure location for educators to store their Professional Development Plans (PDPs).

Project Partners:

The Quality Educator Interactive is a collaborative venture between the Wisconsin School Leadership Center (comprised of the Association of Wisconsin School Administrators, Wisconsin Association of School District Administrators, Wisconsin Association of School Business Officials, and the Wisconsin Council of Administrators of Student Services), the University of Wisconsin System, and the Wisconsin Education Association Council (WEAC). These QEI partners comprise the three members of the QEI, Inc. Board of Directors.

Responsibilities of the Partners

All Partners

- All partners will appoint a representative to serve on the QEI Board of Directors. (One representative from UW-System, one representative from WEAC, and one representative for the collective WSLC partners)
- All partners agree to purchase annual memberships to the QEI for their individual organization's members per the QEI budget

UW System

- UWSA will engage faculty in Education and Letters and Sciences in partnership with colleges from the UW Colleges, Wisconsin Technical College System, and PK-12 school districts in support of the QEI as needed

WEAC

- WEA Academy will provide WEAC members PDP and QEI support and assistance as requested by their members
- WEAC membership and IT staff will work with the QEI staff to coordinate WEAC members' membership status for the purpose of providing the QEI as a WEAC member benefit

Wisconsin School Leadership Center (AWSA, WASBO, WASDA, and WCASS)

- AWSA will provide the QEI office space and additional supplies/services as negotiated between AWSA and the QEI Executive Director
- WASDA, WASBO, and WCASS will work with the QEI Executive Director to identify new QEI registrants' affiliations with their organizations for membership purposes

Governance

The QEI, Inc. Board of Directors governs through policy governance based on the QEI, Inc. Governance Policies document and abides by the Articles of Incorporation and its own bylaws.

Funding/Budget

Budget planning for the QEI will occur on a biennial basis. The Board of Directors will review and approve the biennial budget and commit financial resources to support the continued growth and development of the QEI as needed.

Revenue acquired from entities other than the organizations represented on the QEI, Inc. Board of Directors will be used to increase staff to support members, invested to fund future updates, upgrades, or projects, or spent at the discretion of the executive director or board of directors. Unexpended revenues may be carried forward into the next fiscal year or invested at the executive director's discretion.

Biennial Budget for 2012-2013 and 2013-2014 is included below.

QEI Budget 2012-2013 (July 1, 2012 - June 30, 2013)	Cost	Revenue
Project Personnel		AWSA
		\$2,669
Board of Directors		WASDA
		\$2,669
WEAC Representative	In Kind	WCASS
UW System PK16 Representative	In Kind	\$1,413
WSLC Representative	In Kind	WASBO
		\$1,413
Project Staff & Support		WEAC
QEI Executive Director	\$65,000	\$48,664
QEI Chief Information Officer (CIO)	\$20,000	UWSA
Administrative, Print Design, Finance & Payroll Support - AWSA	\$7,500	\$48,664
Additional Member PDP/QEI Support (if needed)	\$5,158	
ide@s Project Support	\$5,000	UWEX Opt Out Payment
		\$12,166
		Projected Subscription Income
		\$6,000.00
Personnel Subtotal	\$102,658	Returned from UWEX
		\$19,312
Supply & Expense		
Hardware/Software/Technology	\$12,000	Total Revenue
Promotional Materials/Advertising	\$10,000	\$142,970
Training Materials	\$5,000	
Other (Travel, Lodging, Meals, Postage, etc..)	\$3,000	
Supply & Expense Subtotal	\$30,000	
Investment for Growth	\$10,312	
Total Budget	\$142,970	

QEI Budget 2012-2013 (July 1, 2013 - June 30, 2014)	Cost	Revenue
Project Personnel		AWSA
		\$2,669
Board of Directors		WASDA
		\$2,669
WEAC Representative	In Kind	WCASS
UW System PK16 Representative	In Kind	\$1,413
WSLC Representative	In Kind	WASBO
		\$1,413
Project Staff & Support		WEAC
QEI Executive Director	\$67,000	\$49,604
QEI Chief Information Officer (CIO)	\$20,000	UWSA
Administrative, Print Design, Finance & Payroll Support - AWSA	\$7,500	\$49,604
Additional Member PDP/QEI Support (if needed)	\$5,000	
ide@s Project Support	\$5,000	Projected Subscription Income
		\$25,000.00
Personnel Subtotal	\$104,500	
		Total Revenue
Supply & Expense		\$132,372
Hardware/Software/Technology	\$12,000	
Promotional Materials/Advertising	\$4,500	
Training Materials	\$4,000	
Other (Travel, Lodging, Meals, Postage, etc..)	\$2,000	
Supply & Expense Subtotal	\$22,500	
Investment for Growth	\$5,372	
Total Budget	\$132,372	

Termination of Agreement

Any partner organization may terminate their participation in the QEI, Inc. with six months written notice to the executive director. Termination of participation terminates all rights and privileges for the organization, its members, and the organization's representation on the QEI, Inc. Board of Directors. In addition, any funds or balances being held by a partner that withdraws from the QEI, Inc. will become property of and transferred to the QEI, Inc within 30 calendar days from the effective date of termination.

**Signature - University of Wisconsin-System
Administration**

Signature - Wisconsin Education Association Council

Printed Name

Date

Printed Name

Date

**Signature – Wisconsin School Leadership Center
(AWSA, WASDA, WCASS, and WASBO)**

Printed Name

Date

**BYLAWS
OF
QUALITY EDUCATOR INTERACTIVE, INC.**

**ARTICLE I
OFFICES**

1.01. Principal and Business Offices. Quality Educator Interactive, Inc. (the “Corporation”) shall maintain a principal office in the State of Wisconsin, which shall be located in Dane County. The Corporation may have such other offices, either within or without the State of Wisconsin, as may be designated from time to time by resolution of the board of directors.

1.02. Office of the Registered Agent. The office of the registered agent of the Corporation required by the Wisconsin Statutes to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office of the Corporation in the State of Wisconsin. The address of the office of the registered agent may be changed from time to time by the board of directors or by the registered agent. The business office of the registered agent of the Corporation shall be identical to such registered office.

**ARTICLE II
PURPOSES**

The purpose or purposes of this Corporation shall be as set forth in the Articles of Incorporation.

**ARTICLE III
MEMBERS**

The Corporation shall have no members.

**ARTICLE IV
BOARD OF DIRECTORS**

4.01. General Powers and Number. The business affairs of the Corporation shall be managed by its board of directors. The number of the directors of the Corporation shall be a minimum of three (3). These Bylaws may be amended to enlarge or to reduce the number of directors except that the number of directors shall not be reduced to less than three (3). The Corporation shall have three (3) initial directors, who shall elect, at the initial meeting of the board of directors, three (3) individuals (who may be the same individuals as the initial directors) as the members of the board of directors. The three (3) initial directors of the Corporation shall serve staggered terms as follows: (i) one (1) director shall serve an initial term of one (1) year; (ii) one (1) director shall serve an initial term of two (2) years; and (iii) one (1) director shall serve an initial term of three (3) years. Thereafter, each director shall be appointed, elected, and serve a term of office until his or her death, resignation or removal as provided in Sections 4.02 and 4.03 under this Article IV.

4.02. Appointment and Election. Upon expiration of a director's term of office, the directors of the Corporation shall elect members to the board of directors by the affirmative vote of a majority of the directors then in office; provided, however, there shall always be at least one representative on the board of directors from the Wisconsin School Leadership Center (or successor organization). Any individual elected as a director shall become a member of the board of directors of the Corporation and shall serve until his or her death, resignation, or removal or a successor has been elected and qualified as set forth in Section 4.03 of Article IV.

4.03. Tenure and Qualifications. All directors will be elected for two (2) year terms. Each director shall hold office until his or her successor shall have been duly elected and qualified or until his or her death, resignation, or removal. A director may be removed from office for cause by the affirmative vote of a majority of the directors then in office. A director may resign at any time by filing his or her written resignation with the President of the Corporation. The board of directors may, from time to time, prescribe such qualifications for membership on the board, in addition to any qualifications set forth in these Bylaws or Articles of Incorporation, as it shall deem appropriate.

4.04. Annual Meetings. The Annual Meeting of the board of directors shall be held each year by the 31st of December at a place to be decided by the board of directors.

4.05. Regular Meetings. The board of directors may provide by resolution the time and place within Dane County, State of Wisconsin, for the holding of regular meetings without other notice than such resolution.

4.06. Special Meetings. Special meetings of the board of directors may be called by or at the request of the president, the vice president or any two directors. The person or persons calling any special meeting of the board of directors may fix any place within Dane County, State of Wisconsin, as the place for holding any special meeting of the board of directors, and if no other place is fixed, the place of the meeting shall be the principal business office of the Corporation.

4.07. Notice; Waiver.

(a) Notice. Notice of the date, time and place of any meeting shall be given when (i) orally communicated to a director, (ii) sent by facsimile or other means of wire or wireless communication to the address or number of such director as it appears on the records of the Corporation, or (iii) deposited in the United States mail addressed to a director at this or her address as it appears on the records of the Corporation with postage thereon prepaid. Unless a different time shall be required by Chapter 181 of the Wisconsin Statutes, (i) if notice is given orally or delivered by facsimile or other form of wire or wireless communication, such notice shall be given to each director at least twenty-four (24) hours prior thereto or (ii) if mailed, such notice shall be deposited in the United States mail at least seventy-two (72) hours prior thereto. The purpose of and the business to be transacted at any special meeting of the board of directors shall be specified in the notice of such meeting.

(b) Waiver of Notice. Whenever any notice whatever is required to be given under the provisions of Chapter 181 of the Wisconsin Statutes or under the provisions of the Articles of Incorporation or Bylaws of the Corporation, a waiver thereof in writing, signed at any time by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.08. Quorum. Except as otherwise provided by law, by the Articles of Incorporation or these Bylaws, a majority of the directors then in office shall constitute a quorum for the transaction of business at any meeting of the board of directors but a majority of directors present (though less than a quorum) may adjourn the meeting from time to time without further notice.

4.09. Manner of Acting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or by the Articles of Incorporation or these Bylaws.

4.10. Conduct of Meetings. The president, and in his or her absence, the vice president, and in their absence any person chosen by the directors present shall call the meeting of the directors to order and shall act as chairman of the meeting, and the secretary of the Corporation shall act as secretary of all meetings of the directors, but, in the absence of the secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

4.11. Vacancies. Any vacancy occurring on the board of directors may be filled by the board of directors of the Corporation until the next succeeding annual election and until a successor is elected and qualified.

4.12. Compensation. No compensation shall be paid to any director for serving as a member of the board of directors, except that a director may be reimbursed for expenses actually incurred by such director in carrying out any activity of this Corporation which is within the scope of its purposes as set forth in Article II of these Bylaws.

4.13. Presumption of Assent. A director of the Corporation who is present at a meeting of the board of directors or a committee thereof of which he or she is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation within twenty-four (24) hours after the adjournment of the meeting. Such a right to dissent shall not apply to a director who voted in favor of such action.

4.14. Committees. The board of directors, by resolution adopted by a majority of directors then in office, may establish such committees as it shall deem necessary and desirable to enable the Corporation to carry out its purposes. Each committee shall consist of three (3) or

more directors elected by the board of directors. Each committee shall fix its own rules governing the conduct of its activities and shall make such reports to the board of directors of its activities as the board of directors may request.

4.15. Written Consent Without Meeting. Any action required or permitted by the Articles of Incorporation, Bylaws or any provision of law to be taken by the board of directors at a meeting or by resolution, may be taken without a meeting if a consent in writing setting forth the actions so taken shall be signed by two-thirds (2/3rds) of the directors then in office.

4.16. Telephonic Meetings. Any action required or permitted by the Articles of Incorporation or Bylaws or any provision of law to be taken by the board of directors or a committee of the board of directors at a meeting or by resolution may be taken in a meeting through the use of any means of communication by which (a) all participating directors may simultaneously hear each other during the meeting, or (b) all communication during the meeting is immediately transmitted to each participating director and each participating director is able to immediately send messages to all other participating directors. Correspondence by electronic mail, facsimile or other electronic means shall conclusively be deemed to comply with this Section 4.16.

4.17. Conflict of Interest. Members of the board shall not conduct private business in any manner, which places them at a special advantage because of their association with the Corporation. In providing advisement to the Corporation involving transactions of a nature which may be related to the business or profession of a member, the quality and cost of services shall have a priority and be managed in an objective and customarily competitive manner. In case of a clear conflict of interest, the member of the board will be excused from voting on an item so constituted. The board of directors may adopt a separate conflicts of interest policy if the board determines, in its sole and absolute discretion, that such a policy is in the best interests of the Corporation.

ARTICLE V

CORPORATE OFFICERS

5.01. Number and Qualifications. The officers of the Corporation shall be the president, vice president, secretary, treasurer and such other officers as determined by the board of directors. Officers shall be elected by the board of directors.

5.02. Election and Term of Office. Except as otherwise provided herein, the officers of the Corporation shall be elected by the board of directors at the Annual Meeting of the board of directors. Each officer shall hold office for a term of one (1) year and until a successor shall have been duly elected and qualified or until his or her prior death, resignation or removal.

5.03. Removal. Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of the Corporation will be served thereby.

5.04. Vacancies. A vacancy in any office because of death, resignation, removal or otherwise, shall be filled by the board of directors for the unexpired portion of the term.

5.05. President. The president shall preside at all meetings of the board of directors, shall perform any other duties prescribed in these Bylaws or assigned by the board of directors, and shall coordinate the work of the officers and committees of the Corporation in order that its purposes be promoted.

5.06. Vice President. The vice president shall act as an aide to the president and shall perform the duties of the president when required.

5.07. Secretary. The secretary shall (a) keep the minutes of the meetings of the board of directors in one or more books provided for that purpose; (b) such minutes shall be posted within seven (7) days after each meeting of the board of directors in a central campus location and be routed to necessary individuals as determined by the board of directors; (c) see that all notices are duly given in accord with the provisions of these Bylaws or as required by law; (d) be custodian of the corporate records; (e) keep or arrange for the keeping of a register of the post office address of each director which shall be furnished to the secretary by such director; and (f) in general, perform all duties incident to the office of the secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him or her by the president or by the board of directors.

5.08. Treasurer. The treasurer shall have custody of all funds of the Corporation, shall keep an accurate account of receipts and expenditures, shall make disbursements as authorized by the board of directors, and shall make a financial report at the Annual Meeting or on a monthly basis as necessary. The treasurer shall be responsible for the maintenance of a permanent account and record book showing gross income, receipts, and disbursements of the Corporation, and such other duties and authority as delegated or assigned.

5.09. Assistants and Acting Officers. The board of directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in his or her stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally. Such assistant or acting officer or other agent so appointed by the board of directors shall have the power to perform all the duties of the office to which he or she is appointed to be assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the board of directors.

ARTICLE VI

CONTRACTS; LOANS; CHECKS AND DEPOSITS;

SPECIAL CORPORATE ACTS

6.01. Contracts. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. No contract or other transaction between the Corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of its directors or officers are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the

board of directors or a committee thereof which authorizes, approves or ratifies such contract or transaction, if (1) the fact of such relationship or interest is disclosed or known to the board of directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for that purpose without counting the votes or consents of such interested directors; or (2) the fact of such relationship or interest is disclosed or known to the directors entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or (3) the contract or transaction is fair and reasonable to the Corporation. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee thereof which authorizes, approves or ratifies such contract or transactions, but such interested directors shall abstain from any vote to authorize, approve, or ratify such contract or transaction.

6.02. Loans. No indebtedness for borrowed money shall be contracted on behalf of the Corporation and no evidence of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the board of directors. Such authorization may be general or confined to specific instances.

6.03. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes, or other evidence of indebtedness issued in the name of the Corporation shall be signed by any officer of the Corporation or an agent of the Corporation duly appointed for that purpose.

6.04. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the board of directors.

ARTICLE VII

SEAL

The Corporation shall have no seal.

ARTICLE VIII

AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by a majority vote of the board of directors at any annual, regular or special meeting of the board of directors at which a quorum (which for this purpose shall constitute a two-thirds majority of the number of directors then in office) is in attendance.

ARTICLE IX

DISSOLUTION

The Corporation may be dissolved subject to a majority vote of the board of directors of the Corporation. Upon the dissolution of the Corporation, the board of directors shall, after paying or making provision for the payment of all the liabilities of the Corporation, dispense of all the remaining assets of the Corporation as set forth in the Articles of Incorporation.

ARTICLE X
INDEMNIFICATION

10.01. Mandatory Indemnification. The Corporation shall, to the maximum extent permitted under Chapter 181 of the Wisconsin Statutes, indemnify against liability and allow reasonable expenses of any person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee or agent of or volunteered services to the Corporation; or is or was serving at the request of the Corporation as a director, officer, employee or agent of any committee or of any other corporation or enterprise. Such right of indemnification shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

10.02. Supplemental Benefits. The Corporation may supplement the right of indemnification under Section 10.01 by the purchase of insurance, indemnification agreements, and advances for related expenses of any person indemnified.



Assessment of UW-Madison Contractual Agreement
with Intraband for Potential Conflict of Interest

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Interim President of the University of Wisconsin System, the Board of Regents finds that potential conflicts of interest within the proposed contract with Intraband, Inc., are managed appropriately such that the contractual relationship does not violate Wis. Stat. § 946.13.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH INTRABAND, INC. AND U.S. NAVY GRANT,
REVIEW FOR CONFLICTS OF INTEREST**

EXECUTIVE SUMMARY

BACKGROUND

Wis. Stat. § 946.13(12)(b)2.b.requires that where a contract between a research company and the University of Wisconsin System exceeds \$250,000 over a 24-month period the Board must review it for potential prohibited conflicts of interest within the meaning of Wis. Stat. § 946.13(1).

REQUESTED ACTION

Approval of Resolution I.2.m.

DISCUSSION AND RECOMMENDATIONS

Wis. Stat. § 946.13 prohibits a University of Wisconsin System employee from having a private interest in a public contract. However, the prohibition “does not apply to a contract between a research company and the University of Wisconsin System or any institution or college campus within the system for purchase of goods or services, including research, if . . . [t]he contract is approved by a University of Wisconsin System employee or officer responsible for evaluating and managing potential conflicts of interest,” and, for contracts of a certain size, by the Board of Regents.

The process for assuring compliance with § 946.13 was recently amended. Under the previous process, a contract that exceeded \$250,000 over a 24-month period was to be reviewed for potential conflicts first by a “University of Wisconsin System employee or officer responsible for evaluating and managing potential conflicts of interest,” and then by the Wisconsin Attorney General. As a result of a statutory change, the Board of Regents was given the review authority previously performed by the Attorney General.

The University of Wisconsin General Counsel has found the potential conflicts of interest in the contract with Intraband, Inc. and a related grant from the United States Navy to be managed appropriately and recommends that the Board also approve the contract(s) as compliant with Wis. Stat. § 946.13.

RELATED REGENT POLICIES

None.



Office of General Counsel

1852 Van Hise Hall
1220 Linden Drive
Madison, WI 53706
(608) 262-2995
(608) 263-3487 Fax
email: counsel@uwsa.edu
website: <http://www.uwsa.edu>

Tomas L. Stafford
Christopher L. Ashley
Anne E. Bilder
Jennifer Sloan Lattis
Matthew J. Lind
Paige Reed

To: Board of Regents

From: Tomas L. Stafford, General Counsel

Date: January 16, 2014

Re: Review of Intraband-Navy contract for potential conflict of interest.

Wis. Stat. § 946.13 prohibits a University of Wisconsin employee from having a private interest in a public contract. However, the prohibition “does not apply to a contract between a research company and the University of Wisconsin System or any institution or college campus within the system for purchase of goods or services, including research, if . . . [t]he contract is approved by a University of Wisconsin System employee or officer responsible for evaluating and managing potential conflicts of interest.”

At the request of the University of Wisconsin-Madison, I have reviewed the attached documents related to Intraband, and find that potential conflicts of interest are managed appropriately. This contract is expected to exceed \$250,000 over a 24-month period, and therefore, the Board must also review the matter. The contract will be deemed in compliance with conflict of interest laws, if “within 45 days [of contract submission to the Board by the System], the University of Wisconsin Board of Regents does not notify the University of Wisconsin System that entering the contract would constitute a violation of sub. (1).” Wis. Stat. § 946.13(12)(b)2.b.

Intraband intends to commercialize and market high-power laser devices. Professor Luke Mawst was one of three founders in Intraband in 2007 and he retains a 1/3 interest in the company. The proposed agreement at issue here involves a grant proposal by Intraband to the U.S. Navy under its Small Business Technology Transfer (STTR) program for collaborations between small companies and university research groups.

In 2004, Wis. Stat. § 946.13(12) required review and approval of potential conflicts of interest by the Wisconsin Attorney General. Attorney General Lautenschlager reviewed a contract between the Stratatech Corporation and the University, and

issued an opinion finding no unlawful conflict of interest, even though the professor could have an indirect pecuniary interest in the contract, where the professor has no role to play in an official capacity in either the making of the contract or performance of discretionary acts under it. Of particular persuasion to the Attorney General were the following considerations: (1) the professor is not authorized or required to participate in the actual making of the contract on behalf of the University, (2) the professor performs only ministerial tasks with regard to administration of the contract, (3) the professor has no authority with regard to final hiring decisions, (4) the professor has no decision-making authority with regard to the use of University facilities and staff.

We have been assured by University of Wisconsin-Madison legal counsel that the proposed Intraband contract meets the Attorney General's considerations. A UW-Madison Conflict of Interest Committee monitors the relationship. Professor Mawst is will play no role in the contract negotiations. He would be responsible for the day-to-day direction of the research within his laboratory, but would perform only ministerial tasks with respect to administration of the research contract, and would not make not make purchasing or invoice decisions. While, Professor Mawst may make suggestions for whom to hire as research staff, he will not have sole or final discretion to hire research staff, nor will he have authority to direct the use of University facilities and/or staff.

As a University of Wisconsin official responsible for evaluating and managing conflicts of interest, I approve the Intraband-Navy contract as compliant with Wis. Stat. § 946.13, and submit it to the Board for your consideration.

cc: Interim President Telfer



Office of Legal Affairs
UNIVERSITY OF WISCONSIN-MADISON

December 20, 2013

VIA EMAIL

Tom Stafford
General Counsel
University of Wisconsin System
1846 Van Hise Hall
1220 Linden Drive
Madison, WI 53706

Re: Evaluation of Proposed Contract under § 946.13, Wis. Stats.

Dear Tom:

Thank you for reviewing the question of whether a proposed contract between the University of Wisconsin-Madison and a company in which one of our professors has an ownership interest is permissible under § 946.13, Wis. Stats.

FACTS

Intraband, L.L.C. intends to commercialize and market high-power laser devices for industry, government, and academia. Professor Luke Mawst was one of three founders of Intraband in 2007, and retains a 1/3 ownership interest in the company. Professor Mawst is not involved in day-to-day operations of Intraband.

Intraband intends to serve as a technology-transfer recipient for work developed through research at the University in the area of mid-infrared high-power lasers. Intraband and the University are engaged in an ongoing and fruitful collaboration. In 2011, the Board of Regents approved a proposed contract in similar circumstances, involving the work of another University of Wisconsin-Madison professor with a 1/3 ownership interest in Intraband.

The proposed agreement at issue here involves a grant proposal by Intraband to the U.S. Navy under its Small Business Technology Transfer (STTR) program for collaborations between small companies and university research groups. By requiring small businesses to formally collaborate with universities, the STTR program aims to stimulate technological innovation, foster technology transfer between small companies and research universities, and increase private sector commercialization of innovations derived from federally funded research. UW-Madison would be a sub-contractor on the grant. STTR projects are conducted in two phases: Phase I (including a 6 month option) and Phase II. A Phase I base project has already been completed and the 6 month option is underway. The university's share of the total Phase-I grant is \$89,803.00 spanning from 08/15/2012 to 3/18/2014 (end of option).

The research that will be supported by the Phase II grant will consist of the development of 3 micron-emitting quantum-cascade lasers on metamorphic buffer layers (MBL). The UW-Madison activities will concentrate on basic research. Intraband activities will be aimed at identifying commercial partners/customers and additional commercial markets for the devices to be demonstrated at UW-Madison. The development of these devices could produce significant benefits

for both the military and civilian sectors, as they have the potential to be useful in remote detection of explosives and gases, infrared countermeasures for both civilian and military applications, and illuminating thermal imaging platforms in military applications.

This Phase II award is expected to result in a total of \$331,577.00 coming to UW-Madison over a two-year period. If this amount is insufficient to conduct the research, UW-Madison may submit to Intraband a revised budget requesting funds. Invoices will be submitted to Intraband by the University, and checks from Intraband under the agreement are to be made payable to the Board of Regents of the University of Wisconsin System. In addition, Intraband will contract with the University for the use of a device testing facility within the College of Engineering under a standard university agreement, for approximately \$24K.

Professor Mawst's relationship with Intraband is monitored by the UW Conflict of Interest Committee. Gerald Kulcinski, Associate Dean in the College of Engineering, must be notified of any research support (e.g. grants, contracts, materials, or unrestricted gifts) that Professor Mawst receives from Intraband in order for the award to be approved. While Professor Mawst did assist in the preparation of the grant proposal and proposed budget, he will play no role in the negotiation of the contract itself, either on the Intraband side or the UW-Madison side.

RELEVANT LAW

As you know, § 946.13, Wis. Stats., relates to contracts entered into by the State in which state employees may have a private pecuniary interest. Subsection (1) states that it is a Class I felony if a public officer or employee does any of the following:

(a) In the officer's or employee's private capacity, negotiates or bids for or enters into a contract in which the officer or employee has a private pecuniary interest, direct or indirect, if at the same time the officer or employee is authorized or required by law to participate in the officer's or employee's capacity as such officer or employee in the making of that contract or to perform in regard to that contract some official function requiring the exercise of discretion on the officer's or employee's part; or

(b) In the officer's or employee's capacity as such officer or employee, participates in the making of a contract in which the officer or employee has a private pecuniary interest, direct or indirect, or performs in regard to that contract some function requiring the exercise of discretion on the officer's or employee's part.

There is an exception to subsection (1) for a contract between a research company and the university where the contract is approved by an employee or officer of the university who is responsible for evaluating and managing potential conflicts of interest and, if the contract exceeds \$250,000 in payments over a 24-month period, it is submitted to the Board of Regents and the Regents do not notify the university that entering into the agreement would violate subsection (1). See § 946.13(12)(b).

DISCUSSION

As an owner of Intraband, Professor Mawst could have an indirect pecuniary interest that derives from the potential for commercialization of the technology developed through the research at issue here. However, he will not, in his private capacity, negotiate or bid or enter into the sub-contract with UW-Madison. As in the Phase I STTR grant, contract negotiations and the signing of the agreement with UW-Madison will be carried out by one of Intraband's co-founders, Dr. Robert Marsland, who is not associated with UW-Madison. Professor Mawst's salary at UW-Madison will be unaffected by the proposed agreement.

The question of pecuniary interest is not dispositive. The proposed agreement does not violate sections (a) or (b) of the statute if Professor Mawst has no role in an official capacity as a State employee in either the making of the contract or the performance of discretionary acts with regard to the administration of the contract.

As noted above, Professor Mawst is not authorized or required to participate in the making of the contract on behalf of UW-Madison. Rather, negotiations are handled by the College of Engineering Research Services Office in conjunction with the Office of Research and Sponsored Programs. Only a limited number of individuals on campus have signatory authority to enter into contracts on behalf of UW-Madison, and Professor Mawst is not one of those individuals.

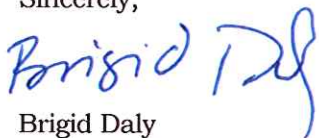
Professor Mawst would be responsible for the day-to-day direction of the research within his laboratory, but would perform only ministerial tasks with respect to administration of the research contract. As is true of our other investigators, Professor Mawst would not invoice or collect money under the proposed agreement. Purchases would be made through UW-Madison Purchasing Department, and if purchases were to be made from Intraband, accountants in the Office of Research and Sponsored Programs would determine whether such purchases were appropriate. Accountants in the College of Engineering Research Services Office could be involved in determining whether charges are appropriate as well. While Professor Mawst did assist in the preparation of the research grant and budget proposal, that budget must be approved by both the College of Engineering Research Services Office and the Office of Research and Sponsored Programs. And while Professor Mawst may make suggestions for whom to hire as research staff, investigators do not have sole discretion to hire research staff, nor authority to make a final hiring decision.

As this research is of interest and benefit to UW-Madison, and will further its instruction and research objectives, we would appreciate your review of the matter. Enclosed please find the proposed budget for the project, as well as the template agreement for Phase II STTR projects that the University anticipates will be used for this Agreement. Should there be any material changes to the terms and conditions of the agreement prior to it being signed, we would notify you of the proposed changes and seek approval. At present, the only changes expected include completion of the prefatory matter, addition of detail regarding the scope of the proposed project, and inserting applicable dates.

If you need additional information, please do not hesitate to contact me.

Thank you for your consideration.

Sincerely,



Brigid Daly
Associate University Legal Counsel

Enclosures

Overhead = 50.5%

**COLLABORATIVE RESEARCH AGREEMENT AND ALLOCATION OF RIGHTS
IN INTELLECTUAL PROPERTY UNDER A STTR RESEARCH PROJECT**

This Agreement between (hereinafter "Company"), a business concern having an address at _____ and the University of Wisconsin – Madison (hereinafter the "University"), a university having a place of business at 21 N. Park Street, Suite 6401, Madison, Wisconsin, WI 53715-1218, is entered into for the purpose of allocating between the parties certain rights relating to a STTR research project to be carried out by Company and the University (hereinafter referred to as a "Party" or the "Parties") under a STTR funding agreement that may be awarded by (hereinafter the "Agency") to Company to fund a proposal dated _____ and entitled _____ (the "STTR Proposal").

WHEREAS, the University has information and/or proprietary technology relating to _____

WHEREAS, Company has information and/or proprietary technology relating to _____

WHEREAS, the proposed research project will mainly consist of _____

as described in detail in Exhibit A (hereinafter the "Research Project"); and

WHEREAS, Company will supply _____

which will not be considered for the purposes of this Research Project to be Project Intellectual Property as described in Section 3.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Parties agree as follows:

1. Applicability of this Agreement

A. This Agreement shall be applicable only to matters with regard to the Research Project.

B. If the STTR Proposal is funded, Company will promptly provide a copy of such funding agreement to the University, and Company will make a sub-award to the University in accordance with the funding agreement, the STTR Proposal, and this Agreement. If the terms of such funding agreement appear to be inconsistent with the provisions of this Agreement, the Parties will attempt in good faith to resolve any such inconsistencies. However, if such resolution is not achieved within a reasonable period, Company shall not be obligated to award nor the University to accept the sub-award, as the case may be.

C. The provisions of this Agreement shall be supplied to any and all consultants subcontractors, independent contractors, or other individuals employed by Company or the University for the purposes of the Research Project, and their agreement to be bound by the same shall be obtained.

2. Background Intellectual Property

One or both Parties may possess rights in "Background Intellectual Property", that is, intellectual property not otherwise subject to this Agreement, which would be useful or essential to the practice or commercialization of the results of this Agreement. For example, WARF may own a patent which would be infringed by Company when it attempted to commercialize the results of this Agreement unless a license was obtained from WARF. Where the Parties determine that Background Intellectual Property may exist, Company shall have the opportunity negotiate a license to such Background Intellectual Property, to the extent such use is reasonably necessary for the commercialization of Project Intellectual Property and to the extent such rights are available. Any such license will contain terms standard for agreements between a university and industry, taking into consideration the specifics of the parties and the technology.

3. Project Intellectual Property

A. "Project Intellectual Property" means the legal rights to Subject Inventions as defined in 37 CFR 401, and any resulting patent applications or patents, as well as any software first reduced to practice or conceived and developed during the performance of the Research Project.

B. The rights of the Parties to Subject Inventions made by their employees in the performance of the Research Project shall be as set forth in the Patent Rights Clause of 37 CFR 401.14 ("Patent Rights Clause").

C. Project Intellectual Property shall be owned by the Party whose employees may be appropriately named as inventors under U.S. Patent Law. Jointly made Project Intellectual Property shall be jointly owned by the Parties, with each Party having an undivided interest therein. With respect to any rights afforded to the University, such rights shall be owned by the Wisconsin Alumni Research Foundation ("WARF") as the designated patent management organization for the University.

D. In addition to the Government's rights under the Patent Rights Clause, the Parties agree that the Government shall have an irrevocable, royalty free, non-exclusive license for any Governmental purpose in any Project Intellectual Property.

E. The Parties agree to disclose to each other, in confidence and in writing, each and every Subject Invention and any software created as part of the Research Project. The Parties acknowledge that they will disclose Subject Inventions to each other and to the Agency within two (2) months after their respective inventor(s) first disclose the invention in writing. Such disclosure to the Agency shall be in accordance with the Patent Rights Clause. Each Party agrees to hold all details provided with such disclosure in confidence and to not disclose such details to others in a manner that would affect the patentability of the Subject Invention.

F. Each Party hereto may use Project Intellectual Property of the other non-exclusively and without compensation in connection with research or development activities for the Research Project, including inclusion in Research Project reports to the Agency and proposals to the Agency for continued funding of the Research Project through additional phases.

G. All written disclosures of such inventions shall contain sufficient detail of the invention and identification of any statutory bars and shall be considered confidential in accordance with 35 U.S.C. Section 205. Disclosure to the Agency shall be within the time provided in paragraph (c) (1) of the Patent Rights Clause of 37 CFR 401.14.

H. Company will have an option to commercialize the Project Intellectual Property subject to any rights of the Government or other sponsors as follows:

1. Company shall have an option to negotiate a license to any Project Intellectual Property (whether solely owned by the WARF or jointly owned by WARF and Company). Such option shall extend for a period of three (3) months after such Project Intellectual Property has been disclosed to Company. During the period of such option, WARF will pursue and maintain, if it is legally able to, patent protection for any Subject Invention requested by Company provided Company agrees to reimburse WARF for its out-of-pocket expenses. WARF will not voluntarily discontinue the pursuit and maintenance of any US patent protection for the Project Intellectual Property during this option period without advance written notice to Company. In the event Company does not exercise its option, Company shall relinquish all rights to said Project Intellectual Property.

2. At any time prior to the expiration or termination of an option, Company may exercise such option by providing written notice to WARF, whereupon WARF and Company will promptly and in good faith enter into negotiations for a license under WARF's rights in the Project Intellectual Property. The terms of such license shall be consistent with Governmental regulations and will include terms standard for agreements between a university and industry, taking into consideration the specifics of the parties and the technology, including, but not be limited to: (i) payment of reasonable royalties to WARF on the sale, lease, license or other transfer for consideration of products or services which embody, or the development, manufacture, use, or sale of which involve employment of, the Project Intellectual Property; (ii) reimbursement by Company of expenses incurred by WARF in seeking and maintaining patent protection for the Project Intellectual Property; and (iii) due diligence milestones. If WARF and Company cannot agree on reasonable terms within ninety (90) days after exercise of the option, Company's option to a license shall terminate and WARF shall be free to license, exclusively or non-exclusively, the inventions of the Project Intellectual Property to another party.

4. Patent Prosecution and Commercialization for Jointly Owned Project Intellectual Property

A. Although WARF and Company agree that each has responsibility for management of Project Intellectual Property produced by its employees in accordance with appropriate government regulations and its own institutional policy, it is recognized that more effective enablement of commercialization of jointly owned Project Intellectual Property will require a unified approach by WARF and Company. Therefore, if the STTR Proposal is funded, the following procedural framework will be put into place for the handling of jointly owned Project Intellectual Property.

1. Shortly following the identification of any jointly owned Project Intellectual Property, technical and patent representatives of WARF and Company will discuss details of handling such jointly owned Project Intellectual Property.

2. Either WARF or Company shall be designated the "Lead Party" to take primary responsibility for protection of such jointly owned Project Intellectual Property. If patent applications are to be filed, the Lead Party will ensure that the other Party is kept informed and has an opportunity to review and comment on patent prosecution. The Lead Party shall provide the other Party at least thirty (30) days notice prior to filing a patent application that includes jointly owned Project Intellectual Property.

3. As with Project Intellectual Property solely owned by WARF, Company shall have option rights as outlined in Section 3H above for jointly owned Project Intellectual Property.

4. In the event that Company decides not to exercise its option to WARF's ownership interest in jointly owned Project Intellectual Property, Company and WARF may agree to undertake a cooperative licensing effort. At that point, the Lead Party shall assume sole responsibility for identifying potential commercial licensees and for negotiating the terms of commercial license agreements. All costs associated with filing prosecuting and maintaining intellectual property rights associated with the Project

Intellectual Property shall be shared as agreed upon by WARF and Company. Any revenues generated by such license agreements after deduction of any agreed upon expenses shall be divided equally between WARF and Company no less often than once per year. WARF and Company shall be solely responsible for calculating and distributing to its respective inventor(s) any share of net revenues payable to such inventor(s) in accordance with its own institutional policy.

5. Publication and Confidentiality

A. Background Intellectual Property and Project Intellectual Property of a Party, as well as other proprietary or confidential information of a Party, disclosed by that Party to the other in connection with the Research Project shall be received and held in confidence by the receiving Party and, except with the consent of the disclosing Party or as permitted under this Agreement, shall neither be used by the receiving Party nor disclosed by the receiving Party to others, provided that the receiving Party has notice that such information is regarded by the disclosing Party as proprietary or confidential. However, these confidentiality obligations shall not apply to use or disclosure by the receiving Party after such information is or becomes known to the public without breach of this provision or is or becomes known to the receiving Party from a source reasonably believed to be independent of the disclosing Party or is developed by or for the receiving Party independently of its disclosure by the disclosing Party.

B. Either Party may publish its results from the Research Project and each Party agrees to provide to the other a copy of any such publications at the time of submission. Whenever possible, the publishing Party shall provide the other Party a thirty (30) day period in which to review proposed publications, identify material on which patent applications should be filed, and submit other comments. Each Party will give serious and good-faith consideration to any comments received from the other, provided, however, that such comments are received in sufficient time so as not to delay publication.

C. In the event that Company or University desire to provide confidential information to the other, such information will be marked in writing as confidential at the time it is provided or, if provided orally, identified as confidential at the time of disclosure and confirmed in writing within ten (10) days of the oral disclosure. Unless otherwise required by law, the receiving Party will maintain such information in confidence in the same manner in which it maintains its own confidential information. Confidential information does not include information which:

1. is or becomes generally available in the public domain through no act of the receiving Party; or
2. was independently known prior to receipt thereof or is subsequently discovered independently by an employee of the receiving Party who has no access to the information supplied under this Agreement; or
3. is made available to the receiving Party as a matter of lawful right by a third party. The receiving Party retains the right to refuse to accept any such information which is not considered to be essential to the Research Project. The obligations of the receiving Party to maintain the confidence of any information provided under this Agreement shall survive and continue for three (3) years.

6. Liability

A. Each Party disclaims all warranties running to the other or through the other to third parties, whether express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and freedom from infringement, as to any information, result, design, prototype, product or process deriving directly or indirectly and in whole or part from such Party in connection with the Research Project.

B. Company will indemnify and hold harmless the University and WARF and their officers, employees and agents with regard to any claims arising in connection with commercialization of the results of the Research Project by or under the authority of Company.

7. Governing Laws

A. This Agreement and any to follow in this collaborative effort shall be governed by and interpreted in accordance with the laws of the State of Wisconsin.

8. Termination

A. This Agreement shall remain in force for the period during which the Parties are being funded by the Agency for the Research Project unless it is superseded by other written agreements among the Parties and it shall automatically terminate should either Party withdraw from the collaborative program. This Agreement may be terminated by either Party in the event of the failure of the other Party to comply with the terms of this Agreement.

B. In the event of termination by either Party, each Party shall be responsible for its obligations through the effective date of termination. The obligation of confidentiality shall survive the termination of this Agreement and shall continue for a period of three (3) years from the date of termination.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the dates indicated below.

COMPANY

By: _____ Date: _____, 20__

Name & Title: _____

THE BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN

By: _____ Date: _____, 20__

Name & Title: _____

Exhibit A
Research Project