

UHCCR 1

Office of the President
March 19, 2013

Members, Board of Trustees:

APPROVAL OF CREATION AND FUNDING OF "BEYOND BLUE CORPORATION"
FOR DEVELOPMENT AND COORDINATION OF HEALTH CARE PROGRAMS
CONDUCTED OUTSIDE OF KENTUCKY

Recommendation: that the Board of Trustees authorize the President and Executive Vice President for Health Affairs to incorporate and fund a new not-for-profit corporation ("Beyond Blue") to coordinate and develop operational activities of the University of Kentucky for its health care programs conducted outside of the Commonwealth of Kentucky, while supporting its missions of teaching, research and service. A Board of Directors comprised exclusively of senior University officers will govern Beyond Blue.

Background: The University is increasingly performing the operational activities of its health care programs outside of Kentucky. For example, the recent agreement to provide transplant services and other specialty medical services to public employees in West Virginia necessitates that University faculty and staff perform some pre-op and post-op activities in West Virginia even though the actual surgery takes place in Lexington. Beyond Blue will provide a utility mechanism to allow the University to coordinate its out of state activities related to health care programs without compromising the University's sovereign immunity or subjecting the University to regulation by other States. The role of Beyond Blue is similar to that of the UK/Norton Healthcare Joint Corporation, which the Board of Trustees authorized at its October 25, 2011 meeting. However, unlike that entity, UK will control Beyond Blue in all respects.

Action taken: Approved Disapproved Other _____

ARTICLES OF INCORPORATION
OF
BEYOND BLUE CORPORATION

The undersigned hereby executes these Articles of Incorporation of Beyond Blue Corporation, and certifies that:

ARTICLE I

The name of the corporation shall be BEYOND BLUE CORPORATION.

ARTICLE II

The corporation shall have perpetual succession.

ARTICLE III

1. The purposes for which the corporation is organized are:

(a) To coordinate and develop operational activities of the University of Kentucky for its health care programs that would be conducted outside of the Commonwealth of Kentucky, while supporting its missions of teaching, research and service.

(b) In furtherance of the purposes stated in Paragraph 1(a) of this Article, to use and apply the whole or any part of income and principal exclusively for charitable, scientific or educational purposes at or for the benefit of the University of Kentucky.

2. No part of the net earnings of the corporation shall inure to the benefit of any director, officer of the corporation, or any private individual (except that reasonable compensation may be paid for services rendered to enable the corporation to provide the services for which it has been organized or otherwise affecting one or more of its purposes), and no director, officer of the corporation, or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the corporation. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

3. Notwithstanding any other provision of these Articles, the corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or by an organization contributions to which are deductible under Section 170(c)(2) of such Code and Regulations as they now exist or as they may hereafter be amended, or a corporation exempt from regulations as a private Corporation under section 509(a)(3) of such Code and Regulations as they now exist or may hereafter be amended.

4. In the event of the dissolution of the corporation, the Board of Directors shall cause the assets of the corporation to be applied and distributed as follows: (a) all liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provisions shall be made therefor; (b) assets held by the corporation upon a condition which occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements; and (c) all of the remaining assets of the corporation shall be transferred or conveyed to the Board of Trustees of the University of Kentucky, or its successor, to be used for medicine, education and research, if said University, or its successor, shall qualify as a public corporation and an instrumentality of the State of Kentucky or as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; and if said University or its successor shall not so qualify, then to some other organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes in the field of medicine, research or education as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

ARTICLE IV

As a means of accomplishing the foregoing purposes, the corporation shall have the following powers, in addition to the general powers provided by statute:

1. To accept, acquire, receive, take, and hold by assignment, bequest, devise, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, of whatever kind, nature or description and wherever situated.

2. To sell, exchange, convey, mortgage, lease, transfer, or otherwise dispose of, any such property, both real and personal, as the objects and purposes of the corporation may require, subject to such limitations as may be prescribed by law.

3. To borrow money, and from time to time, to make, accept, endorse, execute and issue bonds, debentures, promissory notes, bills of exchange and other obligations of the corporation for monies borrowed or in payment for property acquired or for any of the other purposes of the corporation, and to secure the payment of any such obligations by mortgage, pledge, deed, indenture, agreement or other instrument of trust, or by other lien upon, assignment of, or agreement in regard to all or any part of the property, rights or privileges of the corporation, wherever situated, whether now owned or hereafter to be acquired.

4. To invest and reinvest its funds as its Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, or gift, provided such limitations and conditions are not in conflict with the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended.

5. The corporation shall have the power to make payments for the purposes of the corporation herein referred to out of either the principal or the income of the corporation, and to accumulate income from the property in their possession as such, provided that such accumulations are not unreasonable in amount, duration, use or investment, to such an extent that

such accumulations result in a denial to the corporation of exemption under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, or a denial to the corporation of the benefits of exemption from the payment of income taxes as provided under any applicable laws and statutes of the United States, whether now in effect or hereafter adopted.

6. In general, and subject to such limitations and conditions as are or may be prescribed by law, to exercise such other powers which now are hereafter may be conferred by law upon a corporation organized for the purposes hereinabove set forth, or necessary or incidental to the powers so conferred, or conducive to the attainment of the purposes of the corporation, subject to the further limitation and condition that, notwithstanding any other provisions of this certificate, only such powers shall be exercised as are in furtherance of the tax-exempt purposes of the corporation and as may be exercised by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended.

ARTICLE V

The corporation shall have no members.

ARTICLE VI

The address of the initial registered office of the corporation in this State shall be: 301 Main Building, University of Kentucky, Lexington, Kentucky 40506-0032 and the name and address of its initial registered agent shall be: William E. Thro, 301 Main Building, University of Kentucky, Lexington, Kentucky 40506-0032. The address of its principal office is 317 Wethington Building, University of Kentucky, Lexington, Kentucky 40536-0200.

ARTICLE VII

The initial Board of Directors shall consist of nine (9) members, as set forth below, and who constitute the incumbents for the University of Kentucky offices noted below, said members shall serve until their successors are so appointed as provided in the By-Laws of the corporation. The names, offices and addresses of the persons who are to serve as initial directors are:

<u>Name and Office</u>	<u>Address</u>
Michael Karpf, M.D. Executive Vice President for Health Affairs	317 Wethington Building University of Kentucky Lexington, KY 40536-0200
Timothy S. Tracy, Ph.D. Provost (Interim)	105A Main Building University of Kentucky Lexington, KY 40506-0032

Eric N. Monday
Executive Vice President for
Finance and Administration

107D Main Building
University of Kentucky
Lexington, KY 40506-0032

William E. Thro, Esq.
General Counsel

301 Main Building
University of Kentucky
Lexington, KY 40506-0032

Murray B. Clark
Chief Financial Officer (Interim)
UKHealthCare

317 Wethington Building
University of Kentucky
Lexington, KY 40536-0200

Mark D. Birdwhistell
Chief External Affairs Officer
UKHealthCare

317 Wethington Building
University of Kentucky
Lexington, KY 40536-0200

William Swinford
Chief of Staff to the President

101 Main Building
University of Kentucky
Lexington, KY 40506-0032

Medical Faculty At Large
UK Health Care

Kimberly Wilson
Chief Human Resources Officer

101 Scoville Hall
University of Kentucky
Lexington, KY 40506-0064

ARTICLE VIII

The names and mailing addresses of the incorporators are:

Name

Address

Michael Karpf, M.D

317 Wethington Bldg
University of Kentucky
Lexington, KY 40506-0200

William E. Thro, Esq.

301 Main Building
University of Kentucky
Lexington, KY 40506-0032

ARTICLE IX

The liability of each and all of the directors of the corporation shall be and is hereby limited to the greatest extent permitted by law and no director of the corporation shall be

personally liable to the corporation for monetary damages for a breach of his duties as a director except for the following (which exceptions shall be construed as narrowly as legally permissible):

- (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of the Corporation;
- (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; or
- (iii) for any transaction from which the director derived an improper personal benefit.

ARTICLE X

These Articles of Incorporation may be amended only by vote of two thirds of the Directors currently in office at a meeting specifically called for purposes of amending said Articles.

IN WITNESS WHEREOF, the undersigned incorporators of the corporation hereby execute these Articles of Incorporation this ____ day of _____, 2013.

BEYOND BLUE CORPORATION.

Michael Karpf, M.D., Incorporator

William E. Thro, Incorporator

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BY-LAWS
OF
BEYOND BLUE CORPORATION

ARTICLE I.

NAME, DEFINITIONS AND REGISTERED AGENT

1. **Name.** The name of the corporation is Beyond Blue Corporation, (the “Corporation”).

2. **Definitions.** The following terms shall have the meanings set forth below when used in these By-laws.

(a) “Articles of Incorporation” shall mean the Corporation’s articles of incorporation on file with the Kentucky Secretary of State.

(b) “Board of Directors” shall mean the board of directors of the Corporation.

(c) “By-laws” shall mean the by-laws of the Corporation.

(d) “Code” shall mean the Internal Revenue Code and its regulations as they now exist or as they may hereafter be amended.

(e) “Corporation” shall have the meaning provided in Article I, paragraph 2, e.

(f) “Designated Location” shall mean the location designated by the President of the Corporation from time to time at which regular meetings of the Board of Directors are to be held. The Designated Location will be communicated in such a manner that the Members of the Board of Directors will have a reasonable opportunity to know the location of each regular meeting of the Board of Directors

(g) “Executive Director for Business Operations” shall mean the person appointed in such capacity pursuant to Article VI, paragraph 4.a.

(h) “Members of the Board of Directors” shall mean the persons who are to serve as members of the Board of Directors of the Corporation pursuant to Article IV, paragraph 2.

(i) “Other Advisory Committees” shall mean any committee or committees the President of the Corporation may establish pursuant to Article XIII, paragraph 2 from time to time; provided, however, none of the Standing Committees shall be considered to be “Other Advisory Committees”.

(j) “Standing Committees” shall mean the standing committees referenced in Article XIII, paragraph 1.

(k) “University” shall mean the University of Kentucky.

(l) “UK Healthcare” shall mean the University’s healthcare delivery system including the patient care programs of the colleges of the University Medical Center and education and research activities related to such patient care programs.

3. **Interpretation Generally.** In these By-laws, unless a clear contrary intention appears:

(a) the definition of terms herein shall apply equally to the singular and plural forms of the terms defined;

(b) any pronoun shall include the corresponding masculine, feminine and neuter forms;

(c) “herein,” “hereafter,” and words of similar import shall be deemed references to the By-laws as a whole and not to any particular Article, paragraph or other provision of the By-laws;

(d) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”;

(e) “or” is used in the inclusive sense of “and/or”;

(f) reference to a paragraph means the indicated numerical paragraph of the By-laws and reference to “Article” means a portion of the By-laws designated as an Article;

(g) the definitions will be applied at the applicable time so that, by way of example, a reference to the holder of a particular position means the holder of that position at the applicable time; and,

(h) headings in these By-laws are inserted for convenience only and do not constitute a part of these By-laws.

4. **Registered Office; Registered Agent.** The Corporation shall maintain a registered office and registered agent in Kentucky in accordance with the applicable requirements of Chapter 273 of the Kentucky Revised Statutes. The Board of Directors may change the name of the registered agent and/or address of the registered office at any time(s) the Board of Directors desires.

ARTICLE II.

OBJECTIVES AND PURPOSES

The Corporation is a support organization for the University. The purposes for which the Corporation is organized are:

1. **Primary Purpose.** To coordinate and develop programs supporting or complimentary to the University and which support UK Healthcare to be conducted outside of the Commonwealth of Kentucky, while supporting missions of teaching, research and service of the University.

2. **Related Purpose.** In furtherance of the purposes stated in this Article II, paragraph 1, to use and apply the whole or any part of income and principal exclusively for charitable, scientific or educational purposes at or for the benefit of the University.

ARTICLE III.

MEMBERSHIP

The Corporation shall have no members.

ARTICLE IV.

DIRECTORS

1. **Management and Directors.** The affairs of the Corporation shall be conducted and managed by the Board of Directors. Except as otherwise provided by applicable law, the Articles of Incorporation or these By-laws, the Board of Directors may make decisions and take actions by either of the following:

(a) **Vote at Meeting.** The affirmative vote of a majority (or such greater number as may be required by these By-laws or law in any particular instance) of the Members of the Board of Directors present at a duly called and held meeting of the Board of Directors shall constitute the action of the Board of Directors.

(b) **Consent without a Meeting.** The written consent (or counterparts of a consent) signed by each of the Members of the Board of Directors in a writing setting forth the action to be taken shall constitute the action of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote at a duly called and held meeting of the Board of Directors.

2. **Members of the Board of Directors.** The Members of the Board of Directors shall consist of the nine employees of the University holding the below listed offices whether on a permanent or temporary basis, The University offices are: Executive Vice President for Health Affairs; Executive Vice President for Finance and Administration; Provost; General Counsel; Chief Financial Officer of UK HealthCare; Chief External Affairs Officer of UK HealthCare, Chief of Staff to the University President, Chief Human Resources Officer and a member at large appointed by the University President from the College of Medicine faculty. In the event of a vacancy in one of the above offices for which no temporary or permanent replacement has been named or if one of the said offices shall cease to exist, the President of the University shall appoint replacement Directors, as needed, and subject to approval by the University Board of Trustees.

3. **Disqualified Members of the Board of Directors as defined by IRS.** Notwithstanding anything in these By-laws to the contrary, if at any time fifty percent (50%) or more of the voting power of the Board of Directors is in the hands of individuals who are disqualified persons, as defined in Section 509(a)(3)(C) and Section 4946 of the Code, then as many positions on the Board of Directors shall immediately and automatically become vacant as is necessary to give voting control to other than disqualified persons.

ARTICLE V.

MEETINGS AND QUORUM

1. **Bi-Monthly Meetings.** The Board of Directors shall hold regular bi-monthly meetings. The regular bi-monthly meetings will be held at the Designated Location at 12:00 noon on the Second Friday of each January, March, May, July, September and November unless (a) rescheduled by the President of the Corporation, Secretary of the Corporation or Executive Director for Business Operations and (b) written notice has been provided to each Member of the Board of Directors at least three (3) days before the date of such rescheduled meeting. Such written notice shall state the date, the time and the place of such rescheduled meeting and shall be hand delivered or sent to each Member of the Board of Directors by e-mail, facsimile or mail to the address in the records of the Corporation. No notice of any regular meeting to be held at the Designated Location on the second Friday of any January, March, May, July, September or November shall be required to be given to any person. Notwithstanding anything contained herein to the contrary, the majority of the Board of Directors present at any duly called and held meeting of the Board of Directors may amend these By-laws so as to change the time, frequency, or place of such regular meetings.

2. **Special Meetings.** Special meetings may be called at any time by the President of the Corporation or any two (2) Members of the Board of Directors. The President of the Corporation, Secretary of the Corporation or Executive Director for Business Operations shall provide written notice to each Member of the Board of Directors at least eight (8) hours before the time of any special meeting, provided, however, if such notice is mailed then such notice will be provided at least three (3) business days before the time of any special meeting. Such written notice shall state the date, the time and the place of such meeting and shall be hand delivered or sent to each Member of the Board of Directors by e-mail, facsimile or mail to the address in the records of the Corporation.

3. **Waiver of Notice.** Members of the Board of Directors may waive notice of any rescheduled regular meeting or special meeting, and attendance of a Member of the Board of Directors shall constitute a waiver of such notice of such meeting, except where such Member of the Board of Directors attends such meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4. **Quorum.** A quorum for the transaction of business at all meetings of the Board of Directors shall consist of a majority of the Board of Directors.

5. **Voting.** Each Member of the Board of Directors shall be entitled to one (1) vote at each meeting and must be present in person to vote except as otherwise herein provided or allowed in any specific instance by the Board of Directors.

6. **Majority Vote for Actions of the Board of Directors.** In the event a quorum is present, a majority vote of the Board of Directors present shall constitute the act of the Board of Directors except as herein otherwise specifically stated herein or in the Articles of Incorporation.

ARTICLE VI.

OFFICERS

1. **Officers.** The officers of the Corporation shall be a President, a Vice-President, a Secretary, a Treasurer and any additional officers appointed by the Board of Directors pursuant to Article VI, paragraph 4.

2. **President.** The University Executive Vice President for Finance and Administration shall be the President of the Corporation and shall preside at meetings of the Board of Directors and act as chair of the Board of Directors, performing such duties as custom and parliamentary procedure require. The President of the Corporation shall exercise such other authority and carry out such duties as may be authorized by the Board of Directors. The President of the Corporation shall conduct all meetings of the Board of Directors in the manner prescribed in The Standard Code of Parliamentary Procedure by Alice Sturgis. The President of the Corporation may cause the Corporation to schedule, call and hold meetings of Eligible Faculty from time to time for the purpose of informing Eligible Faculty of matters relating to the Corporation and its purposes.

3. **Other Elected Officers.** The Board of Directors shall elect from its membership a Vice-President, Secretary and Treasurer. Each elected officer shall serve a term of office of one (1) year (but without limitation on terms) and shall serve until a successor is duly elected and qualified. Any elected officer may be removed from office, with or without cause, by the Board of Directors. A vacancy in any office arising from any cause may be filled by the Board of Directors from its members for the unexpired portion of the term. The offices of the Secretary of the Corporation and Treasurer of the Corporation may be held by the same person.

(a) **Vice-President.** The Vice-President of the Corporation shall preside at the meetings of the Board of Directors in the absence of the President of the Corporation and shall carry out all the required duties of the President of the Corporation in the absence of the President of the Corporation. While serving as acting President, the Vice-President shall have all powers of the President.

(b) **Secretary.** The Secretary of the Corporation shall have responsibility for preparing minutes of meetings of the Board of Directors and for authenticating records of the Corporation. The Secretary of the Corporation shall perform such other record keeping duties as is customary and as the Board of Directors shall require.

(c) **Treasurer.** The Treasurer of the Corporation will, following the review and approval of the Board of Directors, establish bank accounts in the name of the Corporation, review procedures used to safeguard the assets of the Corporation, authorize the investment in securities or the sale of assets and arrange for an annual audit of the books of the Corporation. The Treasurer of the Corporation or other person or persons authorized by the Board of Directors

will countersign checks drawn on the Corporation for amounts in excess of an amount to be fixed by the Board of Directors.

(d) The President and Elected Officers must be a Member of the Board of Directors. A person may serve as an elected officer only during the period such person is a Member of the Board of Directors.

4. **Appointed Officers and Staff.**

(a) Executive Director. The Board of Directors shall have the power to appoint and remove at any time or times an Executive Director who, if appointed, shall serve at their pleasure at a salary level established by the Board of Directors. The Executive Director need not be a Member of the Board of Directors. If appointed, the Executive Director for shall:

(i) be responsible for the administrative and financial affairs and business operation of the Corporation;

(ii) consult with the legal and tax counsel of the Corporation;

(iii) represent the Corporation in civic activities as required;

(iv) annually submit a budget and any supporting materials forming an operational plan for the following year;

(v) if requested by the President of the Corporation, submit progress reports on the implementation of the operational plan at any regular or special meeting of the Board of Directors;

(vi) be responsible for the distribution of the minutes of all meetings of the Board of Directors to the Board of Directors and the Advisory Directors; and

(vii) perform any other functions and duties required by the Board of Directors.

The Executive Director for Business Operations may be assisted in discharging these duties by other subordinate staff as may be approved by the Board of Directors. The Executive Director for Business Operations will be an invitee to all regular and special meetings of the Board of Directors except as the Board of Directors may otherwise determine from time to time. No meeting shall be invalid based on the failure of the Board of Directors to invite the Executive Director for Business Operations to such meeting.

(b) Additional Staff. The Board of Directors shall authorize and appoint such other officers, agents and employees as it may deem proper with such powers and to perform such acts or duties on behalf of the Corporation as the Board of Directors may see fit, so far as may be consistent with the Articles of Incorporation, the By-laws, all applicable laws and in keeping with any agreements between the Corporation and the University.

5. **Duties.** The officers of the Corporation shall have such other duties (in addition to those specified above) as may be provided in the By-laws as well as additional duties assigned by the Board of Directors from time to time.

ARTICLE VII.

COMPENSATION

The Board of Directors, President of the Corporation, Vice-President of the Corporation, Secretary of the Corporation, and Treasurer of the Corporation shall receive no compensation for their services to the Corporation, but may receive reimbursement for reasonable expenses incurred in conducting the business of the Corporation.

ARTICLE VIII.

AUDIT

The books of this Corporation shall be open at all times to audit by representatives designated by the Treasurer of the University. Such books shall be audited at least annually by an auditor appointed by the Board of Directors and duly qualified to render an opinion relative to the financial statements of the Corporation in accordance with generally accepted accounting principles consistently applied.

ARTICLE IX.

PROHIBITED ACTIVITIES

Notwithstanding any other provision of these By-laws, no director, officer, employee, agent or representative of this Corporation shall take any action or carry on any activity on behalf of the Corporation, or permit the Corporation to take any action or carry on any activity not permitted to be taken or carried on by (a) an organization exempt under Section 501(c)(3) of the Code, (b) by an organization contributions to which are deductible under Section 170(c)(2) of such Code or (c) an organization defined as a private foundation under Section 509(a)(3) of the Code. Further, no Member of the Board of Directors, officer, employee, agent or representative of this Corporation shall take any action or carry on any activity which would cause the Corporation to be engaged in the corporate practice of medicine.

ARTICLE X.

CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. **Contracts.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract and to execute and deliver any instrument in the name of or on behalf of the Corporation, and such authority may be general or confined to the specific instances.

2. **Loans and Indebtedness.** No loan shall be contracted on behalf of the Corporation and no evidence of an indebtedness for borrowed money shall be issued in its name except on the authorization of the Board of Directors.

3. **Checks, Drafts and Deposits.** Checks, drafts and deposits of 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 the Board of Directors may select. All checks 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 such officer or officer or agent or agents of the Corporation in such manner as shall from time to time be determined by resolution of the Board of Directors.

ARTICLE XI.

COMMITTEES

1. **Standing Committees.**

(a) *Establishment of Standing Committees.* The Board of Directors shall establish the following standing committees: (i) a Finance and Audit Committee, (ii) a Compliance Committee and (iii) a Health Care Practice Committee. All Standing Committees shall report to the Board of Directors.

(b) *Membership of Standing Committees.* All members of all Standing Committees must be employees of UK or the Corporation. Members of the Standing Committees appointed during the calendar year in which these By-laws are adopted shall have terms ending at the end of the day on the first June 30th which follows the appointment by at least one year. Members of the Standing Committees appointed after the calendar year in which these By-laws are adopted shall have terms ending at the end of the day on the first June 30th following the effective date of their appointment. Except as otherwise provided in these By-laws, the members of all Standing Committees shall serve until the end of their term, and thereafter until their successors have been duly elected or appointed, as applicable.

The Board of Directors shall decide the number and identity of the members for each Standing Committee, except that (i) each Standing Committee shall have as members at least one (1) Members of the Board of Directors, (ii) the Compliance Committee each shall include at least two (2) Members of the Board of Directors, which shall include at least one (1) of the officers of the Corporation referenced in Article VI, paragraph 1, and (iii) the chairperson of each of the Standing Committees appointed pursuant to Article V, paragraph 1.c., shall be a member of the Standing Committee he or she chairs. In appointing any member of any Standing Committee, the Board of Directors should consider the likelihood that the person to be appointed will regularly attend meetings or otherwise actively participate in committee activities.

(c) *Chairpersons of Standing Committees.* With respect to vacancies as to the chairperson of any Standing Committee, the President of the Corporation shall propose a nominee to be confirmed by the Board of Directors at the next meeting, thereof. Notwithstanding the foregoing, (a) a chair of any Standing Committee may be removed by the Board of Directors at any time and (b) a chair of any Standing Committee who ceases being a Director of the Corporation or employee of the University shall automatically be removed as a chair of the Standing Committee. In the event of a vacancy in the chair of any Standing Committee, the President may designate a successor to serve until the next regular meeting of the

Board of Directors. The chairperson of each Standing Committee shall, if present, preside at all meetings of that Standing Committee.

(d) Functions of Standing Committees. The Standing Committees shall perform the following functions:

(i) *Compliance Committee.* The Compliance Committee will seek to monitor and provide for compliance with (i) all applicable governmental (whether federal, state or local) requirements (including all applicable laws, regulations, ordinances, orders and other requirements) relating to billing, documentation, refunds and other matters with respect to payment for services and items provided and the obligations (of the Corporation and providers for which or whom the Corporation collects or administers funds) to payors relating to such matters and (ii) all other designated (by the President of the Corporation or Board of Directors) governmental (whether federal, state or local) requirements (including all applicable laws, regulations, ordinances, orders and other requirements). The Compliance Committee shall also analyze and make recommendations to the Board of Directors as to such other matters as the Board of Directors may from time to time request. The Corporation desires that a sense of urgency and importance exists relative to all compliance related matters; accordingly, the Compliance Committee should promptly report any concerns or needs for support to the Board of Directors. The Board of Directors shall use its best efforts to be available to promptly address any concerns of or promptly receive any reports from the Compliance Committee or any compliance officer of the University or the Corporation, and the Board of Directors shall, whenever requested by any UK Healthcare compliance officer, invite the appropriate UK Healthcare compliance officer or other appropriate University representatives to meetings of the Board of Directors and whenever appropriate call special meetings of the Board of Directors to address concerns of the Compliance Committee or any compliance officer of the University or the Corporation.

(ii) *Finance and Audit Committee.* The Finance and Audit Committee shall (a) assist the Board of Directors in fulfilling its oversight responsibilities regarding the Corporation's systems of internal controls by reviewing financial information and practices and exercising responsibilities for the audit process, (b) seek to monitor and protect the Corporation's status as a 501(c)(3) corporation, help the Corporation avoid conduct which would result in the imposition of penalties or sanctions against the Corporation or any University employee relating to the Corporation's 501(c)(3) status and seek to provide for compliance with all governmental requirements relating to such status, (c) work with outside auditors and make recommendations to the Board of Directors as to what firm should serve as outside auditor, (d) make recommendations to the Board of Directors relative to the disclosure of conflicts of interest by Board of Directors and officers of the Corporation, (e) monitor the efficiency of the billing practices of the corporation, (f) make budgetary recommendations to the Board of Directors, (g) review and make recommendations to the Board of Directors regarding overhead, allocations for any health plan or other shared revenue and matters related to policies for exemption from or reduction of the Corporation's charges, (h) otherwise assist the Board of Directors in fulfilling its oversight responsibilities regarding the Corporation's financial operations, reviewing financial information and exercising responsibility for the investing, budgeting and financial reporting processes and (i) analyze and make recommendations to the Board of Directors as to such other matters as the Board of Directors may from time to time request. The Corporation desires that a sense of urgency and importance exist relative to all compliance related matters; accordingly, the

Finance and Audit Committee should promptly report any concerns or needs for support to the Board of Directors.

(iii) *Health Care Practice Committee.* The Health Care Practice Committee shall provide advice and make recommendations to the Board of Directors and UK Healthcare regarding (a) managed and contracted care and (b) out of state based practices and other out of state outreach activities of any UK HealthCare. The Health Care Practice Committee shall serve as the organizational structure to assist in developing and implementing out of state practice activities and outreach initiatives or strategies. The Health Care Practice Committee shall review all out of state managed care contracts for financial and operational impact on the Corporation and UK Healthcare, and shall review the responsibilities of the Corporation under the provisions of each proposed contract in advance and determine the Corporation's ability to carry out the provisions of the contract. The Health Care Practice Committee shall work closely and cooperatively with UK Healthcare committees, groups, or individuals that deal with issues related to managed and contracted care and with employment by the Corporation of University health care providers to deliver the same. The Health Care Committee shall also analyze and make recommendations to the Board of Directors as to such other matters within its general purview as the Board of Directors may from time to time request.

(e) *Meetings and Reports.*

(i) *Committee Meetings.* Regular meetings of each Standing Committee will be held at such times, dates and places as determined by the Standing Committee. Each Standing Committee shall have at least one (1) meeting each calendar quarter and report to the Board of Directors at least once each fiscal year. Each of the Standing Committees shall also meet from time to time on call of the chairperson or any two (2) or more other members of that Standing Committee. No notice shall be required for regular meetings to the extent held at a time, date and place previously determined by the Standing Committee. With respect to other meetings or rescheduled regular meetings, written notice stating the place, day and time, shall be hand delivered or sent to each committee member by e-mail, facsimile or mail to the address in the records of the Corporation. No notice of the time or place of any meeting of any Standing Committee need to be given to any member who attends in person or who either before or after the holding of such meeting waives such notice. No notice need be given of an adjourned meeting of any Standing Committee. Meetings of the Standing Committee may be held at such place or places as determined by the chairperson; provided, however, no meetings shall be held outside Fayette County, Kentucky, unless approved by the Standing Committee and the President of the Corporation. Where appropriate communication facilities are reasonably available, any member of any Standing Committee shall have the right to participate in all or any part of the meeting by means of teleconference or any other means of communication by which all persons participating in the meeting are able to hear each other.

(ii) *Committee Reports.* Each Standing Committee shall report to the Board of Directors at any regular or special meeting of the Board of Directors as determined appropriate by the Standing Committee or its Chair.

(f) Removal and Replacement.

(i) *Committee Vacancies.* Each member of each Standing Committee shall serve until the earlier of the end of his or her term (and thereafter until his or her successor is elected and qualified), the date he or she is no longer an employee of UK or the Corporation or the time he or she dies, resigns, is removed, refuses to serve, becomes ineligible to serve, is unable to serve, or is eliminated for any other cause. Whenever a vacancy occurs with respect to a member of any Standing Committee for any such reason, the President of the Corporation, as promptly as possible following the occurrence of such vacancy, shall appoint a successor whose term of service on the committee shall end at the next regular meeting of the Board of Directors, at which time the Board of Directors shall elect and designate a successor. If a member of a Standing Committee is a Member of the Board of Directors and ceases being a Member of the Board of Directors, but continues being an employee at UK, such member may continue (subject to the will of the Board of Directors) to serve on the Standing Committee unless a change is required to ensure that there are sufficient Members of the Board of Directors and Eligible Members of the Faculty on such Standing Committee.

(ii) *Elimination, Reduction in Size or Removal.* The Board of Directors may eliminate, reduce the size of or remove any person as a member of any Standing Committee at any time, with or without cause. The Board of Directors may increase the size of any committee at any time.

(iii) *Resignation from Committee.* Any member of any Standing Committee may resign from the Standing Committee at any time by giving written notice to the President of the Corporation, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

2. Advisory Committees. The Board of Directors may create or terminate any Other Advisory Committees from time to time (and the Board of Directors or, if authorized by the Board of Directors, the President of the Corporation may add to, eliminate, reduce or change such Other Advisory Committees from time to time) to address such matters as the Board of Directors or President of the Corporation determines appropriate. With respect to the Other Advisory Committees contemplated by this paragraph 2, the Board of Directors or, if authorized by the Board of Directors, the President of the Corporation may (a) either appoint the entire committee or may appoint a chairperson or chairpersons and permit the chairperson or chairpersons to form the committee or (b) remove any or all members at any time or times. These Other Advisory Committees will report directly to the Board of Directors. Members of the Other Advisory Committees are not required to be Members of the Board of Directors of the Corporation. Any member of any Other Advisory Committee may resign from the Other Advisory Committee at any time by giving written notice to the President of the Corporation, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Notwithstanding anything in these By-laws to the contrary, the term "Other Advisory Committees" does not include any of the Standing Committees.

3. Conduct of Business; Quorum; Voting. Each committee may determine procedural rules for meeting and conducting its business to the extent not inconsistent with the By-laws or applicable law. A majority of the members shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event all (one or both, as the

case may be) members shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Actions may be taken by any committee without a meeting if all members consent in writing, and the writing or writings are filed with the minutes of the proceedings of the committee.

4. **Support for Committees.** The Corporation's legal counsel or accountants may serve, when requested, as staff to reasonably assist the committees contemplated by this Article XI. The Corporation shall provide such other requested staff support to the committees as may be reasonable and appropriate.

ARTICLE XII.

AMENDMENTS

Except as herein provided, these By-laws may be amended, altered, or repealed only by either (a) unanimous consent of the Board of Directors pursuant to Article IV, paragraph 1.b. or (b) the vote of at least a two-thirds (2/3) majority of the Board of Directors present at any duly held regular or special meeting of the Board of Directors in which written notice has been provided to each Member of the Board of Directors at least three (3) days before the date of such meeting. Such written notice shall state the date, the time and the place of such meeting, shall state that the purpose of such meeting is to consider changing the By-laws at such meeting and the written notice shall be hand delivered or sent to each Member of the Board of Directors by e-mail, facsimile or mail to the address in the records of the Corporation.