

UHCR 1

Office of the President
January 23, 2007

Members, Board of Trustees:

KENTUCKY MEDICAL SERVICES FOUNDATION, INC. ("KMSF") APPROVAL
OF AMENDED AND RESTATED BY-LAWS AND RESTATED ARTICLES OF
INCORPORATION

Recommendation: that the Board of Trustees approve the Amended and Restated By-Laws of KMSF set forth at Exhibit A attached hereto, and the Restated Articles of Incorporation of KMSF set forth at Exhibit B, attached hereto, to be filed and implemented by KMSF upon KMSF obtaining such approvals from the Internal Revenue Service (IRS) as legal counsel to KMSF deem appropriate.

Background: KMSF is a not-for-profit support organization of the university that, for many years, has functioned as the Faculty Practice Organization for the College of Medicine. Recently, the structure and operations of KMSF has been analyzed by a renowned consultant with a view toward improving the ability of KMSF to function as a modern Faculty Practice Organization. An ad hoc committee was appointed to draft by-laws and articles that would serve as the documentary bases to implement the recommendations. The by-laws developed were reviewed with the COM faculty for comment and revised accordingly. Restated Articles of Incorporation were then drafted to implement the new by-laws. The resulting documents are set forth at Exhibits A and B, respectively (collectively, the "Documents"). The documents were approved by the KMSF Board of Directors on December 15, 2006, subject to approval by BOT of the university.

The new documents are substantially revised form the current KMSF articles and by-laws. Accordingly, to protect KMSF's tax exempt status, legal counsel has recommended obtaining approval from the IRS prior to final implementation. The principal changes include an expanded Board of Directors; substantially expanded committee structure and responsibilities; modernization to current practice and terminology and name change to a name more descriptive of function. Adoption and implementation of the Documents will enable KMSF to support better the University's clinical and educational missions.

Action taken: Approved Disapproved Other Withdrawn

EXHIBIT A

**AMENDED AND RESTATED BY-LAWS
OF
UK MEDICAL GROUP, INC.
AS OF _____**

**ARTICLE I.
NAME, DEFINITIONS AND REGISTERED AGENT**

1. **Name.** The name of the corporation is UK Medical Group, Inc. (the “Corporation”). The Corporation was formerly named Kentucky Medical Services Foundation, Inc.

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

a. “Advisory Directors” shall mean the persons holding certain positions within UK’s College of Medicine who are to serve in an advisory capacity to the Board of Directors pursuant to Article IV, paragraph 3.a.i. and the Outside Directors, if any, appointed pursuant to Article IV, paragraph 8.b.

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

c. “Board of Directors” shall mean the board of directors of the Corporation.

d. “By-laws” shall mean the by-laws of the Corporation.

e. “Clinical Department” shall mean a clinical department of UK’s College of Medicine.

f. “Clinical Department Chair” shall mean the person serving as chair or acting chair of a Clinical Department pursuant to an appointment by the UK Board of Trustees.

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

h. “Corporation” shall have the meaning provided in Article I, paragraph 1.

i. “Dean” shall mean the person serving as the dean or acting dean of the UK College of Medicine pursuant to an appointment by the UK Board of Trustees.

j. “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.

k. “Elected Faculty Directors” shall mean the Faculty At-Large Directors and the Practice Area Faculty Directors.

l. “Ex-Officio Voting Directors” shall mean the persons holding certain positions within UK’s College of Medicine who are to serve as Members of the Board of Directors pursuant to Article IV, paragraph 2.a.

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

n. “Eligible Faculty” shall mean all the Eligible Members of the Faculty.

o. “Eligible Member of the Faculty” shall mean a physician who has a full-time UK College of Medicine faculty appointment and who has assigned his or her clinical income to the Corporation pursuant to an agreement signed by the Corporation.

p. “Faculty At-Large Directors” shall mean the Eligible Members of the Faculty who are to serve as Members of the Board of Directors pursuant to Article IV, paragraph 2.c.

q. “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.

r. “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”.

s. “Outside Directors” shall mean the person(s) who are to serve as either a Member of the Board of Directors pursuant to Article IV, paragraph 8.a. or as an Advisory Director pursuant to Article IV, paragraph 8.b.

t. “Practice Area Faculty Directors” shall mean the Eligible Members of the Faculty who are to serve as Members of the Board of Directors of the Corporation pursuant to Article IV, paragraph 2.b.

u. “Practice Areas” means the following four (4) practice areas: (i) medical specialty; (ii) surgical services; (iii) primary care; and, (iv) hospital based.

v. “Requesting Party” shall mean (a) an Eligible Member of the Faculty who receives a judgment or directive or feels injured by policies and procedures of his/her Clinical Department or the Board of Directors of the Corporation or (b) a Clinical Department Chair who believes the Clinical Department has been injured by a policy or procedure of the Corporation.

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

x. “UK” shall mean the University of Kentucky.

y. “UK Healthcare” shall mean UK’s healthcare delivery system including the patient care programs of the colleges of the UK 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 UK. The purposes for which the Corporation is organized are:

1. **Primary Purpose**. To coordinate and develop superior patient care in a group practice setting within the academic environment of UK Healthcare while supporting UK Healthcare's missions of teaching, research and service.
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 UK Healthcare.

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**. Except as hereafter otherwise provided, the Members of the Board of Directors shall consist of the following:

a. *Ex-Officio Voting Directors*. The President of the Corporation and each Clinical Department Chair shall be Members of the Board of Directors. The Ex-Officio Voting Directors shall be voting members of the Board of Directors. Except as

provided in Article VI, paragraph 2, and in the immediately following sentence, a person who serves as an Ex-Officio Voting Director shall hold such membership on the Board of Directors by virtue of his/her position with UK's College of Medicine, and shall not require the election, designation, approval or consent of the Board of Directors to serve as an Ex-Officio Voting Director. Provided, however, to increase the likelihood of a quorum being in attendance at all meetings of the Board of Directors and to maximize representation of all Clinical Departments, the following provisions shall be applicable to each Ex-Officio Voting Director other than the President of the Corporation: (i) each such Ex-Officio Voting Director shall designate an alternate by e-mail or otherwise in writing to the Executive Director (which designation may be amended from time to time as determined by the Ex-Officio Voting Director by making another designation), (ii) if such Ex-Officio Voting Director is not present at a meeting of the Board of Directors but the designated alternate is present then, effective at the beginning of such meeting, the Ex-Officio Voting Director shall be deemed to have been removed as a Member of the Board of Directors and the designated alternate shall be deemed to be a Member of the Board of Directors, (iii) upon adjournment of any meeting at which a designated alternate served as a Member of the Board of Directors pursuant to this sentence the designated alternate shall be deemed to have been removed as a Member of the Board of Directors and the applicable Ex-Officio Voting Director shall again be deemed to be a Member of the Board of Directors and (iv) in the event a meeting is continued until a later time rather than adjourned such continuance shall not constitute an adjournment.

b. Practice Area Faculty Directors. Following (but not before) the initial election of Practice Area Faculty Directors pursuant to Article IV, paragraph 4.b., the Members of the Board of Directors shall include four (4) Eligible Members of the Faculty elected by the Eligible Faculty as provided in Article IV, paragraphs 4 and 6. The Practice Area Faculty Directors shall be voting members of the Board of Directors.

c. Faculty At-Large Directors. Following (but not before) the initial election of Faculty At-Large Directors pursuant to Article IV, paragraph 5.a., the Members of the Board of Directors shall include two (2) Eligible Members of the Faculty elected by the Eligible Faculty as provided in Article IV, paragraphs 5 and 6. The Faculty At-Large Directors shall be voting members of the Board of Directors.

d. Outside Directors. The Outside Directors, if any, who have voting rights pursuant to Article IV, paragraph 8, shall be Members of the Board of Directors and shall be voting members of the Board of Directors.

3. Advisory Directors. This paragraph 3 pertains solely to Advisory Directors.

a. Advisory Director Membership. The Advisory Directors shall have no voting rights and shall consist of the following persons:

i. Ex-Officio. The Executive Vice President for Health Affairs for UK Healthcare, UK's Vice-President of Medical Center Operations, the Chief Medical Officer for UK Healthcare, the Chief

Financial Officer for UK Healthcare and the Associate Dean for Administration and Finance of the UK College of Medicine shall be ex-officio Advisory Directors. A person who serves as an ex-officio Advisory Director shall hold such membership on the Board of Directors by virtue of his/her position with UK Healthcare or the UK College of Medicine, and shall not require the election, designation, approval or consent of the Board of Directors to serve as an ex-officio Advisory Director.

ii. *Outside Directors.* The Outside Directors, if any, who do not have voting rights pursuant to Article IV, paragraph 8 shall be Advisory Directors.

b. *Role and Rights.* The Advisory Directors shall serve in an advisory capacity to the Board of Directors and shall have the right to attend or participate in all meetings of the Board of Directors. The Advisory Directors (a) shall not have the right to vote, (b) shall not be considered in determining whether a quorum is present, and (c) shall not be required for unanimous consent in the taking of an action pursuant to Article IV, paragraph 1.b.

c. *Vacancy of Advisory Directors.* The vacancy of an Advisory Director (other than any Advisory Director who is also Outside Director) shall be filled only as set forth in the Articles of Incorporation or as provided herein. The failure to fill such Advisory Director position shall not be deemed a default under the terms of the Articles of Incorporation or these By-laws, and the Board of Directors shall continue to operate as if such Advisory Director position did not exist. Positions of Advisory Directors (other than Advisory Directors who are also Outside Directors) shall be considered filled when the UK Board of Trustees appoints a regular or acting appointment and shall be filled by such appointed individuals until relieved by resignation, death or termination of appointment.

4. Practice Area Faculty Directors. This paragraph 4 pertains solely to the Practice Area Faculty Directors.

a. *Assignment to Practice Areas.* Each Member of the Eligible Faculty will be assigned to one (but not more than one) of the four (4) Practice Areas. Such assignments shall initially be made in accordance with the criteria established by the President of the Corporation and such criteria established by the President of the Corporation shall apply with respect to the initial election of Practice Area Faculty Directors. Such assignments shall thereafter be made in accordance with the criteria established by the Board of Directors from time to time and such criteria established by the Board of Directors shall apply with respect to elections of Practice Area Faculty Directors other than the initial election of Practice Area Faculty Directors.

b. *Election of Initial Practice Area Faculty Directors.* As soon as is reasonably practicable after the election of the two (2) initial Faculty At-Large Directors pursuant to Article IV, paragraph 5.a., a Practice Area Faculty Director shall be elected

from each of the four (4) Practice Areas. The initial election of Practice Area Faculty Directors pursuant to Article IV, paragraph 4.b., shall be conducted in accordance with the methodology established by the Board of Directors for purposes of such election except only Eligible Members of the Faculty from each Practice Area will be eligible to vote for the initial Practice Area Faculty Director from that Practice Area. The initial Practice Area Faculty Directors from two (2) of the Practice Areas shall have terms ending at the end of the day on June 30 of the third calendar year following the calendar year in which such election was completed. The initial Practice Area Faculty Directors from the other two (2) Practices Areas shall have terms ending at the end of the day on June 30 of the fourth calendar year following the calendar year in which such election was completed. With respect to the two (2) immediately preceding sentences, the Board of Directors shall determine (either before, during or after the election) which of the two (2) Practice Areas shall be represented by Practice Area Faculty Directors with terms ending on June 30 of the third calendar year following the calendar year in which such election was completed and which of the two (2) Practice Areas shall be represented by Practice Area Faculty Directors with terms ending on June 30 of the fourth calendar year following the calendar year in which such election was completed. Subject to Article IV, paragraph 7, each initial Practice Area Faculty Director shall serve until the expiration of his/her term as provided in this paragraph 4.b. and thereafter until the successor to his/her Practice Area Faculty Director position is duly elected and qualified pursuant to Article IV, paragraph 6.

c. 3-Year Terms. Except for the initial Practice Area Faculty Directors elected as provided for in part b. of this paragraph 4 and subject to Article IV, paragraph 7, Practice Area Faculty Directors shall be elected for terms of three (3) years and shall serve until their successors are duly elected and qualified. Subject to Article IV, paragraph 7, the term of each Practice Area Faculty Director shall end on June 30 of the year in which his or her applicable term is to expire unless the successor for that position has not then been qualified in which event the Practice Area Faculty Director in that position shall continue to serve until his or her successor has been duly elected and qualified pursuant to Article IV, paragraph 6.

5. Faculty At-Large Directors. This paragraph 5 pertains solely to the Faculty At-Large Directors.

a. Election of Initial Faculty At-Large Directors. As soon as is reasonably practicable after these By-laws become effective, two (2) Eligible Members of the Faculty shall be elected as Faculty At-Large Directors. The initial election of Faculty At-Large Directors pursuant to Article IV, paragraph 5.a., shall be conducted in accordance with the methodology established by the Board of Directors for purposes of such election except only Eligible Members of the Faculty will be eligible to vote for the initial Faculty At-Large Directors. The initial Faculty At-Large Directors shall have terms ending at the end of the day on June 30 of the fifth calendar year immediately following the calendar year in which such election was completed. Subject to Article IV, paragraph 7, each initial Faculty At-Large Director shall serve until the expiration of his/her term as provided in the immediately preceding sentence and thereafter until the

successor to his/her Faculty At-Large position is duly elected and qualified pursuant to Article IV, paragraph 6.

b. 3-Year Terms. Except for the initial Faculty At-Large Directors elected as provided for in Article IV, paragraph 5.a. and subject to Article IV, paragraph 7, Faculty At-Large Directors shall be elected for terms of three (3) years and shall serve until their successors are duly elected and qualified. Subject to Article IV, paragraph 7, the term of each Faculty At-Large Director shall end on June 30 of the year in which his or her applicable term is to expire unless the successor for that position has not then been qualified in which event the Faculty At-Large Director in that position shall continue to serve until his or her successor has been duly elected and qualified pursuant to Article IV, paragraph 6.

6. Election Process for Practice Area Faculty Directors and Faculty At-Large Directors. The process for the election of the Practice Area Faculty Directors and the Faculty At-Large Directors shall be governed by the following (except the provisions of this Article IV, paragraph 6, shall not apply to the election of the initial Practice Area Faculty Directors who shall be elected as provided in Article IV, paragraph 4.b., and the initial Faculty At-Large Directors who shall be elected as provided in Article IV, paragraph 5.a.):

a. Modification of Election Process. The Board of Directors shall be entitled to establish and modify the process for the election of Practice Area Faculty Directors and Faculty At-Large Directors from time to time, although no such process or modification shall be directly contradictory to any express provision of this Article IV;

b. Modification of Time Periods. The President of the Corporation may change the time periods governing the notice provisions or hold an election of Faculty At-Large Directors at any meeting called by the President of the Corporation; and

c. Election Process. Subject to possible changes as provided in Article IV, paragraph 6.a. and paragraph 6.b. above, the election process shall be as follows:

i. Nominating and Governance Committee Candidates. With respect to the election of Faculty At-Large Directors, the Nominating and Governance Committee will nominate four (4) Eligible Members of the Faculty for the two (2) positions to be elected and present such nominations to the President of the Corporation no later than forty-five (45) days (or such other period as the President of the Corporation may determine) prior to the end of the term of the Faculty At-Large Directors holding such positions. With respect to the election of Practice Area Faculty Directors, the Nominating and Governance Committee will nominate two (2) Eligible Members of the Faculty from each Practice Area for which an election is to be held and present such nominations to the President of the Corporation no later than forty-five (45) days (or such

other period as the President of the Corporation may determine) prior to the end of the term of the Practice Area Faculty Directors holding such positions. The President of the Corporation shall cause the Eligible Members of the Faculty to be notified of any nominations pursuant to this paragraph 6.c.i.

ii. *Petition Candidates.* Except as hereafter otherwise provided, any additional Eligible Members of the Faculty may be nominated by written petition signed by not less than ten (10) Eligible Members of the Faculty (which may include the person so nominated) and delivered to the President of the Corporation at least thirty (30) days (or such other period as the President of the Corporation may determine) prior to the end of the term of the Faculty At-Large Directors or Practice Area Faculty Directors holding such positions. Provided, however, a person shall not be eligible to be nominated as a Practice Area Faculty Director unless he or she is then assigned to the Practice Area with respect to which the nomination is applicable.

iii. *Voting for Faculty At-Large Directors.* The President of the Corporation shall cause ballots containing the names of the nominees for Faculty At-Large Directors to be sent (by e-mail or as otherwise determined by the President of the Corporation) to the Eligible Faculty. Each Eligible Member of the Faculty will be entitled to vote for up to two (2) of the nominees for Faculty At-Large Directors (but no other person) by returning the ballot in the time and manner specified by the President of the Corporation and no person or entity other than Eligible Members of the Faculty shall be entitled to vote for Faculty At-Large Directors.

iv. *Voting for Practice Area Faculty Directors.* With respect to each Practice Area Faculty Director to be elected, the President of the Corporation shall cause ballots containing the names of the nominees for such Practice Area Faculty Director to be sent (by e-mail or as otherwise determined by the President of the Corporation) to each Eligible Member of the Faculty then assigned to the Practice Area with respect to which the election is to be held. Each Eligible Member of the Faculty assigned to a Practice Area will be entitled to vote for the Practice Area Faculty Member from that Practice Area and no person or entity other than Eligible Members of the Faculty assigned to a Practice Area shall be entitled to vote for the Practice Area Faculty Director from that Practice Area. Thus, by way of example, the Eligible Members of the Faculty assigned to the medical specialty Practice Area will be the only persons entitled to vote for a Practice Area Faculty Director from such Practice Area.

v. *Election.* With respect to the election of a Practice Area Faculty Director, the nominee obtaining the most votes (whether or not

constituting a majority) from the applicable Practice Area shall be deemed to be elected. With respect to the election of Faculty At-Large Directors, the two (2) nominees receiving the most votes (whether or not constituting a majority) shall be deemed to be elected. In the event of a tie that prevents the identification of a winner, the Board of Directors shall determine which of the persons so tied shall be deemed to be elected.

vi. *Insufficient Duly Elected and Qualified Successors.* Whenever there are more Faculty At-Large Directors with expiring terms than there are duly elected and qualified successor Faculty At-Large Directors, the Board of Directors shall determine which expiring Faculty At-Large Director position shall be filled by the duly elected and qualified successor and which expiring Faculty At-Large Director position shall continue to be filled by the current Faculty At-Large Director with an expiring term.

7. Removal or Resignation of Elected Faculty Directors; Vacancies of Elected Faculty Directors.

a. *Automatic Removal.* Any Elected Faculty Director shall be deemed automatically removed as a Faculty At-Large Director or Practice Area Faculty Director at the time such Elected Faculty Director ceases to be an Eligible Member of the Faculty. The provisions of Article IV, paragraph 2.a., and Article VI, paragraph 2, are applicable to the deemed removal and replacement of Ex-Officio Voting Directors and designated alternates. Even though an Ex-Officio Voting Director may not be removed for failure to attend or the failure of his or her designated alternate to attend meetings of the Board of Directors, attendance is very important and it is expected that each Ex-Officio Voting Director or his or her designated alternate will attend a minimum of seventy-five percent (75%) of the meetings of the Board of Directors in each calendar year.

b. *Recharacterization.* Any reassignment of a Practice Area Faculty Director to a different Practice Area shall not affect his or her ability to serve the balance of his or her term as a Practice Area Faculty Director.

c. *Removal by Vote.* Any Elected Faculty Director may be removed as a Faculty At-Large Director or Practice Area Faculty Director by the vote of not less than seventy-five percent (75%) of the Board of Directors present at any special meeting of the Board of Directors duly called and held to consider the removal of such Elected Faculty Director. While the Board of Directors has discretion about when and whether to remove any Elected Faculty Director (subject to the provisions of the immediately preceding sentence), attendance at meetings of the Board of Directors is very important and it is expected that each Elected Faculty Director will attend a minimum of seventy-five percent (75%) of the meetings of the Board of Directors in each calendar year; accordingly, the Board of Directors should but is not obligated to consider whether an Elected Faculty Director who does not meet that expectation should be removed.

d. Resignation of Elected Faculty Directors. Any Practice Area Faculty Director or any Faculty At-Large Director may resign from the Board of Directors of the Corporation 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. If any Elected Faculty Director becomes an Ex-Officio Voting Director, he or she shall be deemed to have resigned as a Practice Area Faculty Director or Faculty At-Large Director, as the case may be, at the time he or she became an Ex-Officio Voting Director.

e. Vacancy of Elected Faculty Directors. Whenever a vacancy occurs with respect to any Practice Area Faculty Director or Faculty At-Large Director, whether as a result of the death, resignation, removal, refusal to serve, ineligibility (as a result of no longer being an Eligible Member of the Faculty or otherwise), inability to serve, or otherwise, the Board of Directors, as promptly as possible following the occurrence of such vacancy, shall elect and designate a successor who is an Eligible Member of the Faculty. Subject to Article IV, paragraphs 7.a., 7.c. and 7.d., such successor shall hold office as a Faculty At-Large Director or Practice Area Faculty Director, as the case may be, until an election is held to fill such vacancy, which election shall be held within a reasonable time and otherwise in accordance with the provisions of Article IV, paragraph 6. Provided, however, in the event the remaining portion of the term of the vacant Elected Faculty Director is less than six (6) months, no election shall be required or held. Any vacancy or vacancies that may be filled by the Board of Directors may be filled by a majority of the remaining Board of Directors even though such majority constitutes less than a quorum of the Board of Directors.

8. Outside Directors. The Board of Directors may but shall not be required to appoint one (1), two (2) or three (3) additional persons (who may or may not be associated with UK) to serve on the Board of Directors. There may be no more than three (3) Outside Directors at any one time. At the time of the appointment of an Outside Director, the Board of Directors shall determine whether the person appointed as an Outside Director will (a) have voting rights and be a Member of the Board of Directors or (b) have no voting rights and be an Advisory Director.

a. Voting Rights. If the Board of Directors designates an Outside Director as having voting rights then such person shall be a Member of the Board of Directors and have voting rights.

b. No Voting Rights. If the Board of Directors designates an Outside Director as having no voting rights or does not make any designation regarding voting rights then such Outside Director shall be an Advisory Director and have no voting rights.

Each Outside Director may be removed at any time, with or without cause, by the Board of Directors. An Outside Director may resign from the Board of Directors of the Corporation 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. The removal, resignation or death of an Outside Director

shall not be construed as creating a vacancy on the Board of Directors and the Board of Directors may but shall not be required to appoint a replacement or another person to serve as an Outside Director.

9. 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. Among several disqualified directors, those Members of the Board of Directors who are Outside Directors, if any, shall be removed first followed next by those Members of the Board of Directors who are Faculty At-Large Directors and then followed by those Members of the Board of Directors who are Practice Area Faculty Directors and finally followed by those Members of the Board of Directors who are Ex-Officio Voting Directors. If the positions of less than all of any such class of Members of the Board of Directors need to be vacated, then those with the shortest remaining terms shall be vacated first. If a person serving as an Ex-Officio Voting Director must be removed, the Board of Directors (excluding such Ex-Officio Voting Director) shall appoint a successor for that vacancy.

10. Vacancy of Ex-Officio Voting Directors. The vacancy of an Ex-Officio Voting Director shall be filled only as set forth in the Articles of Incorporation or as provided herein. The failure to fill such Ex-Officio Voting Director position shall not be deemed a default under the terms of the Articles of Incorporation or these By-laws, and the Board of Directors shall continue to operate as if such Ex-Officio Voting Director position did not exist and the size of the Board of Directors was reduced accordingly during such vacancy. Positions of Ex-Officio Voting Directors shall be considered filled when the UK Board of Trustees appoints a regular or acting appointment and shall be filled by such appointed individuals until relieved by resignation, death or termination of appointment. Notwithstanding the foregoing, in the event of a conflict between Article IV, paragraph 9 and Article IV, paragraph 10, the provisions of Article IV, paragraph 9 shall govern.

ARTICLE V. MEETINGS AND QUORUM

1. Monthly Meetings. The Board of Directors shall hold regular monthly meetings. The regular monthly meetings will be held at the Designated Location at 12:00 noon on the third Friday of each month 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 third Friday of any month 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 five (5) 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. **Advisory Directors.** The Advisory Directors shall not be considered to be “Members of the Board of Directors” or “directors” (as used in Chapter 273 of the Kentucky Revised Statutes), and the Advisory Directors will not be (a) counted in determining whether a quorum is present, (b) permitted to vote or (c) required to consent to any action taken pursuant to Article IV, paragraph 1.b. or pursuant to any provision of Kentucky law which permits action to be taken by the unanimous consent of all directors. The Corporation, however, shall use reasonable efforts to provide the Advisory Directors with a copy of notices of meetings of the Board of Directors sent to Members of the Board of Directors. No meeting shall be invalid based on the failure of any such Advisory Director to be provided with notice.

5. **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 who are entitled to vote except as otherwise provided in the By-laws.

6. **Voting.** With the exception of Advisory Directors who shall have no vote, 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.

7. **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 President of the Corporation shall be the Dean if the Dean is a physician. In the event the Dean is not a physician, then the Dean will nominate a physician who is an employee of UK to serve as the President of the Corporation and a Member of the Board. The Board of Directors must approve such nomination by the vote of at least a two-thirds (2/3) majority of the Members of the Board of Directors present at the regular or special meeting at which such matter is considered. If the required vote is not obtained then the Dean will nominate another physician who is an employee of UK to serve as the President of the Corporation and a Member of the Board and such process will continue until the Board of Directors has approved such a nomination by the vote of at least a two-thirds (2/3) majority of the Members of the Board of Directors present at the regular or special meeting at which such matter is considered. Any person, other than the Dean, who is serving as President of the Corporation shall immediately be removed if (a) the person serving as Dean is a physician, (b) the Board of Directors elect to remove such person as President of the Corporation, (c) the Dean elects to remove such person as President of the Corporation or (d) such person discontinues being an employee of UK. If a person serving as President of the Corporation is removed, resigns, dies or otherwise ceases to serve as President of the Corporation, then the process for appointing a President of the Corporation addressed in the four preceding sentences will be utilized to select a new President of the Corporation unless the Dean is a physician in which case the Dean will be President of the Corporation. The President of the Corporation 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. **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. The Vice President shall be the acting President of the Corporation in the event the Dean has not been appointed by the UK Board of Trustees in a regular or acting appointment and at any other times there is not a 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. 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 for Business Operations. The Board of Directors shall have the power to appoint and remove at any time or times an Executive Director for Business Operations who, if appointed, shall serve at their pleasure at a salary level established by the Board of Directors. The Executive Director for Business Operations need not be a Member of the Board of Directors. If appointed, the Executive Director for Business Operations 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 UK.

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

Except for Outside Directors receiving compensation pursuant to the last sentence of this Article VII, the Board of Directors, Advisory Directors, President of the Corporation, Vice-President of the Corporation, Secretary of the Corporation, Treasurer of the Corporation or Eligible Members of the Faculty serving on committees 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. The Board of Directors, in their discretion, may compensate any one or more of the Outside Directors for serving as an Outside Director.

ARTICLE VIII. AUDIT

The books of this Corporation shall be open at all times to audit by representatives designated by the Treasurer of UK. 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. DISTRIBUTION OF INCOME, BUDGETS

1. Distribution of Income from Professional Services. Income from professional services will be allocated to each of the following matters and any excess income remaining after such allocations shall be used as determined by the Board of Directors in accordance with the purposes of the Corporation as provided in Article II.

a. Administration Expenses. Costs of administration and other expenses of the Corporation and its activities.

b. Reimbursements. Reimbursement of UK expenses attendant to production of professional income if and to the extent agreed by UK and the Corporation.

c. College of Medicine Academic Enrichment Fund. College of Medicine academic enrichment fund for use in support of programs of the College of Medicine, and related purposes, as may be determined by the Dean, with the amount and basis for calculation to be agreed upon by the Dean and Corporation from time to time. This fund shall be subject to annual audit by the Corporation and is subject to annual negotiation between the Corporation and the Dean.

d. Reserves. Departmental, section, division or other reserves as determined by the Board of Directors.

2. Department/Divisional Annual Budgets. Departmental/divisional annual budgets will be reviewed in detail by the Executive Director for Business Operations or designee. The overall expected earnings vs. expected expenses budget of each Clinical Department must be approved by the Board of Directors. In no instance shall a projected

budget which proposes to expend more than the available assets plus reasonable calculated anticipated annual earnings be approved by the Board of Directors.

ARTICLE XI. **APPEAL AND HEARINGS**

1. **Grievances and Policy Matters.** The Board of Directors shall receive, hear and pass judgment on grievances and matters of policy. The Board of Directors shall act as the final board of appeal for all intradepartmental practice plan grievances. The Board of Directors shall hear interdepartmental grievances only as they effect or as they are affected by the policies and procedures of the Corporation. An appeal to the Board of Directors is the exclusive remedy for such grievances and matters. The Board of Directors shall not receive, hear or pass judgment on matters that are the responsibility of UK as defined in the UK Board of Trustees “Resolution Regarding Medical Practice Plan” of Tuesday, June 20, 1978 (III. B. Conditions applicable to contractual arrangement for Administration, 4), as amended. Nor shall they receive or hear matters that are the responsibility of the UK hospital and its medical staff as defined in by-laws of either the UK medical staff or the UK hospital.

2. **Grievance Process.** A Requesting Party must first avail himself/herself of all grievance procedures available to him/her in his/her Clinical Departmental plan. If the Requesting Party’s grievance is not satisfied within the Clinical Department or if the Clinical Department feels that only the Corporation has the capability of resolving the grievance, the grievance may then be appealed to the Board of Directors.

3. **Notification of Grievance.** The Requesting Party must request a hearing before the Board of Directors in writing within ninety (90) days of the later of (a) the date the Requesting Party first becomes entitled to request such a hearing or (b) the date the Requesting Party first becomes aware of the factual basis for requesting such a hearing. This request for a hearing shall specifically delineate the reasons for the request for a hearing and, if applicable, the findings and judgments of the Clinical Department grievance procedure. A Requesting Party shall have no opportunity for a hearing before the Board of Directors (or any other remedy) if such Requesting Party fails to timely request a hearing.

4. **Hearings.** Within fifteen (15) business days of receipt of a request for a hearing from a Requesting Party, the President of the Corporation shall appoint three (3) Members of the Board of Directors to investigate the request for a hearing, the grievance of the Requesting Party. This committee of three (3) shall prepare and forward to the Board of Directors a written report of their findings within thirty (30) business days of their appointment.

a. **Hearing Procedures.** The President of the Corporation shall call a full meeting of the Board of Directors within sixty (60) business days of the receipt of the request of a hearing. The following procedures shall be observed in any hearing held.

i. **Closed Hearing.** The hearing shall be closed.

ii. *Counsel to Requesting Party.* The Requesting Party may be present and may be represented by counsel.

iii. *Counsel to Corporation.* The Corporation may be represented by counsel who may sit with the Board of Directors as hearing officer to make decisions on procedures and to advise the Board of Directors but not to vote on the substantive merits of the request.

iv. *Evidence and Witnesses.* The Requesting Party and the Corporation may call witnesses and introduce evidence.

v. *Witnesses.* The witnesses, other than the Requesting Party, shall be separated, and allowed into the hearing only to be called to testify. After testifying such witness shall leave the hearing.

vi. *Time Limits.* The President of the Corporation may set time limits for each witness' testimony and for counsel's arguments and presentations.

vii. *Transcript.* A transcript or recording of the hearing shall be made at the expense of the Corporation.

b. *Notification of Decision; No Appeal.* Following the hearing, the Board of Directors shall confer together in private with the hearing officer, if any, and determine what action shall be taken. Decisions of the Board of Directors are final and may not be appealed. The Corporation shall, within seven (7) business days of completion of the hearing, provide written notice to the Requesting Party and any other persons determined by the Board of Directors of the decision of the Corporation.

ARTICLE XII.

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 XIII **COMMITTEES**

1. Standing Committees.

a. *Establishment of Standing Committees.* The Board of Directors shall establish the following standing committees: (i) an Audit Committee, (ii) a Clinical Practice and Management Committee, (iii) a Compliance Committee, (iv) a Finance Committee, (v) a Managed Care and Contracting Committee, and (vi) a Nominating and Governance 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 two (2) Eligible Members of the Faculty who are not Members of the Board of Directors, (ii) the Audit Committee and the Compliance Committee each shall include at least four (4) 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, (iii) the Finance Committee, the Nominating and Governance Committee, the Clinical Practice and Management Committee and the Managed Care and Contracting Committee shall include at least three (3) Members of the Board of Directors, and (iv) the chairperson of each of the Standing Committees appointed pursuant to Article XIII, 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 other than the Nominating and Governance Committee, the Nominating and Governance Committee will nominate an Eligible Member of the Faculty to serve as chair of such Standing Committee. The Board of Directors may approve or reject each such nomination. If the Board of Directors approves such a nomination, the person so nominated and approved will serve for a term designated by the Board of Directors (or if the Board of Directors fails to designate a

term then for a term contemporaneous with the terms of the other members of the Standing Committee) and thereafter until his or her successor is elected and qualified. If the Board of Directors rejects such a nomination of the Nominating and Governance Committee, then the Nominating and Governance Committee will nominate an additional person and such process shall continue until the Board of Directors has approved a nominee of the Nominating and Governance Committee to serve as chairperson of the subject committee. The chair of the Nominating and Governance Committee shall be elected by the Board of Directors. 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 an Eligible Member of the Faculty 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. *Audit Committee.* The Audit Committee shall 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. The Audit Committee shall seek to monitor and protect the Corporation's status as a 501(c)(3) corporation, avoid conduct which would result in the imposition of penalties or sanctions against the Corporation or any UK faculty member relating to the Corporation's 501(c)(3) status and provide for compliance with all governmental requirements relating to such status. The Audit Committee shall work with outside auditors and make recommendations to the Board of Directors as to what firm should serve as outside auditor. The Audit Committee may also make recommendations to the Board of Directors relative to the disclosure of conflicts of interest by Board of Directors and officers of the Corporation. The Audit 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 exist relative to all compliance related matters; accordingly, the Audit Committee should promptly report any concerns or needs for support to the Board of Directors.

ii. *Clinical Practice and Management Committee.* The Clinical Practice and Management Committee shall (a) monitor performance of the UK Healthcare faculty practice as it relates to patient access, patient satisfaction, clinical practice efficiency and billing and charge capture processes, (b) review and make recommendations regarding the use by physicians of clinical practice space by UK Healthcare, (c) review and make recommendations regarding Kentucky

Clinic's management, staff, budget and operations and (d) otherwise provide advice and make recommendations to the Board of Directors and UK Healthcare regarding clinical practice management of UK physicians, quality of care, access to care and similar matters. To the extent reasonably practicable, any recommendations of the Clinical Practice and Management Committee (including recommendations related to surveillance, audit, benchmarking and similar matters) should be based upon available data or supporting documentation. The Clinical Practice and Management 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.

iii. *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 UK 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 UK 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 UK or the Corporation.

iv. *Finance Committee.* The Finance Committee shall (a) monitor the efficiency of the billing practices of the corporation, (b) make budgetary recommendations to the Board of Directors, (c) review and make recommendations to the Board of Directors regarding overhead, allocations for HMO or other shared revenue and matters related to policies for exemption from or reduction of the Corporation's charges and (d) 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. The Finance 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.

v. *Managed Care and Contracting Committee.* The Managed Care and Contracting Committee shall provide advice and make recommendations to the Board of Directors and UK Healthcare regarding (a) managed and contracted care and (b) community based practices and other outreach activities of any Eligible Member of the Faculty. The Managed Care and Contracting Committee shall serve as the organizational structure to assist in developing and implementing managed or contracted care and community based practice and outreach initiatives or strategies. The Managed Care and Contracting Committee shall review all 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 Managed Care and Contracting Committee shall work closely and cooperatively with UK Healthcare committees, groups, or individuals that deal with issues related to managed and contracted care. The Managed Care and Contracting 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.

vi. *Nominating and Governance Committee.* When requested by the President of the Corporation or required by these By-laws, the Nominating and Governance Committee shall provide a list of nominees with respect to any vacancies. The Nominating and Governance Committee also shall review the Corporation's Articles of Incorporation, By-laws, and other Corporation documents as appropriate and make recommendations for changes as appropriate. The Nominating and Governance 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.

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 XIII. The Corporation shall provide such other requested staff support to the committees as may be reasonable and appropriate.

ARTICLE XIV. **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.

LEX 010348/006842/3446578.15

EXHIBIT B

**RESTATED ARTICLES OF INCORPORATION
OF
UK MEDICAL GROUP, INC.
(f/k/a Kentucky Medical Services Foundation, Inc.)**

Pursuant to the provisions of Section 273.273 of the Kentucky Revised Statutes, the undersigned corporation hereby executes these Restated Articles of Incorporation:

(A) Restated Articles of Incorporation: The Articles of Incorporation of the corporation are restated to read in their entirety as follows:

ARTICLE I

Name

The name of the corporation is: “UK Medical Group, Inc.”
(The corporation was formerly named Kentucky Medical Services Foundation, Inc.)

ARTICLE II

Purposes

The purposes for which the corporation is organized are:

(1) **Primary Purpose**. To coordinate and develop superior patient care in a group practice setting within the academic environment of UK Healthcare while supporting UK Healthcare’s missions of teaching, research and service. “UK Healthcare” means the University of Kentucky’s healthcare delivery system including the patient care programs of the colleges of the University of Kentucky’s Medical Center and the education and research activities related to such patient care programs.

(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 UK Healthcare.

ARTICLE III

Restrictions

This corporation is not organized for profit, and no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, any member,

director, officer or other private person, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. 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 or in opposition to any candidate for public office. Notwithstanding any other provision of these Restated Articles of Incorporation, the corporation shall not conduct, except to an insubstantial degree, engage in any activities or exercise any powers that are not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") (or corresponding provision of any future United States Internal Revenue Law), Further, in the event the corporation shall be classified as a private foundation as defined in Section 509 of the Code, the corporation shall be subject to the restrictions, limitations, and conditions set forth in Kentucky Revised Statutes 273.400 et seq.

ARTICLE IV

Dissolution

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 therefore; (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 medical education and research, if the University of Kentucky or its successor, shall qualify as a public corporation and an instrumentality of the Commonwealth of Kentucky or as an exempt organization under Section 501(c)(3) of the Code and Regulations (or corresponding provision of any future United States Internal Revenue Law); and if the University of Kentucky 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 as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code and Regulations (or corresponding provision of any future United States Internal Revenue Law).

ARTICLE V

Members

The corporation shall have no members.

ARTICLE VI

Stock

The corporation shall not have or issue shares of stock.

ARTICLE VII

Directors

(1) **Number of Directors; Identity of Directors.** The affairs and business of the corporation shall be conducted by a Board of Directors. The number of directors shall be fixed in accordance with the corporation's by-laws, but shall include not less than three (3) persons. The identity of the directors at any time will be determined in accordance with the corporation's by-laws.

(2) **Removal of Directors.** A director may be removed from office in as follows:

(i) *University of Kentucky ("UK") Position.* A director who is a member of the Board of Directors as a result of a position he or she holds with the University of Kentucky ("Ex-Officio Voting Director") will cease being a member of the Board of Directors at the time he or she no longer holds that position.

(ii) *Designated Alternate of Ex-Officio Voting Director.* The by-laws of the corporation contemplate that certain Ex-Officio Voting Directors shall each designate an alternate individual (the "Designated Alternate") for the purpose of attending meetings of the Board of Directors if such Ex-Officio Voting Director cannot attend. If an Ex-Officio Voting Director is not present at a meeting of the Board of Directors but his or her Designated Alternate is present then, effective at the beginning of such meeting, the Ex-Officio Voting Director shall be deemed to have been removed as a member of the Board of Directors and the Designated Alternate shall be deemed to be a member of the Board of Directors. Upon adjournment of any meeting at which a Designated Alternate served as a member of the Board of Directors pursuant to the immediately preceding sentence, the Designated Alternate shall be deemed to have been removed as a member of the Board of Directors and the applicable Ex-Officio Voting Director shall again be deemed to be a member of the Board of Directors; provided, however, in the event a meeting is continued until a later time rather than adjourned such continuance shall not constitute an adjournment.

(iii) *Eligible Member of the Faculty.* Any Eligible Member of the Faculty serving as a member of the Board of Directors as a result of being elected by other Eligible Members of the Faculty in accordance with the procedures set forth in the by-laws, as such procedures may be amended from time to time, (a) shall be deemed to be automatically removed as a member of the Board of Directors if he or she ceases to be

an Eligible Member of the Faculty or (b) may be removed by the vote of not less than 75% of the Board of Directors present at any special meeting of the Board of Directors duly called and held to consider the removal of such elected faculty director. The term “Eligible Member of the Faculty” means a physician who has a full-time UK College of Medicine faculty appointment and who has assigned his or her clinical income to the corporation pursuant to an agreement signed by the corporation.

(iv) *Member Elected by Board of Directors.* Any person elected as a member of the Board of Directors by the vote of the Board of Directors may be removed at any time by the vote of a majority of the members of the Board of Directors.

(v) *Non-Physician Dean.* The President of the corporation is automatically deemed to be a member of the Board of Directors. The person serving as the dean or acting dean of the UK College of Medicine (the “Dean”) is automatically deemed the President of the corporation (and thus a member of the Board of Directors) unless such individual is not a physician. The by-laws address who will serve as President if the Dean is not a physician. Any person, other than the Dean, who is serving as President of the corporation shall immediately be removed as President (and automatically deemed removed as a member of the Board of Directors) if (a) the person serving as Dean is a physician, (b) the Board of Directors elect to remove such person as President of the corporation, (c) the Dean elects to remove such person as President of the Corporation or (d) such person ceases being an employee of UK.

In addition, a director may be removed from office in accordance with any other procedures set forth in the by-laws as such procedures may be amended from time to time.

ARTICLE VIII

Limitation of Director Liability

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

(1) For any transaction in which the director’s personal financial interest is in conflict with the financial interests of the corporation;

(2) 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

(3) For any transaction from which the director derived an improper personal benefit.

If the Kentucky Revised Statutes are amended after approval of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be deemed to be eliminated or limited by this provision to the fullest extent then permitted by the Kentucky Revised Statutes, as so amended. Any repeal or modification of this article shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

(B) The foregoing Restated Articles of Incorporation correctly set forth the provisions of the Articles of Incorporation as heretofore amended, have been duly adopted as required by law, and supersede the original Articles of Incorporation and all amendments thereto.

IN WITNESS WHEREOF, the undersigned, an authorized officer of the corporation, has duly executed these Restated Articles of Incorporation this ____ day of _____, 200__.

UK MEDICAL GROUP, INC.
(f/k/a Kentucky Medical Services
Foundation, Inc.)

BY: _____

ITS: _____

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me by _____
_____, on behalf of UK Medical Group, Inc. (f/k/a
Kentucky Medical Services Foundation, a Kentucky nonprofit nonstock corporation, on
this ____ day of _____, 200__.

My commission expires: _____

NOTARY PUBLIC

Prepared by:

R. David Lester
STOLL KEENON OGDEN PLLC
300 W. Vine Street, Suite 2100
Lexington, KY 40507-1801