THE UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM

BYLAWS

Preamble

The University of North Carolina Health Care System is governed and administered as an affiliated enterprise of The University of North Carolina to provide patient care, facilitate the education of physicians and other health care providers, conduct research collaboratively with the health sciences schools of The University of North Carolina at Chapel Hill, and render other services designed to promote the health and well-being of the citizens of North Carolina.

ARTICLE I. THE UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM

The University of North Carolina Health Care System and its operating units, including UNC Hospitals, shall be governed by a Board of Directors as provided in North Carolina General Statute 116-37.

ARTICLE II. BOARD OF DIRECTORS

Section 1. Membership. The Board of Directors shall be composed as follows.

a. Eight members ex officio:
   - The President of the University of North Carolina (or the President's designee);
   - The CEO of the UNC Health Care System;
   - The Chancellor of the University of North Carolina at Chapel Hill;
   - One administrative officer of the University of North Carolina at Chapel Hill designated by the Chancellor;
   - Two members of the faculty of the UNC School of Medicine designated by the Dean (to include the Dean of the School of Medicine if that individual does not hold one of the positions designated as an ex officio member of the Board);
   - The President of UNC Hospitals; and
   - The President of UNC Physicians

b. Sixteen members at large appointed and serving terms as provided in NCGS 116-37.

Section 2. Powers. The Board of Directors shall exercise such authority and responsibility and adopt such policies, rules, and regulations as it deems necessary and appropriate, not inconsistent with the laws of North Carolina or the policies of the Board of Governors of The University of North Carolina, in meeting the patient care, educational, research, and public service goals of the UNC Health Care System.

Section 3. Conflict of Interest. Members shall comply with all applicable State and Federal laws relating to conflict of interest. Members of the Board of Directors shall disclose any duality of interest, commitment, or affiliation relative to their service generally on the Board or to any specific matter coming before the Board for consideration. Any member of the Board having a

duality of interest or possible conflict of interest shall not vote on or use his or her personal influence on that matter.

Section 4. Emeritus Members. The Board of Directors may elect at a regular meeting of the Board any former member to the position of emeritus member. Such status shall be conferred upon those former members who are deserving of special recognition for exceptional service and leadership to the UNC Health Care System and whose continued involvement with the Board would be beneficial to the UNC Health Care System. Emeritus members shall be entitled to attend all regular meetings of the Board, but may not vote. Emeritus members shall enjoy such other privileges as may be conferred by the Board from time to time.

ARTICLE III. OFFICERS OF THE BOARD OF DIRECTORS

Section 1. At the first meeting after October 31 of alternate years, the Board of Directors shall elect from its at-large members a Chairman and a Vice Chairman, each of whom shall serve for a term of two (2) years and until a successor has been elected. Notwithstanding the foregoing limitation, the Chancellor of the University of North Carolina at Chapel Hill may serve as Chairman. No person shall be eligible to serve as chairman for more than three terms in succession. If a vacancy occurs in either of these offices, the Board of Directors shall elect from its at-large members a person to serve for the remainder of the unexpired term.

Section 2. The Chairman shall preside over all regular and special meetings of the Board of Directors and shall appoint all standing and special committees.

Section 3. The Vice Chairman shall act as Chairman in the absence of the Chairman and when so acting shall have the power and authority of the Chairman.

Section 4. The Chief Executive Officer of the UNC Health Care System shall serve as Secretary of the Board of Directors. The Secretary shall send appropriate notices and prepare agendas for all meetings of the Board of Directors. The Secretary shall act as custodian of all records and reports, and shall be responsible for keeping and reporting adequate records of all meetings of the Board of Directors.

ARTICLE IV. REGULAR AND SPECIAL MEETINGS OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors shall hold a regular meeting at least every 60 days at a location in the state designated by the Chairman. Meetings of the Executive Committee of the Board shall be considered meetings of the Board for purposes of this Section. A notice specifying the time and place of each regular meeting of the Board shall be mailed by the Secretary to each member of the Board at least seven (7) days in advance of the meeting date. Any matter of business may be considered at a regular meeting of the Board.

Section 2. At least annually, the Board will meet in executive session, without the CEO and any other management or medical staff members.

Section 3. Special meetings may be called by the Chairman at any time and also shall be called by the Secretary within fourteen (14) days of receipt of a written request of not fewer than one-third of the members of the Board of Directors. Written notice of special meetings shall be mailed by the Secretary to each member of the Board at least seven (7) days before the date of such special meeting, when feasible, specifying the time and place of a special meeting of the Board. Any matter of business may be considered at a special meeting of the Board.

Section 4. Emergency meetings may be called by the Chairman because of generally unexpected circumstances that require immediate consideration by the Board.

Section 5. For regular, special, or emergency meetings of the Board of Directors, a quorum shall consist of a majority of the members of the Board.

Section 6. All members of the Board of Directors may vote on all matters coming before the Board for consideration. No member may vote by proxy.

Section 7. Except as modified by specific rules and regulations enacted by the Board of Directors, the latest edition of *Robert's Rules of Order* shall constitute the rules of parliamentary procedure applicable to all meetings of the Board and its several committees.

Section 8. The Board shall comply with all applicable requirements of the North Carolina Open Meetings Law. By vote of a majority of the members present at any meeting of the Board of Directors, the Board may conduct business in closed sessions only in conformity with the requirements of State law concerning access to such meetings.

ARTICLE V. COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Committees of the Board of Directors and the chair of each committee shall be appointed annually by the Chairman of the Board. The standing committees shall include an Executive Committee, Finance Committee, Planning and Development Committee, Joint Conference and Quality Committee, Audit and Compliance Committee and such other standing committees as the Board of Directors may authorize. The President of The University of North Carolina shall be an ex officio member of any committee of the Board. A quorum of any committee meeting shall consist of a majority of the members of the committee.

Section 2. The Executive Committee shall consist of the Chair and the respective Chairs of the Finance Committee, Planning and Development Committee, and Joint Conference and Quality Committee, Audit and Compliance Committee, the Chief Executive Officer of the UNC Health Care System, and the President of UNC Hospitals, together with such other members of the Board of Directors as the Chairman may designate. The Executive Committee shall have the power to transact all regular business of the UNC Health Care System during the period between the meetings of the Board of Directors subject to any prior limitation imposed by the Board of Directors. All such business transacted by the Executive Committee shall constitute the Board action and shall be reported to the Board of Directors at its next regular meeting.

Section 3. The Finance Committee shall be composed of a majority of members at large, at least one of whom has: education and experience as a chief financial officer, controller, public accountant or auditor; experience supervising one of such persons; or experience overseeing or assessing the preparation, auditing or evaluation of financial reports. The Finance Committee shall review and make recommendations to the Board of Directors concerning, but not limited to:

a. The fiscal operations of the UNC Health Care System including the review of financial statements, accounting, budgeting, purchasing, patient accounting functions, personnel policies and practices.
b. Leases and property acquisitions.
c. Long term indebtedness.
d. Relationships with the State Budget Office and the State Auditor.

Section 4. The Planning and Development Committee shall review and make recommendations to the Board of Directors concerning:

a. UNC Health Care System's long-range planning and its resource commitment to patient care, education, and research programs within the institution, including new program development and program expansions.
b. Coordination of the development of facilities for the UNC Health Care System.
c. The solicitation and acknowledgment of gifts, legacies and bequests received by the UNC Health Care System and recommendations to the Board of Directors for utilization of such gifts.

Section 5. The Joint Conference and Quality Committee shall be composed of an equal number of members of the Executive Committee of the Medical Staff, appointed by and including the Chief of Staff, and an equal number of members of the Board of Directors of the UNC Health Care System appointed by the Chairman of the Board.

The Joint Conference and Quality Committee shall review and oversee the quality of all patient care functions and serves as a forum for the discussion of medical-administrative matters. The Committee shall review and make recommendations to the Board of Directors concerning:

a. Standards for accreditation by the Joint Commission on Accreditation of Healthcare Organizations and other official agencies.
b. Amendments to, or repeal of, Bylaws, Rules, and Regulations of the Medical Staff.
c. Improvements in the quality and scope of patient care programs.
d. Reports on the work of the Medical Staff.

Section 6. The Audit and Compliance Committee shall be composed of a majority of members at large, at least one of whom has: education and experience as a chief financial officer, controller, public accountant or auditor; experience supervising one of such persons; or experience overseeing or assessing the preparation, auditing or evaluation of financial reports. The Audit and Compliance Committee shall review and make recommendations to the Board of Directors concerning, but not limited to:

a. The integrity of UNC Health Care System's accounting and financial reporting processes and internal controls.
b. The audit of the annual financial statements of UNC Hospitals and Rex Healthcare.
c. The independence and performance of UNC Health Care System's internal audit functions.
d. The operation and findings of the Compliance Program.
e. Complaints received regarding questionable ethical, accounting, business, internal control and audit matters.

Section 7. The Communication Committee shall be composed of not less than three members of the Board of Directors, appointed by the Chair and the Chief Executive Officer of the UNC Health Care System. The Communication Committee shall review and make recommendations to the Board of Directors concerning, but not limited to:

a. The UNC Health Care System's communication programs and activities, including marketing and advertising practices, media relations and community relations.
b. Increasing the brand awareness of UNC Health Care System.
c. Proposals that relate to public policy or communication issues affecting UNC Health Care System.
d. UNC Health Care System's policies and practices in anticipating and managing external issues that have the potential to impact UNC Health Care System's reputation.
e. Goals and metrics to monitor and improve communication effectiveness.

Section 8. Other standing committees may be appointed by the Chairman with the concurrence of the Board of Directors.

Section 9. Special committees may be appointed by the Chairman with the concurrence of the Board of Directors, for such special tasks as circumstances warrant. A special committee shall limit its activities to the accomplishment of the task for which it is appointed, and shall have no power to act except such as is specifically conferred by action of the Board of Directors. Upon completion of the task for which appointed, such special committee shall stand discharged.

ARTICLE VI. ADMINISTRATION

Section 1. The executive and administrative head of the UNC Health Care System shall have the title of Chief Executive Officer. The Board of Directors, in cooperation with the Board of Trustees and the Chancellor of The University of North Carolina at Chapel Hill, following such search process as the boards and the Chancellor deem appropriate, shall identify, in cooperation with the Chancellor, two or more persons as candidates, who, pursuant to criteria agreed upon by the boards and the Chancellor, have the qualifications for both the positions of Chief Executive Officer and Vice Chancellor for Medical Affairs of The University of North Carolina at Chapel Hill. The names of the candidates so identified shall be forwarded by the Chancellor to the President of The University of North Carolina, who if satisfied with the quality of one or more of the candidates, will nominate one as Chief Executive Officer of the UNC Health Care System, subject to selection by the Board of Governors.

Section 2. The Chief Executive Officer shall have complete executive and administrative authority to formulate proposals for, recommend the adoption of, and implement policies governing the programs and activities of the UNC Health Care System, subject to all requirements of the Board of Directors.

Section 3. The Board of Directors shall select, on nomination of the Chief Executive Officer of the UNC Health Care System, the President of UNC Hospitals who shall serve at the pleasure of the Chief Executive Officer. The President of UNC Hospitals is the executive and administrative head of UNC Hospitals and is vested with such authority and responsibility as is necessary and requisite for the operation of UNC Hospitals and all its activities and departments. In the absence of the President, the Executive Vice President shall serve as the executive and administrative head of UNC Hospitals and shall be empowered to perform all duties delegated to the President. If both the President and Executive Vice President are absent, either the President or the Executive Vice President will appoint in writing the individual to function as Acting President of UNC Hospitals.

The authority and duties of the President, through the CEO, shall include the responsibility for:

a. Implementing policies established by the Board of Directors.
b. Developing and submitting to the CEO for his or her approval and for submission to the Board of Directors for approval, a plan of organization with clear lines of responsibility and accountability within departments and between departments and administration.
c. Preparing an annual budget showing the expected receipts and expenditures, as required by the CEO.
d. Recruiting and maintaining competent professional and administrative staff and maintaining competitive personnel policies and practices for UNC Hospitals.
e. Maintaining physical properties in a good state of repair and operating condition.
f. Supervising business affairs to ensure that funds are collected and expended to the best possible advantage.
g. Cooperating with the Medical Staff and other practitioners to ensure that high-quality care is rendered to patients.
h. Presenting to the Board of Directors, through the CEO, policies on internal controls protecting human, physical, financial, and information resources.
i. Ensuring UNC Hospitals' compliance with applicable laws and regulations and responding to reports from planning, regulatory, and inspecting agencies.
j. Serving as the liaison officer and channel of communications between the Board of Directors or any of its committees and the Medical Staff.
k. Performing other duties delegated by the CEO that may be necessary in the best interest of UNC Hospitals.

ARTICLE VII. MEDICAL STAFF

Section 1. Organization, Appointments, and Hearings

a. The Board of Directors appoints a medical staff composed of qualified physicians and dentists and encourages its organization into a responsible administrative unit. The Medical Staff proposes such Medical Staff Bylaws, Rules, and Regulations for the governance of the medical and dental practice at UNC Hospitals as the Board of Directors, in its discretion, deems to be appropriate for the care of patients and for the furtherance of the goals of UNC Hospitals. When approved by the Board of Directors, such Bylaws, Rules, and Regulations are binding upon both the Medical Staff and the Board of Directors.

b. The Board of Directors considers recommendations of the Medical Staff and appoint to the Medical Staff, consistent with the educational, research, patient care, and community service goals of the UNC Hospitals, physicians and dentists who meet the qualifications for membership as set forth in the Medical Staff Bylaws. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his/her patients, subject to such limitations as are contained in these bylaws and the Bylaws, Rules, and Regulations of the Medical Staff and subject further to any limitation attached to his/her appointment or clinical privileges.

c. All applications for Medical Staff membership and clinical privileges shall be in writing and addressed to the President of UNC Hospitals. The application shall include detailed information concerning the applicant's qualifications, education and training, professional competence and experience, physical and mental health status, ethical character, ability to work with others and any additional qualifications as required for a specific staff category to which an applicant seeks appointment and privileges.

d. All initial appointments except temporary privileges to the Medical Staff are provisional for a period of one (1) year from the date of appointment. Thereafter, appointments are for two (2) years except that emeritus staff with clinical privileges are subject to annual reappointment.

e. When a member of the medical staff or an applicant receives notice of a recommendation of the Executive Committee of the Medical Staff, which, if ratified by decision of the Board of Directors, will adversely affect his/her appointment to or status as a member of the Medical Staff or his/her exercise of clinical privileges, the staff member or applicant shall be afforded the full right of a hearing before a committee representing the Medical Staff. If after further consideration, based on the Hearing Committee's findings and recommendations, the Executive Committee of the Medical Staff recommendation to the Board of Directors continues to be adverse to the staff member or applicant, the staff member or applicant shall be afforded the right of an appellate review and hearing by the Board of Directors. Once all rights, as specified in the Bylaws, Rules, and Regulations of the Medical Staff, have been either exhausted or waived, the Board of Directors shall act in the matter and this action shall be final. All hearings and reviews shall be conducted in the manner described in the Bylaws, Rules, and Regulations of the Medical Staff.

Section 2. Medical Care and Its Evaluation

a. The Board of Directors delegates to the Medical Staff the responsibility for providing appropriate professional care to UNC Hospitals' patients.
b. Each patient admitted to UNC Hospitals shall receive a baseline medical history and physical examination by a physician who is a member of the medical staff or a physician approved by the Medical Staff Bylaws, Rules, and Regulations.
c. The Medical Staff shall conduct a continuing review and appraisal of the quality of professional care rendered at UNC Hospitals, and shall report such activities and their results to the Board of Directors as specified by the Joint Conference Committee.
d. The Executive Committee of the Medical Staff shall make recommendations to the Board of Directors concerning: (1) appointments, reappointments, and alterations of Medical Staff status, (2) granting of clinical privileges to Medical Staff members and health professional affiliates, (3) disciplinary actions, (4) all matters relating to professional competency, and (5) such specific matters as may be referred to it by the Board of Directors.

ARTICLE VIII. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Indemnification. Each present, former, and future director or officer of the UNC Health Care System, including officers and Medical Staff members performing duties provided for in the Medical Staff Bylaws, shall be entitled without prejudice to any other rights he or she may have, to be indemnified to the extent permitted by State law, by the UNC Health Care System against liability and expense, including legal expenses and reasonable settlement amounts,

a. in connection with any claim, action, suit, or proceeding of whatever nature in which he or she may be involved as a party or otherwise by reason of having served before or after the date of the adoption of these Bylaws as a director or officer of UNC Hospitals and/or the UNC Health Care System; or
b. in connection with any action alleged to have been taken or omitted at any time by him or her as a director or officer of UNC Hospitals and/or the UNC Health Care System.

Section 2. Condition of Indemnification. The indemnification afforded herein shall be contingent upon such director or officer giving UNC Hospitals or the UNC Health Care System, as appropriate, information and cooperation necessary to investigate and defend any claim, action, suit, or proceeding.

Section 3. Procedure. The Board of Directors may take such action as may be necessary and appropriate to authorize the UNC Health Care System to indemnify any such director or officer.

ARTICLE IX. THE UNIVERSITY OF NORTH CAROLINA HOSPITALS' AUXILIARY

Section 1. Purpose. The Auxiliary of University of North Carolina Hospitals shall be an organized part of UNC Hospitals and shall advance the objectives and interests of the UNC Hospitals and its patients by:

a. Providing service in a volunteer capacity,
b. Providing resources through approved fund raising activities,
c. Providing better community understanding of the UNC Hospitals' programs and goals.

Section 2. Organization. The Auxiliary shall be organized as a self-governing body with its own membership, board of directors, officers, and bylaws. Its bylaws shall be approved by the Board of Directors of the UNC Health Care System.

Section 3. Conduct of Activities. The Auxiliary through its president shall, on an annual basis, submit a budget, a plan of activities and projects, and a progress report on the past and present status of the Auxiliary to the Board of Directors.

ARTICLE X. AMENDMENTS, REVISIONS

These Bylaws may be amended or revised by affirmative vote of a majority of the members of the Board of Directors, if the substance of the amendment(s) has been mailed to each member of the Board of Directors at least seven (7) days prior to the meeting at which the amendment(s) is to be voted upon.

ARTICLE XI. REVIEW

These Bylaws shall be reviewed by the Board of Directors at least every three (3) years and revised as necessary.

ARTICLE XII. ADOPTION

These Bylaws are hereby adopted by the Board of Directors of The University of North Carolina Health Care System and replace any previous bylaws, including any previous bylaws of the UNC Hospitals.

Chair, Board of Directors
Timothy Burnett, ~~MD~~

1/22/13
Date

Secretary, Board of Directors
William L. Roper, MD, MPH.

2 May 2013
Date