

## GRANT AGREEMENT

THIS GRANT AGREEMENT (this "Agreement") is made and entered into as of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_, a Wisconsin non-stock not-for-profit corporation formerly known as the Wisconsin United For Health Foundation, Inc. (the "Foundation") and The Medical College of Wisconsin, Inc. a Wisconsin non-stock not-for-profit corporation ("MCW" and together with the Foundation, the "Parties" and any and/or each of them, a "Party").

### RECITALS

WHEREAS, pursuant to a plan of conversion and related documents (together, as amended, the "Plan") and to the findings of fact, conclusions of law, and order by the Wisconsin Commissioner of Insurance ("Commissioner") dated March 28, 2000, in Case No. 99-C26038 (the "Order" and together with the Plan, the "Plan and Order"), Blue Cross & Blue Shield United of Wisconsin, a service corporation ("BCBSUW") will convert into a Wisconsin stock insurance corporation ("Conversion") and all of the issued and outstanding shares of capital stock of BCBSUW ("BCBSUW Shares") will be issued to Wisconsin BC Holdings LLC, a single member Wisconsin limited liability company which is wholly owned by the Foundation ("BC Holdings");

WHEREAS, pursuant to the Plan and Order, United Wisconsin Services, Inc., a Wisconsin corporation ("UWS"), and BC Holdings will, contemporaneous with the Conversion, consummate an exchange transaction pursuant to which BC Holdings will transfer the BCBSUW Shares to UWS in exchange for 31,313,390 newly registered shares of UWS ("Cobalt Shares") and certain cash consideration;

WHEREAS, pursuant to the Plan and Order, the Foundation in turn is required to divest itself of the Cobalt Shares over time to specified levels and, in connection therewith, is required to sell all of such stock and grant the proceeds thereof in equal shares to MCW and University of Wisconsin Medical School (the amount granted to MCW, the "Grant Amount");

WHEREAS, pursuant to the Plan and Order, such grant is subject to certain terms and conditions, including, without limitation, the utilization of the Grant Amount, MCW's planning and reporting requirements with respect thereto, and the involvement of \_\_\_\_\_, a Wisconsin non-stock not-for-profit corporation (the "Committee") in reviewing, among other things, the utilization of portions of such Grant Amount for specified public health purposes;

WHEREAS, immediately following the exchange transaction, (i) BC Holdings will be dissolved, and the Cobalt Shares and the cash consideration will be distributed to the Foundation, and (ii) the name of UWS will also be changed to "Cobalt Corporation"; and

WHEREAS, the Foundation desires to grant the Grant Amount to MCW, and MCW desires to accept such Grant Amount, all upon and subject to the terms and conditions set forth in this Agreement;

## TERMS

NOW, THEREFORE, in consideration of the foregoing (the "Recitals" and any and/or each of them, a "Recital") and of the mutual representations, warranties, covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

### 1. Obligations of the Foundation.

1.1 Establishment of the Grant Fund. Except as expressly permitted in this Agreement, the Foundation shall keep direct or (pursuant to a voting trust and divestiture agreement (the "Voting Trust Agreement") which forms a part of the Plan) indirect custody of and safeguard the Cobalt Shares and any substitutions therefor that are permitted by the Plan and Order (together, the "Grant Fund"). Any interest, dividends or other income whatsoever earned on the Grant Fund shall become part of the Grant Fund, except that a portion thereof may be retained by the Foundation to defray the reasonable direct administration expenses of the Foundation in connection with the Grant Fund.

1.2 Investment of the Grant Fund. If any cash should become part of the Grant Fund and if the Foundation reasonably expects such cash to remain in the Grant Fund for more than \_\_\_\_\_ (\_\_\_) days without violation of this Agreement, the Foundation shall invest that cash in marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States.

1.3 Disbursement of the Grant Amount. All of the securities in the Grant Fund shall be sold in accordance with the Plan and Order and shall be sold in a manner and for a price such that the directors of the Foundation exercise their fiduciary responsibilities using the prudent man standard to maximize the proceeds thereof, and such proceeds shall become part of the Grant Fund. The Grant Amount shall be fifty percent (50%) of the Grant Fund and shall be disbursed over time by the Foundation to MCW in accordance with the following terms:

(a) A disbursement shall be made each time the Foundation sells securities in the Grant Fund and such disbursement shall occur within \_\_\_\_\_ (\_\_\_) days after such sale. Each disbursement shall be equal to fifty percent (50%) of the total proceeds of such sale plus fifty percent (50%) of any cash and/or other non-securities in the Grant Fund at such time.

(b) All Cobalt Shares beneficially owned by the Foundation shall be sold, conveyed or otherwise disposed of by the Foundation in accordance with the provisions of that certain Voting Trust and Divestiture Agreement entered into by and among Cobalt Corporation, the Foundation, and that certain trustee named therein, dated \_\_\_\_\_, 2001. Pursuant to Section 1.3(a) hereof, the Grant Fund shall be completely disbursed within \_\_\_\_\_ (\_\_\_\_) days after such final sale.

(c) All disbursements to MCW shall be made via wire transfer of immediately available funds to the following account of MCW or such other account as MCW shall direct:

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1.4 Limitation on the Foundation's Obligations. The duties and responsibilities of the Foundation shall be limited to those expressly set forth in this Agreement and the Plan and Order, and the Foundation shall not be subject to, nor obligated to recognize, any other agreements to which MCW is a party. The Foundation shall be under no obligation in respect of the Grant Fund or the Grant Amount other than to faithfully follow the instructions contained herein, contained in the Plan and Order, or delivered to the Foundation in accordance with this Agreement or the Plan and Order. The Foundation may rely and act upon any written notice, instruction, direction, request, waiver, consent, receipt or other paper or document which it in good faith believes to be genuine.

2. Obligations of MCW.

2.1 Generally. Except as otherwise provided herein, MCW has a general obligation to use and/or expend the Grant Amount for education, for research, for Public Health Purposes (as defined below) and as otherwise permitted by the Plan and Order and/or any 5-Year Plan (as defined below).

2.2 Public Health Percentage. A certain percentage of the principal and income of the Grant Amount shall be used and/or expended (each use and/or expenditure, an "Expenditure" and together, the "Expenditures") by MCW for Public Health Purposes (as defined below) (the "Public Health Percentage"). MCW may make an Expenditure of the Public Health Percentage only after a majority of the members of the Committee have approved such Expenditure, by approval of the relevant portion of a 5-Year Plan (as defined below) or otherwise. Initially, the Public Health Percentage shall be thirty-five percent (35%), and this amount shall not be increased except as required by the Plan and Order nor shall this amount be decreased unless permitted by the Plan and Order. If an Expenditure is approved by MCW and by a majority of the members of the Committee, such Expenditure shall be deemed to comply with the terms of this Section 2.2 (including, without limitation, the requirement that the Public Health Percentage be Expended for Public Health Purposes) and such approval shall be binding on the Foundation.

As used in this Agreement, the term "Public Health Purposes" shall mean population health, rather than population medicine, focused on the broader determinants for health in communities, such as prevention efforts to promote healthy life styles for women,

children and families; disease prevention and control; and control of environmental agents that negatively impact health (together, "Public Health") and/or Public Health community initiatives.

2.3 Expenditures of the Grant Amount by MCW. In all cases and without exception, no Expenditure of the Grant Amount, or of any interest, dividends or other income whatsoever earned on the Grant Amount (the "Grant Income"), including, without limitation, with respect to the Public Health Percentage, shall be made without the prior approval of MCW, and no Expenditure shall be made by or through any person, entity or governmental authority whatsoever other than MCW unless MCW expressly permits otherwise. Except as otherwise provided in this Agreement, no person, entity or governmental authority whatsoever (including, without limitation, the Foundation, the Committee or the Commissioner) shall have the right to make, require the making of, or require a collaboration with MCW in making an Expenditure of any portion or all of the Grant Amount or the Grant Income unless MCW expressly permits otherwise. MCW shall carry out or participate in some manner, all as determined by MCW in its sole discretion, in each program or project for which an Expenditure is to be made, including, without limitation, with respect to the Public Health Percentage, unless MCW expressly permits otherwise. Notwithstanding anything to the contrary contained herein, a portion of the Grant Amount may, in the sole discretion of MCW, be Expended to pay for direct charges for costs associated with staffing and administration of the Grant Amount and such direct charges shall be apportioned to the Public Health Percentage to reflect only direct charges associated with the Public Health Percentage.

2.4 Management and Investment of the Grant Amount. MCW shall have sole discretion to manage or direct the management of the Grant Amount and the Grant Income except to the extent otherwise required by the Plan and Order. MCW may, in its sole discretion, invest or have invested any portion or all of the Grant Amount and/or the Grant Income as it sees fit and if it chooses to invest or have invested such Grant Amount and/or the Grant Income or otherwise commingle the Grant Amount and/or the Grant Income with other funds invested, managed or held (in each case, directly or indirectly) by or through MCW, but MCW shall at all times maintain or have maintained separate financial accounting and reporting for the Grant Amount and the Grant Income.

2.5 The 5-Year Plan. No less than every five (5) years, MCW shall engage in a planning process to develop a five (5)-year plan describing the anticipated expenditure of the Grant Amount by MCW. A copy of each such five (5)-year plan that is approved by MCW (together the "5-Year Plans" and each, a "5-Year Plan") shall be provided to the Committee and the Foundation (so long as the Foundation is in existence), but there is no requirement that the Committee and/or the Foundation (so long as the Foundation is in existence) approve any such 5-Year Plan, except with respect to the portion allocated for Public Health Purposes and as provided in this Agreement and/or the Plan and Order.

2.6 Supplanting of Other Funds. MCW shall for each proposal approved, and for each program funded, make a written determination that the Grant Amount Expenditure for such proposal or program will not supplant federal, state or local government appropriations or

internal MCW non-Grant Amount funds supporting the same proposal or program and the basis for the written determination. Such written determinations shall be filed with the Committee as part of MCW's annual written report. MCW's Board of Trustees shall review the Committee's advisory report regarding the written determinations, and the Board of Trustees' action, if any, with respect to the Committee's advisory report shall be final. MCW's fiduciary and management discretion, including, without limitation, with respect to decisions pertaining to initiating, terminating or allocating internal funding, shall remain unchanged as a result of this Section 2.6.

2.7 Annual Report. MCW shall report annually to the Committee and the Foundation (so long as the Foundation is in existence) on the Expenditures, including, without limitation, the relative percentage of Expenditures made that year for medical research and for education of health care providers as compared to Expenditures made for Public Health Purposes; MCW's evaluation of the effectiveness of the application of the Expenditures made that year; MCW's basis for determining that the application of the Expenditures did not supplant previously established ongoing internal non-Grant Amount funds held by MCW that were available to accomplish the same purposes; the extent of the Expenditures made for community-based initiatives; whether the Expenditures were made in accordance with the then-applicable 5-Year Plan; and the financial status of the Grant Amount and the Grant Income. The foregoing shall not require an evaluation of each program or project annually, but shall be interpreted to require that a timetable and the means of evaluation of each program and project be determined and reported.

2.8 Program and Financial Audits. At least every five (5) years, MCW shall obtain a program and financial audit of the Grant Amount from the Legislative Audit Bureau or, in the alternative, at the sole discretion of MCW, from an independent firm approved by, or selected under standards approved by, the Office of the Commissioner of Insurance ("OCI") and submit the audit report to the Committee and the Foundation (so long as the Foundation is in existence).

2.9 Administration. Notwithstanding anything to the contrary contained herein, at the sole discretion of MCW, MCW may provide staffing and administration for the Committee and a budget for its operations, all of which may, at the sole discretion of MCW, be funded in accordance with Section 2.3.

2.10 Community Organizations Access to the Grant Amount. MCW shall establish and maintain a reasonably accessible and effective program to provide information and training on the process for community-based organizations to propose collaborating with MCW on projects or programs to be funded by Expenditures, which program, information, training and process, at the sole discretion of MCW, may be paid for from the Grant Amount and/or the Grant Income in accordance with the 5-Year Plan.

2.11 Supermajority Vote Required for Real Estate Expenditure. MCW shall not make an Expenditure of a material portion of the combined total of the Grant Amount and the then-existing Grant Income, directly or indirectly for real property, or for purchase, capital lease or

construction of a facility, or committed as collateral, or in any way for purpose of the foregoing without the prior approval of two-thirds of all of the members of the Committee.

2.12 Limitation on MCW's Obligations. The duties and responsibilities of MCW shall be limited to those expressly set forth in this Agreement and the Plan and Order, and MCW shall not be subject to, nor obligated to recognize, any other agreements to which the Foundation is a party. MCW shall be under no obligation in respect of the Grant Fund, the Grant Amount, the Grant Income and the Expenditures other than to faithfully follow the instructions contained herein, contained in the Plan and Order, or delivered to MCW as required by this Agreement or the Plan and Order. MCW may rely and act upon any written notice, instruction, direction, request, waiver, consent, receipt or other paper or document which it in good faith believes to be genuine.

### 3. Representations and Warranties.

3.1 As a material inducement to the Foundation to enter into this Agreement, MCW represents and warrants to the Foundation that the following statements are true, correct and complete as of the date of this Agreement and will be true, correct and complete as of each date any portion of the Grant Amount is received by MCW:

(a) Organization. MCW is a non-stock not-for-profit corporation, duly organized, validly existing, and in good standing under the laws of Wisconsin and has full corporate power to hold the Grant Fund and dispose of the Grant Amount and to otherwise perform its obligations contemplated in and pursuant to this Agreement.

(b) Authorization; Enforceability. The execution, delivery, and performance of this Agreement by MCW and all of the documents and instruments required by this Agreement, are within the full power of MCW and have been duly authorized (including, without limitation, by all necessary corporate action).

3.2 As a material inducement to MCW to enter into this Agreement, the Foundation represents and warrants to MCW that the following statements are true, correct and complete as of the date of this Agreement and will be true, correct and complete as of each date any portion of the Grant Amount is received by MCW:

(a) Organization. The Foundation is a non-stock not-for-profit corporation, duly organized, validly existing, and in good standing under the laws of Wisconsin and has full corporate power to accept and hold the Grant Amount and to otherwise perform its obligations contemplated in and pursuant to this Agreement.

(b) Authorization; Enforceability. The execution, delivery, and performance of this Agreement by the Foundation and all of the documents and instruments required by this Agreement, are within the full power of the Foundation and have been duly authorized (including, without limitation, by all necessary corporate action).

4. Cooperation; Further Assurances. The Parties shall fully cooperate with each other and their respective legal counsel in connection with any steps to be taken as part of their obligations under this Agreement.

5. Conditions. Each and every obligation of MCW to be performed pursuant to this Agreement shall be subject to the satisfaction prior thereto of the following conditions precedent (any or all of which MCW may expressly waive):

5.1 Compliance with Agreement. The Foundation shall have performed and duly complied with, in all material respects, all of its obligations under this Agreement that are to be performed or complied with by it prior to MCW's action, and the Committee shall have performed and duly complied with, in all material respects, all of its obligations under the Plan and Order that are to be performed or complied with by it prior to MCW's action.

5.2 Approval of OCI. OCI shall have approved of this Agreement.

6. Agreement. The Plan and Order, this Agreement, together with the amendments made in accordance with the terms hereof and the Recitals, each of which is hereby incorporated in and made a part of this Agreement, and the documents referred to in this Agreement and/or the Plan and Order and to be delivered pursuant to this Agreement and/or the Plan and Order constitute the entire agreement between the Parties and contain all of the representations, warranties, covenants and agreements between the Parties relating to the subject matter of this Agreement. As a result of OCI's approval of this Agreement, if the Plan and Order in any way conflict with this Agreement or address the same subject matter, or vice versa, this Agreement (which is intended by the Parties to clarify the Plan and Order in many respects) shall control, govern over, replace and supersede the conflicting or similar terms and provisions of the Plan and Order. Nothing herein shall limit the authority of the Commissioner of Insurance over the subject matter of this Grant Agreement.

7. Amendment; Waiver. This Agreement shall not be amended, restated, modified, discharged or revised in any manner and no waiver hereunder shall be valid or binding unless set forth in a writing duly executed by the Party against whom enforcement of the amendment, modification or discharge is sought and OCI provides for approval thereof or, subsequent to the date hereof, approves of another standard to substitute for its approval and such standard has been met. The failure of any Party at any time to enforce any term or provision of this Agreement shall not affect such Party's right at a later time to enforce such term or provision. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the Party that grants such waiver in any other respect or at any other time. No consent of or waiver by any of the Parties of a breach of or a default under any of the terms or provisions of this Agreement, nor the failure by any of the Parties, on one or more occasions, to enforce any of the terms and/or provisions of this Agreement and/or to exercise any right or privilege hereunder, shall be deemed to be or

construed as a waiver of, or estoppel with respect to, any other breach or default, including, without limitation, any other breach or default of a similar nature, or as a waiver of any of such terms, provisions, rights or privileges hereunder.

8. Governing Law. This Agreement shall be governed by and construed and enforced in all respects (including, without limitation, as to validity, construction, interpretation, capacity, performance, effect and otherwise) by and in accordance with the internal laws of the State of Wisconsin, without regard to the conflicts of laws provisions thereof, except to the extent preempted by federal law. The Parties hereby irrevocably submit to the exclusive jurisdiction of the courts of the State of Wisconsin unless preempted by federal law, in which case the Parties hereby irrevocably submit to the exclusive federal jurisdiction of the Federal courts of the United States of America located in Madison, Wisconsin, and such Wisconsin state and federal courts shall constitute the exclusive courts of competent jurisdiction and venue for purposes of any dispute arising under or regarding this Agreement or the transactions contemplated herein (including, without limitation, all questions of jurisdiction).

9. Successors and Assigns; No Other Beneficiaries. This Agreement and the rights and obligations of the Parties hereunder shall be binding upon and shall inure to the benefit of, be binding upon and be enforceable by, the Parties and their respective successors, surviving or resulting person, entity or governmental authority to which its assets shall be transferred and permitted assigns. This Agreement is being made and entered into solely for the benefit of the Parties and no Party intends hereby to create, nor does this Agreement create, any right or benefits in favor of any other person, entity or governmental authority as a third party beneficiary of this Agreement or otherwise, except the Committee. No other person, entity, governmental authority, or third party other than the Foundation and the Attorney General of Wisconsin shall have the right to enforce any portion of this Agreement, except as required by law.

10. Notices. All notices, requests, consents, approvals, demands and other communications required or permitted to be given by this Agreement shall be in writing and shall be deemed to have been duly given at the earlier of the date when delivered personally, three (3) business days after having been mailed, postage prepaid, by United States first-class mail or certified or registered mail, or when receipt thereof is acknowledged by the sending Party or instrumentality after being delivered by overnight courier or delivery service, telegram, facsimile, telecopy or other electronic transmission device, to the appropriate Party at the following addresses (or at such other addresses as each Party may designate in writing from time to time):



If to MCW, to:

The Medical College of Wisconsin  
8701 Watertown Plank Road  
Milwaukee, WI 53226  
Attention: Office of General Counsel  
Fax: 414/456-6677

With a required copy to:

Quarles & Brady LLP  
Mailing Address: P.O. Box 2113, Madison, Wisconsin 53701-2113  
Physical Address: One South Pinckney Street, Madison, Wisconsin 53703  
Attention: Michael S. Weiden  
Fax: (608) 251-9166

If to the Foundation, to:

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—  
Attention: \_\_  
Fax: \_\_

With a required copy to:

—  
—  
—  
Attention: \_\_  
Fax: \_\_

11. Headings. The headings preceding the text of the Sections hereof are inserted and used solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they be given any legal effect or otherwise affect the interpretation of this Agreement.

12. Severability. Each term and provision (including, without limitation, each clause or part of each term and provision) of this Agreement shall be construed as separable and divisible from every other term and provision, and the invalidity or unenforceability of any one term or provision shall not limit the validity and enforceability, in whole or in part, of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the Parties intend that there shall be added as a part of this Agreement, without further action on the part of any person, entity or governmental authority, a provision as similar in terms to such invalid or unenforceable term or provision as may be valid and enforceable.

13. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has executed this Agreement or caused this Agreement to be executed by its duly authorized representatives as of the day and year first above written.

**THE FOUNDATION**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**MCW**

**THE MEDICAL COLLEGE OF WISCONSIN,  
INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to by:

**THE COMMITTEE**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_, 2001