

AFFILIATION AGREEMENT
BETWEEN
THE BOARD OF REGENTS OF THE
UNIVERSITY OF WISCONSIN SYSTEM
AND
THE UNIVERSITY OF WISCONSIN HOSPITALS AND
CLINICS AUTHORITY

JUNE 29, 1996

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**AFFILIATION AGREEMENT BETWEEN THE BOARD OF REGENTS
OF THE UNIVERSITY OF WISCONSIN SYSTEM AND
THE UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS
AUTHORITY**

JUNE 29, 1996

This AFFILIATION AGREEMENT (the "Agreement") is entered into this 29th day of June, 1996 by the Board of Regents of the University of Wisconsin System (the "University"), an independent agency of the State of Wisconsin, and the University of Wisconsin Hospitals and Clinics Authority (the "Hospital Authority"), a public body corporate and politic established by the Wisconsin Legislature.

Recitals

WHEREAS, the foundation for a University of Wisconsin Hospitals and Clinics Authority was laid in January 1989 when a University of Wisconsin-Madison ("UW-Madison") committee consisting of the senior leadership of the Medical, Nursing and Pharmacy Schools, University Hospital and Clinics, campus administration and UW Regent members of the Hospital Council of Trustees, was convened to address critical issues in governance and strategic decision making in the Center for Health Sciences; and in November 1990, the group issued a report which described the changing health care environment and recommended restructuring University Hospital to provide greater management flexibility.

WHEREAS, after a careful review and analysis of the UW-Madison committee report and an outside consultant report, Chancellor Shalala advanced five options for restructuring the Hospital for campus consideration; and a statement of principles for restructuring the Hospital as a public entity was approved by campus governance groups, the Hospital Council of Trustees and the Regents in March 1992.

WHEREAS, six work groups consisting of UW-Madison faculty and administrators developed detailed operating plans for two restructuring alternatives: a public authority and broader delegation of regulatory powers to the University; the public authority proposal was advanced for review and subsequent approval by campus governance groups and the Hospital's Council of Trustees; and the Regents approved this proposal in November 1992.

WHEREAS, in recognition of the dramatic changes taking place in the health care marketplace, Governor Thompson included a detailed proposal in his 1995-97 biennial budget proposal to establish a public authority to operate University Hospital; this budget bill was approved by the Legislature on June 30, 1995 and signed by the Governor on July 26, 1995.

WHEREAS the Governor and the Legislature have recognized that in order for the University of Wisconsin Hospitals and Clinics to continue to perform its historic academic mission as a teaching hospital and cornerstone of the educational and clinical activities of the UW-Madison health sciences schools, as a provider of care for the medically indigent and as a provider of health-related community service in the competitive healthcare marketplace, it should operate as a public authority of the State of Wisconsin according to the provisions set forth in 1995 Wisconsin Act 27 pertaining to such Authority;

WHEREAS the University, the Governor and the Legislature have recognized that in order for the UW Medical School and the UW-Madison Schools of Nursing and Pharmacy effectively to continue their historic academic mission of teaching and training students in the health professions, and of research and of public service, in a patient care environment essential to carrying out the mission, the University of Wisconsin Hospitals and Clinics should become a state public authority;

WHEREAS the University will continue to utilize University Hospitals and Clinics as an indispensable site of practice and training in accomplishing UW-Madison's health sciences mission;

NOW THEREFORE, the University and the Hospital Authority agree as follows:

Article I—PRINCIPLES OF THE RELATIONSHIP

The parties agree on these principles for their collaborative relationship and will use them as guidelines in all the activities further described in this Agreement.

SECTION 1.1 Mission of UW-Madison and Its Health Sciences Schools. The mission of UW-Madison, as an institution in the UW System, is "to develop human resources, to discover and disseminate knowledge, to extend knowledge and its application beyond the boundaries of (the campus) and to serve and stimulate society by developing in students heightened intellectual, cultural and humane sensitivities, scientific, professional and technological expertise and a sense of purpose." (Sec. 36.01(2), Statutes). Stated more broadly, its mission is excellence in teaching, research, public service, including patient care, for the state and the nation. In addition, patient care is integral to the teaching of

health professionals at the UW-Madison and to much of the research conducted in the health related disciplines.

SECTION 1.2 Mission of the Hospital Authority. The mission of the Hospital Authority as stated by the Legislature in sec. 233.04(3b), Statutes, parallels and complements the mission of UW-Madison and its health sciences schools and is the same as that of the University Hospital and Clinics as stated in former sec. 36.25(13), 1993-94 Statutes:

- a. Delivering comprehensive high-quality health care to patients using the hospitals and to those seeking care from its programs, including a commitment to provide such care to the medically indigent;
- b. Providing an environment suitable for instructing medical and other health professional students, physicians, nurses, [pharmacists], and members of other health-related disciplines;
- c. Sponsoring and supporting research in the delivery of health care to further the welfare of the patients treated and applying the advances in health knowledge to alleviate human suffering, promote health and prevent disease; and
- d. Assisting health programs and personnel throughout the state and region in the delivery of health care.

SECTION 1.3 Consideration of the Impact of One Party's Activities on the Mission of the Other Party. The University recognizes that programmatic and facilities planning of UW-Madison will impact on the mission of the Hospital Authority. The Hospital Authority recognizes that its programmatic and facilities planning will impact on the mission of UW-Madison. Therefore, each party commits to making its program and facilities plans with due consideration for the impact of those plans on the mission of the other party. Good communication and information exchange between the two parties is recognized as essential to this affiliation.

SECTION 1.4 Hospital Authority Business Activities. The parties agree that the business activities of the Hospital Authority, including but not limited to acquisitions and joint ventures, must be in furtherance or in support of the Hospital Authority's mission, also supportive of and not contrary to the mission of UW-Madison.

Article II— REQUIREMENTS OF THE LEGISLATION

Chapter 233 of the Wisconsin Statutes, 1995 Wisconsin Act 27, enacted June 30, 1995, and signed by the Governor on July 26, 1995, the "Legislation," requires that this Agreement

between the University and the Hospital Authority contain certain provisions, which are made a part of this Agreement under this Article and in subsequent articles.

SECTION 2.1 Term of the Agreement. This Affiliation Agreement shall take effect on June 29, 1996, and shall be for the maximum period of time authorized by the law.

SECTION 2.2 Cash Reserves. The Hospital Authority will retain cash reserves at a level not lower than the level recommended by its independent auditor. (See Article XIV, Section 14.1 below.)

SECTION 2.3 Authority Support of UW-Madison. The Hospital Authority will continue to support the educational, research and clinical activities of the UW-Madison. (See Article XII below.)

SECTION 2.4 Networking Standards. The Hospital Authority will develop standards relating to the selection and financing by the Authority of any corporation or partnership that provides health related services and provide these standards to the Regents. (See Article XIII below.)

SECTION 2.5 Reasonable Charges for University Services. The University shall make reasonable charges for any services provided by the University to the Hospital Authority under this Agreement and under any service agreements between the parties.

SECTION 2.6 Resolution of Disputes. The parties agree to a procedure for the resolution of disputes between them. (See Article XXI below.)

SECTION 2.7 Modifications, Extension or Renewal. Modifications, extension or renewal of this Agreement must be approved by the Joint Committee on Finance and the Governor before becoming effective.

Article III— CHARITY CARE

The Hospital Authority will continue University Hospital's existing charity care program of providing health care services to the indigent. Pursuant to state and federal law, all individuals needing emergency care have a right to emergency treatment regardless of their ability to pay and such treatment will continue to be provided without prior inquiry into insurance or financial resources. Assessment of eligibility for charity care will be made after treatment is provided and in accordance with the procedures noted below for other patients.

As to nonemergency patients seeking nonelective procedures, the Hospital Authority will continue University Hospital's current program of providing care at limited or no charge to patients who have inadequate or no health insurance, are ineligible for government assistance and lack the financial resources to pay for their treatment. Eligibility for charity care will continue to be determined on a case-by-case basis depending on a detailed assessment of the patient's ability to pay and availability of funding sources. The Authority will continue to serve individuals with limited financial resources and remain a major provider of charity care to the state's indigent population. The dollar value of such care shall be reported to the Authority Board annually.

Article IV— PERSONNEL

The University and the Hospital Authority each recognize that changes in personnel plans and policies of one party can affect the other party. Both parties recognize that employees at University of Wisconsin Hospitals and Clinics have long had access to various UW-Madison facilities and services, such as use of the Memorial Union, UW libraries, listing in the campus phone book, etc. as employee benefits and that for good employee relations, as well as operational needs, it is in the interest of both parties to continue those arrangements. The specific facilities and services provided to employees of each will be the subject of a separate agreement between the parties.

SECTION 4.1 Joint Personnel Committee. There shall be a Joint Personnel Committee of the following five persons: the Human Resources Director of the Hospital Authority and its senior administrator with personnel responsibilities, the Director of Human Resources for UW-Madison and the Director of the Classified Personnel Office for UW-Madison, and a staff representative from the University of Wisconsin Hospitals and Clinics Board ("UWHC Board"). This committee will meet at least four times a year to discuss personnel policy issues of mutual concern and at any time on notice of need to consult regarding a specific issue by one party to the other pursuant to 4.2 below.

SECTION 4.2 Notice of Proposed Change in Personnel Policies. UW-Madison, the Hospital Authority and the UWHC Board shall each provide the other with at least fourteen (14) days advance written notice of any proposed change to any of the following areas of that party's personnel plans or policies. This provision does not apply to proposed union contracts. The notice shall be prior to the formal adoption or implementation of the change:

- a. salary structures or salary enhancements (including incentives or bonuses),
- b. benefits (including non-salary benefits),
- c. hiring, termination and promotion provisions,
- d. affirmative action and equal opportunity plans, and
- e. other areas of personnel plans or policies as agreed by the Joint Personnel Committee.

Any notice under this section shall be provided for the UW-Madison to its Director of Human Resources, for the Hospital Authority to its senior administrator responsible for personnel, for the UWHC Board to its staff person in charge of personnel matters. Early consultation by the parties is encouraged in addition to the written advance notice.

SECTION 4.3 Personnel Plan or Policy Changes Required by Law. Whenever any one of these parties must implement a personnel plan or policy change due to the requirements of law, the party bound by such requirement shall give the other two parties as much advance written notice of the change as is reasonably practical.

Article V— EXTERNAL RELATIONS

The University and the Hospital Authority both acknowledge the importance of presenting a unified external image and in avoiding the appearance that the two parties are competing or are in conflict with one another. However, in no event shall any Hospital Authority employee represent or act so as to appear to represent the University's position; no University employee shall represent or act so as to appear to represent the Hospital Authority's position unless the Hospital Authority has contracted with UW-Madison for the services of such employee.

SECTION 5.1 Public Affairs. In consideration of the recognized need to continue work jointly in this area, the parties agree that the Hospital Authority and UW-Madison will jointly fund, in current proportional shares, a public affairs office which will be located at the Hospital Authority. The mission of this office will be to do public affairs for the academic health center (Hospital Authority, UW Medical School, UW-Madison Schools of Nursing and Pharmacy and State Laboratory of Hygiene). The director of the office will coordinate all issues involving a health sciences school or the State Laboratory with the dean of the respective school or director of the State Laboratory, as appropriate. Two years after the signing of this agreement, UW-Madison will evaluate whether to continue its funding of this office and will be free to make a different decision.

SECTION 5.2 Community and Government Relations. The parties understand and agree that community and governmental relationships require coordination at all times between UW-Madison and the Hospital Authority. Both UW-Madison and the Hospital Authority are equal partners in these areas and both will continuously coordinate the presentation, style, method and quality of these efforts.

SECTION 5.3 Fund-raising. The University and the Hospital Authority each acknowledge the importance of a coordinated approach to fund-raising in order to facilitate good relations with donors. University Hospital and Clinics has used the University of Wisconsin Foundation (Foundation), a Wisconsin nonprofit corporation, for fund-raising.

In recognition of the importance and benefit to each party and to the Foundation of a unified approach to fund-raising, the Hospital Authority will continue to use the Foundation for fund-raising.

The Hospital Authority agrees that the gifts and donations which it accepts will be consistent with the UW-Madison and the Foundation's policies and procedures concerning grants and gifts. The Foundation will be compensated for its services to the Hospital Authority in accordance with the compensation schedule applicable to all elements of the UW-Madison and as this schedule shall from time to time be amended.

Either the Foundation or the Hospital Authority may cancel this arrangement upon ninety (90) days written notice to the other. If such cancellation occurs, the CEO of the Authority and the Chancellor of UW-Madison shall meet within the ninety (90) days and agree on a new method for coordinated fund-raising.

Article VI—EDUCATION

The University and the Hospital Authority again acknowledge and agree that they are each committed to their teaching mission and that it is appropriate in this Agreement to define certain basic responsibilities of each in this area. The Hospital Authority will cooperate with UW-Madison in facilitating the education of UW System students, interns and trainees. The UW-Madison will cooperate in the education of Hospital Authority post-graduate trainees, and other Authority trainees and students. The parties also acknowledge the principle that, in the clinical settings at the Hospital Authority, the patient and the attending physician need also to be agreeable to the presence and participation of students, interns and trainees.

SECTION 6.1 University Responsibilities. The University and UW-Madison shall be responsible for the administration, accreditation and curriculum of all academic programs involving UW System students at the Hospital Authority, as well as for the recruitment, evaluation, testing and advancement of UW System students in those programs.

SECTION 6.2 Graduate Medical Education. The parties agree that as long as current funding mechanisms exist and remain adequate, the responsibility for funding the University Hospital based graduate medical education programs rests with the Hospital Authority. The Hospital Authority, after full consultation with the Medical School, shall be the determiner of the number of residency and fellowship positions it funds.

The Hospital Authority's responsibility includes funding costs for post-graduate physician stipends and benefits, program administration and for faculty effort in resident

supervision to the extent that such supervision can be identified in costs reimbursed to the Hospital Authority by payors.

This does not preclude the funding of graduate medical education programs from sources outside the Hospital Authority, subject to the approval of the Medical School. Where the Medical School obtains outside funding for graduate medical education programs, such programs shall be subject to Hospital Authority approval if they utilize Hospital Authority resources and affect Hospital Authority programs.

SECTION 6.3 Continuing Education. UW-Madison and the Hospital Authority have a common interest in supporting and providing quality continuing education in the health field. The parties agree that the primary responsibility for the continuing education activities of the faculty will continue to remain with UW-Madison, and that all such activities of the faculty will be carried out in accordance with University policy.

The parties recognize that continuing education plays an important role in educating the citizens of the region about the mission and role of the University and the Hospital Authority. Thus, the parties agree that UW-Madison and the Hospital Authority will work to enhance and expand the mechanisms to coordinate and integrate their continuing education activities. This may include the development of mechanisms for sharing of resources and joint sponsorship of programs under terms to be defined by separate contractual arrangements.

Article VII—RESEARCH

SECTION 7.1 Cooperation. The Hospital Authority agrees to cooperate in the clinical and basic research activities of the faculty and academic staff of the Medical School and the Schools of Nursing and Pharmacy, who are engaged in such research. Such research activities shall be permitted at the Hospital Authority subject to approval of the activity by the Human Subjects Committee, now administered by the UW-Madison Center for Health Sciences (“CHS”), and the right of the patient and of the patient’s attending physician to object to or refuse to participate in the research activities.

SECTION 7.2 Management and Administration. All research grants or contract proposals which designate a member of the faculty or academic staff of the Medical School or School of Nursing or School of Pharmacy as the principal investigator or co-investigator shall be submitted by UW-Madison, using usual UW-Madison procedures. Employees of the Hospital Authority having appointments at UW-Madison will apply for research grants or contracts through UW-Madison. The UW-Madison shall be responsible for the financial management and administration of all such grants and contracts, even though the research activity is to take place at Hospital Authority facilities. Under sec. 233.03(2), Statutes, the Authority may not accept research grants in which the grant investigator is

an employee of the Regents. In the event any equipment, facilities or personnel of the Hospital Authority is required for any research by UW-Madison employees, the Authority shall have the right to review any research grant or contract prior to its submission to insure appropriateness of the proposed use of Hospital Authority equipment, facilities or personnel. The UW-Madison shall reimburse the Authority for direct costs only if provided for in the grant or contract.

SECTION 7.3 Grants Submitted by the Hospital Authority. Notwithstanding Section 7.2 above, the Hospital Authority may submit research grants or contract proposals in its own name and may manage and administer them, in those instances and only those instances in which (1) the principal investigator and all co-investigators are full-time employees of the Authority and are not employed by the University and do not have appointments at any institution in the UW System, or (2) the grants or contracts are not within the prohibition of sec. 233.03(2), Statutes, and there is mutual agreement of the Authority and the Graduate School Dean of UW-Madison as to the submission. Either instance is expected to be rare and will be usually in the category of contracts for health services or applications for private foundation grants.

The Authority agrees to submit any such research grant or proposal only after giving UW-Madison an opportunity to review and approve the grant or contract. The Authority will specify when it is requesting the use of UW-Madison facilities and equipment to carry out the grant or contract. The Authority shall reimburse the appropriate school at UW-Madison for any of UW-Madison's direct and indirect costs incurred for the grant or contract.

SECTION 7.4 Compliance with Law and Committee Approval. Each party now warrants to the other that all research conducted at the facilities of the health sciences schools of UW-Madison or of the Hospital Authority, by its employees, shall comply with all applicable state and federal laws, regulations and assurances pertaining to such research. The UW-Madison institutional review boards will be used by both institutions and the decisions of those boards will be binding on both institutions in accordance with federal regulations.

Article VIII—HUMAN SUBJECTS COMMITTEE

SECTION 8.1 The Human Subjects Committee, currently administered by the CHS, will remain a committee of the UW-Madison under that institution's "Multiple Project Assurance of Compliance with Department of Health and Human Services regulations for Protection of Human Research Subjects." That Committee shall include employees of the Hospital Authority. The Hospital Authority CEO shall be consulted prior to the appointment or reappointment of the Committee's Chair.

SECTION 8.2 All UW-Madison employees are required to submit research proposals involving human subjects to the Committee or another human subjects committee of the UW-Madison. The Hospital Authority agrees that all of its employees doing research will be required to submit research proposals involving human subjects to the Human Subjects Committee, currently administered by the CHS, and that its employees will comply with decisions of the Committee.

Article IX—COORDINATED PLANNING

It is agreed and understood that there is a need for coordinated planning between the Hospital Authority and the three health sciences schools at UW-Madison. The Hospital Authority and these academic units each engage in planning which involves program development. To coordinate such planning processes, regular interchange of information, strategic directions and program needs involving UW-Madison and the Authority will be identified by the CHS Council or its successor and provided to UW-Madison and the Authority. This process is intended to allow each academic Dean and the Authority CEO to determine if separate initiatives will impact the other. A consultative process between the dean of the Medical School and the CEO of the Hospital Authority is expected to occur before a new clinical care program is initiated by either the Medical School or the Hospital Authority.

Article X—AFFILIATIONS WITH OTHER ENTITIES

A proposed Hospital Authority affiliation with another institution or organization in which the Authority will be involved with the training or education of medical, nursing or pharmacy students or other health sciences students (undergraduate, graduate or postgraduate) or interns of that other institution/organization must first be reviewed and evaluated by the appropriate health sciences dean and a Hospital Authority official. If any such proposed affiliation involves students who are in the same field or area of study where a UW Medical School or Pharmacy School provides training or education to its students, the Hospital Authority shall obtain the approval of the dean of the affected school before entering the affiliation. The dean will not withhold approval unless he/she provides a reason why such affiliation will adversely affect the School's programs. With respect to proposed affiliations in the same field or area of study where the School of Nursing provides training or education, the Hospital Authority shall solicit the opinion of the dean of the School before entering the affiliation. The Authority agrees not to enter into any new such affiliations which would have an adverse impact on the School of Nursing programs.

Article XI—MEMBERSHIP ON CERTAIN COMMITTEES OF THE OTHER PARTY

The parties agree that it is necessary and appropriate that at least one representative of the Authority serve on major committees of UW-Madison where the Authority has an interest to be represented, such as on search , human subjects, animal care, safety, facilities planning, and parking and transportation committees. The parties further agree that it is necessary and appropriate that at least one representative of UW-Madison serve on major committees of the Authority, where the UW-Madison has an interest to be represented, such as on Authority executive employee search, facilities and other planning committees. The parties agree that UW-Madison and the Hospital Authority will jointly establish (1) a list of the committees of UW-Madison and of the Authority on which representative(s) of the other party will serve and (2) a process for the appointment of such representatives.

Article XII—FINANCIAL SUPPORT OF UW-MADISON AND HOSPITAL AUTHORITY EDUCATIONAL/CLINICAL PROGRAMS

The parties agree that Hospital Authority support for UW-Madison health sciences schools will be twofold:

- (1) the Hospital Authority will continue its existing support for UW-Madison Health Sciences educational/clinical programs and other such programs administered by the Authority, and
- (2) under specified conditions, the Authority will provide additional financial support to the UW-Madison health sciences schools to enable UW-Madison and the Hospital Authority to enhance health sciences educational programming and clinical services for the residents of the State of Wisconsin.

SECTION 12.1 The Hospital Authority will continue the Hospital's current support for University educational/clinical programs and other educational programs now administered at the Hospital, with annual adjustments based on increases in University faculty, academic and classified staff salaries or, where the increases are not related to salaries, then based on other relevant percentage increases. While the succeeding provisions will establish the level of annual support for health sciences schools or programs (with the exception of (d.) below, which is a one-time commitment), the use of these funds will be determined on an annual basis through a collaborative planning process involving the Hospital Authority and the UW-Madison health sciences schools. Support to be continued includes:

- a. The "direct transfers" to the Medical School, the School of Nursing, the School of Pharmacy, the CHS Library and the Human Subjects Committee which totaled \$9.78

- million in FY 1995. These funds will be identified in the Hospital Authority's operating budget by category (school or program and type of support).
- b. The annual direct expenditures for Medical School clinical department personnel which totaled \$1.35 million in FY 1995.
 - c. The annual direct expenditures for graduate medical education, nursing education, pharmacy residency and allied health programs administered by the Hospital which totaled \$12.51 million in FY 1995. Graduate medical education expenditures are also governed by Article VI, Section 6.2 of this Agreement. The parties recognize that if the number of post-graduate positions are modified, the dollar amount will change.
 - d. An outstanding (not annual) commitment to support Medical School capital expenditures at the Clinical Science Center (CSC) totaling \$6.00 million.
 - e. Ongoing annual lease support totaling \$73,500 for two off-campus sites housing Medical School activities.
 - f. The additional annual support for School of Nursing programs (primarily through released time of Hospital nursing staff) which totaled \$0.51 million in FY 1995 and the support for Medical School department faculty clinical activities at the Hospital which totaled \$8.39 million in FY 1995.
 - g. Other annual support for UW-Madison educational activities as a function of the time Hospital staff spend on these activities.

SECTION 12.2 Under the following circumstances, additional financial support will be provided by the Hospital Authority to the three UW-Madison health sciences schools: The UW-Madison health sciences schools and the Hospital Authority jointly will develop annually a list of programs eligible for additional funding (supplemental funding list), with clinical program expansion, academic enrichment and patient and programs outcomes research having high priority. Amendments to the supplemental funding list may be made jointly by the UW-Madison health sciences schools and the Hospital Authority for proposed new programs which will enhance the missions of both UW-Madison and the Hospital Authority. Following the close of each fiscal year, and provided that the Hospital Authority's cash position exceeds the cash reserves level and goal set by the Authority Board under Sections 12.1 and 12.2 respectively, the Hospital Authority Board will determine the amount of additional financial resources which it can provide to the UW-Madison health sciences schools. Following this determination, the UW-Madison and the Hospital Authority will jointly determine which programs on the supplemental funding list will be funded and the amount to be given to each. Since the availability of this supplemental funding is uncertain and cannot be projected into the future, the intent of the parties is that these funds will be used for one-time rather than ongoing

expenditures, and for those which will benefit the UW-Madison and the residents of the State of Wisconsin and for which state support is not being provided.

Article XIII—NETWORKING

SECTION 13.1 Networking Standards. Within three months of beginning hospitals and clinics operations, the Hospital Authority Board shall develop standards for use in selecting and financing of any corporation or partnership that provides health-related services. These standards shall be consistent with the business and strategic plans of the Hospital Authority and the missions of the Hospital Authority and the University. These networking standards must be approved by the Hospital Authority Board and the Regents. The approved standards shall be submitted to the Joint Committee on Finance by October 15, 1996.

SECTION 13.2 Future Role of University Medical Center Corporation (UMCC) and the Joint Venture Corporation with University Health Care, Inc. (UHCI). The University will, upon implementation of the Hospital Authority on June 29, 1996, initiate the necessary steps to dissolve University Medical Center Corporation and seek the agreement of University Health Care, Inc. to dissolve the joint venture corporation, Medical Center Partners. Rights of the Legislative Audit Bureau and the Legislative Fiscal Bureau to review records for the period of corporate existence will be protected.

Article XIV—CASH RESERVE REQUIREMENTS

SECTION 14.1 In order to meet the requirement under sec. 233.04(7m)(a), the Hospital Authority will, prior to beginning operations of the University Hospitals and Clinics, obtain from its independent auditor written advice regarding the level of cash reserves needed for short-range operational requirements based on data from comparable organizations. The Hospital Authority will set this level based on the independent auditor's advice and will maintain such level except in exigent circumstances. If the Authority decides to reduce its cash reserves below this level on other than a short-term basis for cash flow purposes, it shall notify the Joint Committee on Finance of this decision prior to taking such action.

SECTION 14.2 In addition, the Hospital Authority Board will regularly solicit from its independent auditor written advice regarding a desirable range of cash reserves for its operational and capital budgets. The Hospital Authority Board will adopt and implement plans for reaching a goal of cash reserves within the range recommended by the auditor and within a reasonable period of time, if not currently at that level, or for maintaining cash reserves within the range, once it has been achieved. These plans will be accomplished in conjunction with its strategic fiscal planning, development of its annual

operating and capitol budgets, and determination of financial support for the UW-Madison health sciences schools.

Article XV—INFORMATION ACCESS REQUIREMENTS

The parties understand and agree that communication and the reporting of information between the Authority and UW-Madison is necessary to ensure that the activities of the Authority and UW-Madison are appropriately coordinated and to minimize the possibility that the Authority or UW-Madison will engage in an activity adverse to the other.

SECTION 15.1 Obligation to Provide Access to Public Records and Reports. Whenever either the Authority or UW-Madison is required by statute or regulation to provide a report or other information to any federal or state agency, or other governmental entity, the one required to produce such report or information shall provide the other access to a copy of the same, unless the applicable statute or regulation prohibits the dissemination of the report or information. This provision covers both paper and electronically generated reports and information. The Authority and UW-Madison may agree to exclude certain categories of reports and information from this requirement. By October 1, 1996, these two entities will agree on a list of the reports and information of each covered by this requirement.

SECTION 15.2 Obligation to Provide Information. If either the Authority or UW-Madison engages in an activity, or has decided to initiate an activity, which may necessitate the other spending or utilizing its funds or resources, the one which is undertaking or proposing to undertake the activity shall provide the other with access to all of its information, data and records, including financial data and analysis, concerning the activity.

Article XVI—PROFESSIONAL STAFF

SECTION 16.1 Medical Staff. The Hospital Authority agrees that membership in the Medical Staff shall be awarded only to health care providers who are faculty members of the Medical School of the University and who meet the qualifications for membership and privileges as set forth in the Medical Staff Bylaws of University Hospitals and Clinics Authority. The Medical Staff shall be organized into a responsible administrative unit that is accountable to the Board of Directors of the Hospital Authority. The Board of Directors shall ensure that the Medical Staff Bylaws include the following provisions: (1) the departmental organization of the Hospital Medical Staff shall correspond to the clinical departmental organization of the Medical School; (2) the chief of a clinical service shall be approved only after joint recommendation by the Authority's CEO and the dean of the Medical School; (3) if the chief of a clinical service is to be other than the corresponding

Medical School departmental chair, the additional recommendation of the departmental chair is required; (4) the Medical Staff shall be organized within the framework of this Medical Staff leadership.

SECTION 16.2 Medical Staff Privileges. The Hospital Authority shall grant appropriate medical staff membership and privileges at the Hospital Authority, in accordance with its Medical Staff Bylaws, only to faculty members of the Medical School of the University of Wisconsin. The University understands that Hospital Authority Medical Staff Bylaws and policies shall govern the awarding of medical staff privileges to faculty and academic staff. The Medical School will require, as a condition of appointment for faculty and academic staff who practice primarily at the Hospital, that they obtain hospital privileges at the University Hospitals and Clinics Authority and a Wisconsin license to practice medicine, dentistry or podiatry.

SECTION 16.3 Other Professional Staff at the Hospital Authority. The Hospital Authority shall review credentials and grant privileges at the hospital in accordance with its Medical Staff Bylaws and Rules and Regulations to Hospital staff and to University faculty and academic staff, where appropriate.

SECTION 16.4 Policies Governing Faculty and Hospital Authority Consultation Prior to New Faculty Hiring. The Hospital Authority understands and acknowledges that the University must follow the Regents rules, the University of Wisconsin Madison Faculty Policies and Procedures and other University policies and procedures with respect to the appointment, promotion, rights, privileges, benefits and termination of appointment of faculty and academic staff. Within this context, the University agrees that the Hospital Authority will be consulted on the recruitment and selection of new health sciences school faculty who will be based at, or whose primary duties will involve clinical activity in, Hospital Authority facilities.

SECTION 16.5. Compensation. The Hospital Authority will provide compensation to health sciences school faculty only through the University or through University-approved mechanisms. Contracts for all services of UW Medical School faculty and for faculty of the health sciences schools shall be between the Hospital Authority and UW-Madison. The Hospital Authority shall not employ or provide direct compensation to any physician, podiatrist or dentist (except for physicians in training) unless these contracts are approved through University processes. All compensation to medical faculty for departmental and program administration and supervision, as well as for patient care services, shall be paid through the University in compliance with the rules and policies of the University and in accordance with all applicable laws.

Article XVII—ACCREDITATION, LICENSURE AND CERTIFICATION

SECTION 17.1 Hospital Authority Obligations. The Hospital Authority agrees to maintain hospital licensure under the laws of the State of Wisconsin, accreditation under the Joint Commission for the Accreditation of Healthcare Organizations (“JCAHO”) and certification under the federal Medicare requirements. The Authority shall immediately notify the UW-Madison upon its receipt of notification of any suspension or revocation of its hospital license, JCAHO accreditation, or Medicare certification or of any letter of intent to suspend or revoke.

SECTION 17.2 University Obligations. The University agrees that UW-Madison will maintain its University, school and college accreditations and federal and state licenses upon which the Hospital Authority will rely for the provisions of University services. UW-Madison will immediately notify the Hospital Authority upon its receipt of notification of any suspension or revocation of its licenses or accreditations or of any letter of intent to suspend or revoke.

Article XVIII—INSURANCE CARRIED BY THE HOSPITAL AUTHORITY

SECTION 18.1 Commercial General Liability Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain commercial general liability insurance (occurrence form) to protect against claims, judgments, settlements or costs, for personal injury and bodily injury, including death and property damage, incurred because of the acts or omissions of the Hospital Authority, its officers, employees and agents or of the employees of the UWHC Board. Such insurance shall provide coverage in an amount not less than \$10 million per occurrence. The Board of Regents of the University of Wisconsin System, the State of Wisconsin, and their officers, employees and agents will be additional named insureds under all insurance carried by the Hospital Authority under this section. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance program afforded to the Board of Regents or the State of Wisconsin.

SECTION 18.2 Property Insurance on Authority-Owned Property. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain property insurance on all Authority owned real property. Such insurance shall be standard all-risk perils insurance including water and sprinkler leakage, earthquake and flood coverage, and also shall cover boilers, pressure vessels, machinery, all building fixtures and building equipment (such as mechanical, electrical and plumbing fixtures and equipment). Such insurance shall be in an amount equal or one hundred percent (100%) of the replacement cost of the building (including foundation and evacuation expense). The parties may negotiate a smaller percentage based upon reasonable evidence that it is

customary for an academic medical center teaching hospital similar to UWHC to be covered by the smaller percentage.

SECTION 18.3 Fidelity and Crime Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain comprehensive fidelity and crime coverage in the amount of at least \$1 million per occurrence.

SECTION 18.4 Personal Property Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain all-risk peril insurance including, but not limited to, loss of use on all of its personal property located in the Clinical Science Center, as well as in Authority buildings, including without limitation, all furniture, fixtures, stock and supplies, at replacement value.

SECTION 18.5 Workers' Compensation Insurance. The Hospital Authority shall maintain workers' compensation insurance for all of its employees and recognized volunteers and for all of the employees of the UWHC Board in the State of Wisconsin. Workers' compensation insurance coverage shall be in at least the statutory limits set forth in Wisconsin Statutes, Section 102 (as it now exists or as it may later be amended).

SECTION 18.6 Director and Officers/Errors and Omissions Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain directors and officers/errors and omissions insurance coverage for its directors and officers in the amount of at least \$5 million in the aggregate per year.

SECTION 18.7 Malpractice Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain professional liability insurance covering itself and its agents and employees in amounts not less than the limits on recovery or judgment consistent with those amounts as stated in Wisconsin Statutes, Chap 655, Health Care Liability and Patients Compensation, (as it now exists or as it may later be amended). This insurance will cover the nonprofessional state employees of the UWHC Board. Such state employees will also have coverage as stated in Wisconsin Statutes, sec. 895.46 and 893.82 (as it now exists or as it may be amended).

SECTION 18.8 Environmental Liability Impairment Insurance. At all times during the term of this Agreement, the Hospital Authority shall, at its expense, carry and maintain Environmental Liability Impairment Insurance in an amount of at least \$1 million per occurrence and \$2 million annual aggregate. The Board of Regents of the University of Wisconsin System, the State of Wisconsin, and their officers, employees and agents will be additional named insureds under all insurance carried by the Hospital Authority under this section. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance program afforded to the Board of Regents or the State of Wisconsin.

SECTION 18.9 Evidence of Insurance Coverage. All policies of insurance required under this Section shall be for the mutual benefit and protection of the University and the Hospital Authority and executed copies of such policies of insurance or certificates of such policies shall be delivered to the UW-Madison Risk Management Office, 720 University Avenue, Madison, Wisconsin, 53706, within thirty (30) days after June 29, 1996, and thereafter within thirty (30) days prior to the expiration of the term of each such policy. As often as any such policy shall expire or terminate, the Hospital Authority shall procure and maintain renewal or additional policies in like manner and to a like extent. All policies of insurance must contain a provision that the company writing the policy will give to the University ninety (90) days advance written notice of any cancellation or lapse in the insurance, or the effective date of any reduction in the amount of the insurance.

SECTION 18.10 Review of Insurance Coverage. Representatives of the parties will review amount coverages on an annual basis and may jointly decide on increases in coverage.

Article XIX—INSURANCE AND OTHER COVERAGE CARRIED BY THE UNIVERSITY

SECTION 19.1 Commercial General Liability and Professional Liability Coverage. The University shall at all times during this Agreement maintain commercial general liability coverage as recommended by the Wisconsin Department of Administration for its officers, employees, students and other agents and professional liability coverage in accordance with sec. 895.46 and 893.82, Statutes.

SECTION 19.2 Real Property and Personal Property Coverage and Insurance. The University shall at all times during this Agreement maintain coverage on all property owned by the University in amounts as recommended or as provided by the Wisconsin Department of Administration.

SECTION 19.3 Fidelity and Crime Insurance. Fidelity and crime insurance for its officers, employees and agents will be carried by the University at all times in amounts as recommended or as provided by the Wisconsin Department Administration.

SECTION 19.4 Worker's Compensation Coverage. The University will provide workers compensation coverage as required for its employees under chapter 102 and in accordance with sec. 102.08, Statutes.

SECTION 19.5 Environmental Liability Impairment Coverage. The University will provide at all times environmental liability impairment coverage as provided by the Wisconsin Department of Administration.

SECTION 19.6 Evidence of Insurance Coverage. All policies of insurance or evidence of other coverage carried by the University shall be available for review by the Hospital Authority within thirty (30) days after June 29, 1996, and thereafter when any new policies are obtained. Copies will be provided upon request of the Hospital Authority. The University shall obtain through the Wisconsin Department of Administration renewal or additional policies when such policies shall expire or terminate. All policies of insurance shall contain a provision that the company writing the policy will give the Hospital Authority forty-five (45) days advance written notice of any cancellation or lapse in insurance or of the effective date of any reduction in the amount of insurance. The University will give the Hospital Authority at least sixty (60) days advance written notice of any proposed change in its statutory coverages.

SECTION 19.7 Review of Insurance Coverage. Representatives of the parties will review the amount of insurance policy coverages for the University on an annual basis and may jointly decide on increases in coverage.

Article XX—INDEMNIFICATION AND NOTICE OF CLAIMS

SECTION 20.1 Hospital Authority Obligation to Hold Harmless. The Hospital Authority agrees to indemnify and hold harmless the University from and against any and all liability, claims, damage, penalties, actions, demands or expenses of any kind or nature arising out of the management, operation, use or maintenance of the on-campus facilities. This indemnification does not apply to any such liability claims, damage, penalties, actions, demands or expenses arising from the acts or omissions of any of the officers, employees or agents of the University of Wisconsin System while acting within the scope of their employment or of a student enrolled at an institution or center within the University of Wisconsin System unless the officer, employee, agent or student acts at the direction of the Authority.

SECTION 20.2 University Obligation to Hold Harmless. The University agrees to hold harmless the Hospital Authority, its officers, employees and agents from any and all liability, including claims, demands, losses, costs, damages and expenses of every kind and description (including death), or damages to persons or property arising out of or in connection with or occurring during the course of this Agreement where protection is afforded to the University's officers, employees and agents by sec. 895.46 and sec. 893.82, Statutes.

SECTION 20.3 Notice of Claims.

1. The Hospital Authority agrees that it shall notify the University in the event that the Authority has reason to believe that a claim may exist against any University officer, employee or agent (including a student) for which the University may be liable. Such

notification shall be provided to the University address set forth in SECTION 23.8 with a copy to the Vice Chancellor for Legal and Executive Affairs, University of Wisconsin-Madison, Room 361, 500 Lincoln Drive, Madison, Wisconsin, 53706.

2. The University agrees that it shall notify the Authority in the event that the University has reason to believe that a claim may exist against any Authority or University officer, employee or agent (including a student) for which the Authority may be liable. Such notification shall be provided to the Authority address set forth in SECTION 23.8 with a copy to the Risk Management Office of the Authority at the same address.

3. The parties agree that they shall use their best efforts to obtain the cooperation of their officers, employees or agents in the defense of any litigation for which indemnity may be applicable under this Article XX.

Article XXI—REASONABLE CHARGES FOR UNIVERSITY SERVICES

The University shall make reasonable charges for any services provided by the University to the Hospital Authority under this Agreement and under any operating or service agreement between the parties. The Hospital Authority shall maintain a centralized listing of all operating and service agreements between the Authority and the University, and this listing shall include the estimated annual payment under each of these agreements.

Article XXII—DISPUTE RESOLUTION

The parties commit to a timely and expeditious resolution of all disputes that affect a successful collaboration. To meet that goal, the parties agree to the following three-part resolution process to resolve any disputes under this Agreement.

1. First step. Negotiations by the appropriate representatives as defined for each party by the Chancellor of UW-Madison and the CEO of the Hospital Authority, respectively, for a period of not more than forty-five (45) days.

2. Second step. Referral to a three-person committee, with one person selected by the Chancellor of UW-Madison, one person selected by the Chair of the Hospital Authority Board, and a third person selected jointly by such Chancellor and Chair, which shall attempt to mediate the dispute for a period of no more than forty-five (45) days.

3. Third step. If the dispute remains unresolved after engaging in these first two steps, the matter shall be brought before the Board of Regents and the Board of Directors of the

Hospital Authority for consideration by each and final determination as agreed by the two Boards.

Article XXIII—DEFAULT PROVISIONS

SECTION 23.1 A default by the Hospital Authority shall mean: Failure by the Hospital Authority to observe or perform any promise, condition, obligation, responsibility or agreement on its part to be observed or performed, for a period of thirty (30) days after the University gives the Hospital Authority written notice, specifying such failure and requesting that it be remedied, unless the University shall agree, in writing, to an extension of such time prior to its expiration. If, however, the failure stated in the notice cannot be corrected within the applicable period, the University will not withhold its consent to an extension of such time if corrective action is instituted by the Hospital Authority promptly upon receipt of the written notice and is diligently pursued until the default is corrected.

SECTION 23.2 A default by the University shall mean: Failure of the University to observe or perform any promise, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after the Hospital Authority gives the University written notice, specifying such failure and requesting that it be remedied, unless the Hospital Authority shall agree in writing to an extension of such time prior to its expiration. If, however, the failure stated in the notice cannot be corrected within the applicable period, the Hospital Authority will not withhold its consent to an extension of such time if corrective action is instituted by the University promptly upon receipt of the written notice and is diligently pursued until the default is corrected.

SECTION 23.3 In the event of a default, the non-defaulting party may take whatever action, at law, in equity or by statute, as may appear necessary or desirable to collect the payments then due or the damages suffered, or to enforce any obligation or promise or agreement of the defaulting party under this Agreement or imposed upon it by law. In addition, if there is an event of a default by the Hospital Authority, the University may terminate this Agreement as of the date of the Hospital Authority's default, or as of any later date specified in the notice.

SECTION 23.4 No remedy conferred upon or reserved to a non-defaulting party is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or later existing at law or in equity or by statute, except that the Hospital Authority shall not have the right to terminate this Agreement in the event of a default by the University. Any delay or omission by one party to exercise any right or power accruing upon any default shall not impair or constitute a waiver of such right

or power by that party and any such right or power may be exercised from time to time and as often as may be deemed expedient.

SECTION 23.5 In the event any obligation contained in this Agreement should be breached by either party and later waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach or a breach of the same obligation at a later date. No act or omission of either party shall constitute a waiver of any provisions of this Agreement unless the waiver has been agreed to in writing by the party granting the waiver.

Article XXIV—MISCELLANEOUS PROVISIONS

SECTION 24.1 Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, the University and the Hospital Authority.

SECTION 24.2 Entire Agreement. This Agreement constitutes the entire understanding between the parties hereto regarding the subject matter of this Agreement. Any prior agreements, promises, negotiations, either oral or written, relating to the subject matter of this Agreement not expressly set forth in this Agreement are of no force or effect.

SECTION 24.3 No Third Party Beneficiaries. This Agreement shall not confer any benefit or rights upon any person other than the University and the Hospital Authority, and no third party shall be entitled to enforce any obligation, responsibility or claim of either party to this Agreement, unless expressly provided otherwise.

SECTION 24.4 Article and Section Headings. All article and section headings are included for convenience only and shall not be considered a part nor shall they affect in any manner the construction or interpretation of this Agreement.

SECTION 24.5 Nonassignment. This Agreement, or any part thereof, may not be assigned by either party without the express written consent of the other party.

SECTION 24.6 Independent Contractors. The relationship between the parties under this Agreement is that of independent contractors.

SECTION 24.7 Governing Law. This Agreement is made, entered into under and shall be construed in accordance with the laws of the State of Wisconsin.

SECTION 24.8 Notices. Unless otherwise provided in this Agreement, all notices, certificates, or other communications shall be sent in writing and shall be deemed given at the time received, if sent by personal delivery or by facsimile or similar means, or at

the time of mailing if sent by registered or certified mail, postage prepaid, addressed as follows:

If to the University (to both addresses):

Secretary of the Board of Regents
1860 Van Hise Hall
1220 Linden Drive
Madison WI 53706

The Chancellor
UW-Madison
161 Bascom Hall
500 Lincoln Drive
Madison WI 53706

If to the Hospital Authority:

Chief Executive Officer
UWHC Authority
Room H4/810
600 Highland Avenue
Madison WI 53792

SECTION 24.9 Modification and Amendment. This Agreement may be modified or amended only by a writing signed by authorized signatories of the Regents and the Hospital Authority and if approved by the Joint Committee on Finance and the Governor.

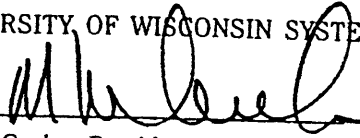
SECTION 24.10 Effect of Outside Forces. In the event the University or the Hospital Authority are unable, wholly or in part, due to outside forces, to carry out any undertaking or obligation under this Agreement, it is agreed that the obligations of the University, the Hospital Authority or both, so far as they are affected by such outside forces, shall be suspended so long as the performance of any such undertaking or obligation is prevented or delayed, retarded or hindered by any outside forces but for no longer. Such suspension or delay shall be remedied with all reasonable dispatch. The term "outside forces" shall mean acts of God, actions of natural elements, strikes, inability to procure or general shortage of materials, parts, facilities, supplies, equipment or labor in the open market, lockouts or other industrial disturbances, acts of public enemy, wars, blockades, invasion, insurrections, riots, mobs, sabotage, epidemics, landslides, lightening, earthquakes, fires, storms, floods, walkouts, civil disturbances, failure of transportation, action of labor unions, condemnation, explosions, breakage or accidents, laws, orders and acts or refusals to act of any government or civil or military authorities, or any other cause, whether similar or dissimilar to the foregoing, not within the reasonable control of such party.

SECTION 24.11 Consent. When in this Agreement the written or unwritten consent of a party is required, unless otherwise specified in the respective article or section where the reference is made, that party's consent shall not be unreasonably withheld.

SECTION 24.12 Severability. If any provision of this Agreement shall be, or shall be adjudged to become, unlawful or contrary to public policy, then that provision shall be deemed null and severable from the remaining provisions and shall in no way affect the validity of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

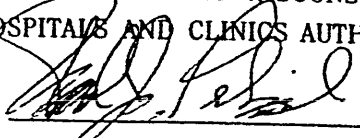
THE BOARD OF REGENTS OF
THE UNIVERSITY OF WISCONSIN SYSTEM

by: 

Michael W. Grebe, President

Date: 6/29/96

THE UNIVERSITY OF WISCONSIN
HOSPITALS AND CLINICS AUTHORITY

by: 

Frank J. Pelisek, Chair

Date: 6-26-96