AGREEMENT REGARDING
JOINT RESEARCH PROJECTS BETWEEN
SEATTLE CHILDREN’S RESEARCH INSTITUTE
AND
THE UNIVERSITY OF WASHINGTON

This Agreement regarding Joint Research Projects ("Agreement") is made and entered into as of the date of the last signature hereeto by and between the University of Washington, an institution of higher education and an agency of the state of Washington ("UW"), and Seattle Children’s Hospital, a Washington nonprofit corporation ("Children’s") dba Seattle Children’s Research Institute ("SCRI").

Background
A. On November 4, 1983, UW and Children's entered into an agreement titled "Memorandum of Understanding between the University of Washington and Children’s Orthopedic Hospital and Medical Center Concerning Grant and Contract Proposals and Awards for Joint ResearchProjected Projects" (the "1983 MOU" dated November 4, 1983) Appendix A.
B. In 2011, UW, Children’s, and Children’s University Medical Group ("CUMG") entered into an agreement titled "Agreement for Specialty and Pediatric Inpatient and Outpatient Services" dated January 1, 2011 (the "Umbrella Agreement"), which contained as Exhibit I an Addendum for Services Related to Grants and Contracts. A copy of Exhibit I to the Umbrella Agreement is attached hereto as Appendix B.
C. The parties intend this Agreement to replace and supersede the 1983 MOU and to supplement and complement Exhibit I to the Umbrella Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the parties agree as follows:

1. Definitions
   1.1. UW Employee – An individual faculty member, staff member or other person who has an employment relationship with the UW.
1.2. SCRI Employee – A staff member or other person who has an employment relationship with SCRI.

1.3. Grantee Organization - The organization, UW or SCRI, awarded a grant or cooperative agreement and as such legally responsible and accountable for the performance and financial management of the grant-supported project or activity. (adapted from National Institutes of Health (“NIH”) Grants Policy Statement (“GPS”)

1.4. Work Site Organization – The organization, UW or SCRI, which provides the office space, lab space, clinic space, and/or access to other facilities and resources which are used to conduct work under a Prime Award or Subcontract.

1.5. Institutional Base Salary (IBS) – The annual compensation paid by an organization for an employee's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. For UW faculty, this includes the UW and UWP/CUMG components plus any administrative supplements. For further illustration of the Institutional Base Salary refer to Appendix C of this Agreement.

1.6. Total Direct Costs – Per the GPS/NIH Glossary of NIH Terms.

1.7. Direct Costs – Per the GPS/NIH Glossary of NIH Terms. Direct Costs are 'Costs that can be specifically identified with a particular project or activity’. The term “Direct Costs” for the purposes of this Agreement may be different for the institutions. For example, as regards federal funds, as an institution of higher education, UW must abide by the costing principles in 2 CFR Part 220 – Cost Principles for Education Institutions (OMB Circular A-21), and, as a hospital, Children’s must abide by the cost principles at 45 CFR part 74, Appendix D —Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals. Consistent with those principles, Children’s includes cost share commitments in the calculation of Total Direct Costs.

1.8. Facilities and Administration costs (F&A) – Per the GPS/NIH Glossary of NIH Terms, F&A are costs that are incurred by a grantee for common or joint objectives and cannot be identified specifically with a particular project or program. These costs are also known as "indirect costs."

1.9. Modified Total Direct Costs (MTDC) — Is that portion of Total Direct Costs normally subject to F&A. For purposes of this Agreement, MTDC is defined as each institution defines it for federal research proposals.
1.10. Prime Award – A grant, contract, collaborative agreement or other award made to either UW or SCRI to fund research with a deliverable.

1.11. Subcontract / Consortium Agreement – A formalized agreement whereby a research project is carried out by the grantee and one or more other separate legal entities. Under a Subcontract/Consortium Agreement, the grantee must perform a substantive role in the conduct of the planned research and not merely serve as a conduit of funds to another party or parties. These agreements typically involve a specific level of effort from the grantee’s Program Director (PD)/Principal Investigator (PI) and a categorical breakdown of costs, such as personnel, supplies, and other allowable expenses, including F&A. The relationship between the grantee and the collaborating organizations is considered a subaward relationship. (NIH GPS I-11)

1.12. Staff Assignment Agreement (Appendix E) – An agreement by which either UW or SCRI agrees to reimburse the other institution for effort spent by the reimbursed institution’s employee on a grant held by the reimbursing institution. A Staff Assignment Agreement can provide for reimbursement for tuition and fees for a UW student, but otherwise reimburses for salary or stipend (including benefits) only.

2. Determining Grantee Organization

2.1. General Principles

2.1.1. The Prime Award shall be made to that organization where the preponderance of the work is conducted making such organization the Grantee Organization.

2.1.2. The “preponderance of the work” is conducted at an organization if over 50% of the award’s direct costs, inclusive of value of the effort, is expended in support of research in that organization’s facilities. In calculating such percentage, equipment purchases, subcontracts in excess of $25,000, and patient care shall be excluded. The effort provided by a UW Faculty member shall be credited to that organization which is providing the facilities where the work is taking place.

2.1.2.1. Each organization shall receive the MTDC associated with the work being conducted in its facilities. Where the work is conducted shall be determined only by the physical location in which the actual work described in the proposal is accomplished.

2.1.2.2. The salaries, fringe benefits and other labor costs associated with the work shall be credited to that organization where the work is to be performed,
whether or not that organization is the employer of the personnel in question.

2.1.2.3. The MTDC of each organization shall be compared, and the Grantee Organization shall be the one with the predominance of MTDC and therefore preponderance of the work.

2.1.2.3.1. UW shall be prime on any award where a predominance of the work on that award is to be performed in UW facilities;

2.1.2.3.2. SCRI shall be prime on any award where a predominance of the work on that award is to be performed in SCRI facilities;

2.2. Explanatory Elaboration/Example(s):

2.2.1. The following sample budget illustrates the principles outlined above. In this example, the Grantee Organization would be SCRI:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Work at UW</th>
<th>Work at SCRI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigator salary</td>
<td>$25,000</td>
<td></td>
<td>$25,000</td>
</tr>
<tr>
<td>(working in SCRI facilities)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-investigator salary</td>
<td>$20,000</td>
<td>$20,000</td>
<td></td>
</tr>
<tr>
<td>(working in UW facilities)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other salaries</td>
<td>$55,000</td>
<td>$15,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>$29,650</td>
<td>$10,150</td>
<td>$19,500</td>
</tr>
<tr>
<td>Supplies</td>
<td>$15,350</td>
<td>$9,850</td>
<td>$5,500</td>
</tr>
<tr>
<td>Equipment</td>
<td>$35,000</td>
<td>$20,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Subcontract</td>
<td>$45,000</td>
<td></td>
<td>$45,000</td>
</tr>
<tr>
<td><strong>Total Direct Cost (DC)</strong></td>
<td><strong>$225,000</strong></td>
<td><strong>$75,000</strong></td>
<td><strong>$150,000</strong></td>
</tr>
<tr>
<td>Less external subcontract amounts exceeding $25,000</td>
<td>$(20,000)</td>
<td>$(20,000)</td>
<td></td>
</tr>
<tr>
<td>Less Equipment</td>
<td>$(35,000)</td>
<td>$(20,000)</td>
<td>$(15,000)</td>
</tr>
<tr>
<td><strong>Plus cost share of faculty</strong></td>
<td><strong>$20,000</strong></td>
<td><strong>$20,000</strong></td>
<td></td>
</tr>
<tr>
<td><strong>MTDC</strong></td>
<td><strong>$190,000</strong></td>
<td><strong>$75,000</strong></td>
<td><strong>$115,000</strong></td>
</tr>
<tr>
<td><strong>% of MTDC</strong></td>
<td>100%</td>
<td>39.5%</td>
<td>61.5%</td>
</tr>
</tbody>
</table>

2.3. Exceptions: Exceptions to section 2.1.1 may be made only with mutual agreement of the parties for good cause shown. Mutual agreement for these purposes is defined as approval
from the chair or designee for UW, and approval of the SCRI President for SCRI. Email from such parties confirming their approval shall be sufficient to document mutual agreement.

3. Agreements Types. The following agreements may be issued pursuant to these Implementation Guidelines.

3.1. Subcontracts

3.1.1. Occasionally, joint research projects will require sponsored project work to be conducted in facilities of both organizations. Therefore, it will be at times appropriate for SCRI and UW to enter into a subcontract for the component of a Prime Award that will be conducted at facilities of the party other than the Grantee Organization. In such cases, the Grantee Organization, which holds the prime award, shall issue a subcontract to the other organization for the work conducted in the other organization’s facilities.

3.1.2. Subcontract agreements at both sites will carry the full direct and indirect costs as appropriate and in accordance with the parties’ federally negotiated rate agreements and/or applicable prime sponsor limitations.

3.1.3 The subcontract mechanism constitutes a transaction between independent parties; as such, the requirements for proposal approval, contract negotiation, and post-award management shall be governed by the provisions of the (potential) subcontract recipient’s standard policies and procedures and those of the sponsoring organization.

3.1.4 The Grantee Organization shall make a proposal involving a Subcontract / Consortium Agreement to a prospective sponsor only after receipt of an institutional “letter of commitment or intent,” confirming that the organization has satisfied its internal requirements and is committed to the project. “Letter of commitment or intent” is used here consistent with the use of the term in the NIH Grants Policy Statement (NIH GPS, 2010, Part II: Terms and Conditions of NIH Grant Awards - Subpart B, IIB – 232). Therefore, both UW and SCRI will anticipate subcontracts; include appropriate budgetary provisions in the proposal for the prime award; and have these subcontract budgets reviewed by the secondary institution prior to submission of the proposal.
3.1.5 Both the UW and SCRI will use a "standard" subcontract form that has been mutually agreed upon by both parties.

3.2 Staff Assignment Agreements

3.2.3 General Principles:

3.2.3.1 Staff Assignment Agreements shall not be required for individuals who are CUMG members.

3.2.3.2 Each Staff Assignment Agreement covers a specific individual and is not transferable.

3.2.4 Both the UW and SCRI will use the Staff Assignment Agreement form that is attached hereto as Exhibit F.

3.2.5 In Staff Assignment Agreements between UW and SCRI, information on the source of funding is not required (i.e., the source of the funds supporting the salary, such as grant funds, internal funds, etc., need not be detailed and changes in the sourcing of support therefore need not to be memorialized in a modification of the Staff Assignment Agreement). Modification of the Staff Assignment Agreements is only necessary when the total effort or allowable non-personnel expenses (such as tuition and fees) is modified. Staff Assignment Agreements between UW and SCRI will state the total effort and associated costs supported.

3.2.6 Overhead Costs: see Section 6.2 (Financial Terms; Staff Assignment Agreements) below.

3.2.7 Each UW department will have a separate budget through which all of the Staff Assignment Agreements and research support will be captured for that UW department. At UW this is referred to as an “open eGC1.”

3.2.8 Combined Subcontract plus Staff Assignment Agreement

3.2.8.1 Under the following circumstances, a given project will require the issuance of both a subcontract and a Staff Assignment Agreement:

3.2.8.1.1 The Grantee Organization and the Employer are one and the same; and

3.2.8.1.2 The work documented in the Work Site Organization’s subcontract proposal includes effort from an employee that will be conducted entirely in the Work Site Organization’s facilities.

3.2.8.1.3 Example: The UW receives a grant from the NIH that includes a pediatric component. The pediatric component will be conducted at
Seattle Children’s by SCRI. In this example, the Work Site Organization for the SCRI Investigator is SCRI. The SCRI subcontract proposal for this pediatric work includes 5% effort from a UW faculty member without a CUMG membership. Thus, the UW is both the Grantee Organization and the employer of the SCRI principal investigator (PI), but that SCRI PI’s effort will be conducted entirely in SCRI facilities. In this example, the UW, as Grantee Organization, would issue a subcontract to SCRI including the 5% effort for the PI and the parties would then enter a Staff Assignment Agreement for SCRI, as Work Site Organization, to reimburse UW, as Employer, for the PI’s 5% effort.

3.2.8.1.4 A Staff Assignment is not intended to circumvent the subcontract process. The Staff Assignment is only intended to be used when appropriate.

3.2.8.2 Explanatory Example, Matrix – The following table illustrates the different types agreements and the circumstances that would prompt their use:

<table>
<thead>
<tr>
<th>Grantee Organization</th>
<th>SCRI-based activity</th>
<th>UW-based activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW</td>
<td>Subcontract to SCRI</td>
<td>Staff Assignment Agreement for SCRI employees working at UW</td>
</tr>
<tr>
<td></td>
<td>If PI/Investigator is paid by UW, then staff assignment back to UW</td>
<td></td>
</tr>
<tr>
<td>SCRI</td>
<td>Staff Assignment Agreement for UW faculty/employees working at SCRI</td>
<td>Subcontract to UW</td>
</tr>
</tbody>
</table>

3.2.9 Effort Certification

3.2.9.1 Effort Certification is required per federal guidelines, i.e., the Prime Award institution is responsible for meeting effort certification requirements for effort to that Prime Award.

3.2.9.2 More detailed guidelines of Effort Certification requirements can be found in Appendix G.
3.2.10 Staff Assignment Agreement Term/Cycle

3.2.10.1 UW and SCRI generally aim to minimize administrative burden on the parties by aligning Staff Assignment Agreement periods with other events as they may occur at the organization (e.g., the scheduled cycle for pay increases).

3.2.10.2 More detailed guidelines of the objective to do so can be found in Appendix F.

3.2.11 Confirmation of an Employee’s availability to provide effort; Changes to Staff Assignment Agreements.

3.2.11.1 UW and SCRI are committed to coordinated effort management for effort managed under Staff Assignment Agreements and will consult with each other when intended changes affect the operation of the parties.

3.2.11.2 More detailed guidelines of the objective to do so can be found in Appendix H.

4 Procedure for the initiation, execution and renewal of Staff Assignment Agreements

4.1 Initiation

4.1.3 Staff Assignments issued by SCRI will be submitted by SCRI to the appropriate UW Department chair or designee. The UW Department shall be responsible for the preparation of an e-GC-1, and whatever other requirements are in place at UW for the administration of such awards at the time the Staff Assignment Agreement is processed.

4.1.4 Staff Assignment Agreements issued by UW will be submitted to the appropriate SCRI Research Center business manager. The SCRI Research Center business manager will be responsible for processing the agreement in accordance with then-current SCRI policies and procedures.

4.2 Modifications

4.2.3 If a Staff Assignment Agreement becomes inaccurate, a modification should be initiated.

4.2.4 More detailed guidelines of the objective to do so can be found in Appendix H.

4.3 Renewals

4.3.3 Staff Assignment Agreements that renew ongoing arrangements will be processed according to the same procedures applicable to new agreements.

5 Payment Process Provisions
5.1 General Principles:

5.1.3 Payments made under subcontracts shall be governed by the terms of the subcontract.

5.1.4 For Staff Assignment Agreements, the organization making payment to the Employer shall self-initiate payments to the Employer on a predetermined schedule.

5.1.5 The payment shall be issued per institutional payment guidelines.

5.1.6 Payments for Staff Assignment Agreements shall be grouped by the Employer’s organizational units. Those organizational units will generally correspond to departments (UW) and research centers (SCRI).

5.2 More detailed guidelines of the payment provisions can be found in Appendix I.

6 Financial Terms

6.1 Subcontracts:

6.1.3 Subcontracts between the organizations will provide for full reimbursement for the costs of the subcontract, both direct and indirect.

6.1.4 The F&A rate used in subcontracts will be the subcontract recipient’s federally approved F&A rate.

6.1.5 In the event that a Prime Award Sponsor limits the payable F&A rate, the subcontract recipient may or may not agree to conduct the work at a reduced F&A rate, consistent with its own policies and procedures. The extent to which the prospective subcontract recipient conforms to Prime Award Sponsor requirements may affect the prospective subcontract recipient’s subaward eligibility. The F&A rate applicable to a specific project shall be documented with the Institutional letter of commitment or intent (see Section 3, above).

6.2 Staff Assignment Agreements:

6.2.3 UW and SCRI are committed to minimizing the administrative burden on both organizations involved in the management of Staff Assignment Agreement transactions. To that end, the Parties agree to calculating the administrative fee on a percentage of total transaction cost basis, rather than calculating the fee up to a certain cap on a per individual basis.

6.2.4 UW and SCRI agree that administrative fee payments should be calculated on a basis of a percentage of total transaction cost (including salary, fringe, and tuition.
and fees, and non-salary expenses). (This would not include arrangements made with departments to participate in graduate education). More detailed guidelines of the Staff Assignment Agreement administrative fee, including the percentage paid, can be found in Appendix J.

6.3 Collaboration on Financial Issues

6.3.3 UW and SCRI recognize that they share responsibilities with regards to the management of some financial issues.

6.3.4 Issue areas in which the parties wish to develop guidelines for special considerations for collaboration can be found in Appendix K.

7 Recharge Centers

7.1 Services or products purchased by one organization from the other organization’s recharge centers, cores, or other providers shall be made according to the price structure applicable to outside customers.

8 Nothing in this Agreement alters any organization’s guidelines, processes, obligations, or infrastructure applicable to the administration, management, and oversight of sponsored research.

8.1 SCRI’s information can currently be found at http://www.seattlechildrens.org/research/

8.2 UW’s information can currently be found at http://www.washington.edu/research/

9 Intellectual Property

9.1 Nothing in this Agreement affects either party’s rights, obligations, or abilities to administer intellectual property, and nothing in this Agreement constitutes a license to any intellectual property.

10 Term and Termination

10.1 This Agreement shall remain in effect until terminated in accordance with the provisions of this section.

10.2 This Agreement may be terminated by the parties upon mutual written agreement.

10.3 This Agreement may be terminated by one party with no less than 180 days prior written notice, provided however, that the parties will use their reasonable efforts to ensure that termination of this Agreement does not result in adverse business effects for the parties.

11 Dispute Resolution

11.1 Resolution by the Parties. In the event of any dispute under this Agreement, the parties shall first attempt to resolve such dispute on an informal basis. If such dispute cannot be
resolved through such informal process, each party may notify the other parties of its intent to initiate the dispute resolution process pursuant to this section. Any such dispute shall thereafter first be addressed by an ad hoc dispute resolution committee consisting of two (2) members appointed by each of the parties. The dispute resolution committee shall use its best efforts to resolve any such dispute. If any party, in its sole discretion, concludes, at any time more than thirty (30) days following notification to pursue the dispute resolution process, that the dispute cannot be resolved by the dispute resolution committee under this Section 11.1, the parties shall resolve such dispute exclusively in accordance with Section 11.2, et seq.

11.2 Mediation. Mediation may be initiated by any party by notifying the other parties that it desires to pursue mediation but only after a good faith effort by the party seeking mediation to resolve the dispute pursuant to Section 11.1. The parties will mutually agree on a mediator who has expertise in the issue being raised. In the event that a mediator cannot be agreed upon within five (5) business days, the mediator shall be designated by JAMS Seattle, or if JAMS Seattle does not exist, by a successor organization to be agreed upon by the parties. If the parties cannot agree with respect to such successor organization, then the parties shall request that the Presiding Judge of the King County Superior Court, Washington designate a mediator. The parties shall request that the mediator schedule mediation within forty (40) days, unless otherwise mutually agreed to by the parties. The mediator’s fees will be borne equally by the parties.

11.3 Arbitration. If such dispute is not resolved through mediation, the parties shall submit such dispute to binding arbitration. The arbitrator shall be selected in the same manner as described in Section 11.2 relating to the selection of a mediator. The parties agree to submit the dispute to arbitration within sixty (60) days of the date an arbitrator is selected, unless this time period is extended by mutual written agreement. The arbitration shall take place in Seattle, Washington at a location to be agreed upon by the parties, or if the parties cannot agree, as selected by the arbitrator, at such time selected by the arbitrator. The mandatory arbitration rules, as implemented locally, of the King County Superior Court shall be binding as to procedure, except as to the right of appeal, which is not applicable herein. Discovery shall be allowed only as determined by the arbitrator, in his or her discretion. The arbitrator shall follow applicable substantive law. Within fifteen (15) days after the hearing, the arbitrator shall issue a written decision resolving the
dispute. The findings and decisions of the arbitration process shall be final and binding upon all parties to this Agreement. The prevailing party shall be entitled to recover reasonable attorneys’ fees and expenses from the non-prevailing party as part of the arbitration decision.

12 Entire Agreement
12.1 This Agreement represents the entire understanding of the parties with respect to the subject matter hereof. The invalidity or unenforceability of any term or provision of this Agreement shall not affect the validity or enforceability of any other term or provision hereof.

Agreed to:

Thomas N. Hansen, MD
CEO
Seattle Children’s Hospital dba Seattle Children’s Research Institute

Lynne Chronister, MPA
Assistant Vice Provost for Research and Director of Sponsored Programs
Office of Sponsored Programs
University of Washington
UW/SCRI IMPLEMENTATION GUIDELINES

Approved as to form for University of Washington:

[Signature] 6/20/12

Assistant Attorney General

Date
Listing of Appendices

Appendix A: Memorandum of Understanding between the University of Washington and the Children’s Orthopedic Hospital and Medical Center Concerning Grant and Contract Proposals and Awards for Joint Research Projects dated November 4, 1983 (1983 MOU).

Appendix B: Addendum for Services Related to Grants and Contracts (Exhibit I to Agreement for Specialty and Pediatric Inpatient and Outpatient Services, January 1, 2011)

Appendix C: University of Washington Institutional Base Salary

Appendix D: Remittance Supporting Documentation, Sample

Appendix E: Staff Assignment Agreement Term/Cycle

Appendix F: Staff Assignment Agreement Form (form) and Explanatory Graphic to Section 3.2.6., where both Subcontract and Salary Support Agreement is necessary

Appendix G: Effort Certification

Appendix H: Confirmation of an Employee’s availability to provide effort; Changes to Staff Assignment Agreements

Appendix I: Payment Provisions

Appendix J: Financial Terms: Staff Assignment Agreements

Appendix K: Collaboration on Financial Issues
Appendix A: Memorandum of Understanding between the University of Washington and the Children's Orthopedic Hospital and Medical Center Concerning Grant and Contract Proposals and Awards for Joint Research Projects' dated November 4, 1983 (1983 MOU).
MEMORANDUM OF UNDERSTANDING BETWEEN THE UNIVERSITY OF WASHINGTON
AND THE CHILDREN'S ORTHOPEDIC HOSPITAL AND MEDICAL CENTER
CONCERNING GRANT AND CONTRACT PROPOSALS AND AWARDS
FOR JOINT RESEARCH PROJECTS

This Memorandum of Understanding is entered into on the _4th_ day of
November, 1983 between the University of Washington (hereinafter referred
to as "University") and The Children's Orthopedic Hospital and Medical
Center (hereinafter referred to as "COHMC").

The University and COHMC recognize the importance of collaborative research
in areas of common interest. The following guidelines are put forward in
order to facilitate the administration of grant and contract awards arising
from such collaborative research efforts.

There will be joint COHMC-University approval of applications for grant and
contract awards involving University faculty members. Following approval by
the faculty member's department chairman, administrative review by the two
institutions can occur concurrently under the following guidelines:

(1) All proposals and applications for grant and contract awards for which
the COHMC is to be the grantee institution and the University regular
or research faculty listed to provide time to the work shall receive
prior University review and written approval for the faculty member to
be so engaged. The University shall respond within fourteen (14) days
after receipt of such documents from the COHMC.

(2) All proposals and applications for grant and contract awards for which
the University is to be the grantee institution and COHMC personnel are
listed to provide time to the work shall receive prior COHMC review and
written approval for the person to be so engaged. The COHMC shall
respond within fourteen (14) days after receipt of such documents from
the University.

(3) The COHMC and the University shall jointly determine which institution
shall be the recipient of grants or contracts on which regular or
Memorandum of Understanding
University/COBMC
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research University faculty members are principal or co-principal investigators. The usual determining factor will be the primary location of the proposed work. That institution whose facilities and resources are to be utilized to the greatest extent will be the recipient of the award. The major determinant in this case will be allocation of research space. Appropriate subcontracts or similar agreements will be used to provide compensation to the institution with lesser involvement.

(4) Where cost sharing is required by the granting agency, the grantee institution will pay for the required share of the research.

(5) The guiding principles for subcontract arrangements under prime awards held by one of the two institutions are as follows:

(i) Both the University and COBMC will use a "standard" subcontract form of their respective choice, subject to acceptability of conditions to the other.

(ii) Both the University and COBMC will anticipate subcontracts and include appropriate budgetary provisions in the proposals for the prime award.

(iii) Where the prime award is held by COBMC and a subcontract is issued to the University, indirect costs will be included at the University on-campus rate if 50% or more of the effort covered by the subcontract will be in University facilities or at the off-campus rate if more than 50% of the effort is to be off-campus.

(iv) Where the prime award is held by the University and the subcontract is issued to COBMC, indirect costs will be included at the full COBMC rate if 50% or more of the effort covered by the subcontract will be in COBMC facilities or at the appropriate lesser rate if
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University/COHMC

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more than 50% of the work is to be in University facilities.

The two exceptions to the general exceptions in item (iii) are subcontracts which cover only the full or partial effort of a) a regular tenured faculty member, or b) a non-resident graduate student. In such cases, the reimbursement to the University by COHMC need include only the agreed-upon portion of the direct salary plus the related employee benefits.

Any alterations or amendments to the contents of this Memorandum of Understanding must be approved by the written mutual agreement of the parties hereto.

This Memorandum of Understanding shall remain in effect until cancelled by either party upon (30) thirty days written notice to the other party, or upon mutual agreement by both parties.

Approved and Agreed:

University of Washington

By: [Signature]
William C. Richardson
Vice Provost for Research and
Dean of the Graduate School

[Date]

The Children's Orthopedic Hospital
and Medical Center

By: [Signature]
Chief Executive Officer
The Children's Orthopedic Hospital
& Medical Center

[Date]
Appendix B: Addendum for Services Related to Grants and Contracts
(Exhibit I to Agreement for Specialty and Pediatric Inpatient and Outpatient Services, January 1, 2011)
Exhibit I

ADDENDUM FOR SERVICES RELATED TO GRANTS AND CONTRACTS

This Addendum ("Grants Addendum") is executed pursuant to that certain Professional Services Agreement for Specialty and Pediatric Inpatient and Outpatient Services (the "Agreement") among Seattle Children's Hospital ("Children's"), The Association of CHRMC and University Physicians d/b/a Children's University Medical Group ("CUMG"), and the University of Washington ("UW"), including its University of Washington School of Medicine ("UWSOM"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

From time to time, Children's may receive funds from various third parties pursuant to a grant or contract, including agencies of the federal government such as the National Institutes of Health, agencies of the state government such as the Department of Social and Health Services, other governmental entities, for-profit corporations such as drug companies or equipment manufacturers, and other nonprofit organizations including foundations and other grant-making entities such as the Cystic Fibrosis Foundation. All such third parties are referred to collectively in this Grants Addendum as "Granting Entities". Granting Entities may make a primary grant ("Grant") or enter into a primary contract with Children's, or may enter into subgrants or subcontracts with Children's under which Children's performs a portion of the services or activities for which the Granting Entity is primarily responsible. As an example, the National Institutes of Health may award a Grant to Children's to perform a specified research project; the Department of Social and Health Services may award a Grant to Children's to participate in a state-wide Child Abuse Prevention Network. Many Grants call for the services of physicians to serve as scientific or medical experts essential to accomplish the purposes of the Grant. CUMG will provide the physician services required in connection with Grants through Group Physicians identified for each Grant (the "Investigator Services"), on the terms and conditions set forth in this Grants Addendum.

1. **Investigator Services.** Prior to submitting grant applications, Children's will obtain approval from the relevant UWSOM department chair or designee, according to policies and procedures to be agreed upon between Children's and UWSOM. Grants calling for Investigator Services also must be approved through Children's existing grants approval processes. After all the approvals required by this Section 1, CUMG and UWSOM shall cause Group Physicians to furnish Investigator Services for Grants.

2. **Group Physician Qualifications.** In addition to the requirements set forth in Section 3.1 of the Agreement, each Group Physician providing services under this Grants Addendum shall meet any additional training or qualification requirements established by Children's policies and procedures. Such additional requirements may include, by way of example and not limitation, training in human subject protection, biosafety or animal care and use, certification of level of effort for Grants reporting, or compliance with established conflict of interest policies.

3. **Billing and Compensation.** Children's shall submit all requests for payment under any Grant to the relevant Granting Entity. Neither CUMG nor any Group Physician shall submit any
such request for payment. CUMG and UWSOM shall direct each Group Physician providing Investigator Services to comply with all applicable rules and regulations or contractual terms applicable to any relevant Grant, and to complete promptly all records and other documentation as may be reasonably requested by the Granting Entity in connection with the Grant. Children’s shall compensate CUMG for Investigator Services as provided in the approved budgets adopted as part of each Grant (the “Budget”) or to the UWSOM pursuant to the terms of the 1983 Memorandum of Understanding between the University of Washington and Children’s Orthopaedic Hospital and Medical Center concerning Grant and Contract Proposals and Awards for Joint Research Projects. No Grant shall be considered completed or approved without a Budget.

4. **Travel Expenses.** Children’s shall reimburse Group Physicians for reasonable travel expenses in connection with Investigator Services incurred by Group Physicians under this Grants Addendum to the extent such expenses are provided for in the relevant Budget. Group Physicians shall submit reimbursement requests to Children’s for Group Physician travel expenses, after each trip, and Children’s shall reimburse Group Physicians such travel expenses within 30 days of receipt of funds for such purpose from the Granting Entity, or within 30 days of the reimbursement request if Children’s is already holding funds from the Granting Entity.

5. **Term and Termination.** The term of this Grants Addendum shall be one year, commencing on the Effective Date of the Agreement, and shall automatically renew for additional successive one-year terms unless one of the parties provides to the others written notice of its intent not to renew at least 90 days prior to the expiration of the then-current term. Any party may terminate this Grants Addendum for good cause by providing the other parties with at least 30 days written notice. Good cause includes, but is not limited to, the fact that this Grants Addendum is or becomes unsatisfactory to one of the parties. The termination of this Grants Addendum shall not, however, serve to terminate the obligation of CUMG to provide Investigator Services for any Grants entered into prior to the effective date of the termination, and CUMG shall continue to provide such Investigator Services until the parties mutually agree otherwise or the relevant Grant terminates, whichever occurs first.

6. **Full Compliance.** In providing Investigator Services, Children’s shall provide Group Physicians with information regarding the applicable rules and regulations, policies and procedures of Children’s, and the terms of any Grant for which Investigator Services are provided. CUMG and UWSOM shall cooperate with Children’s in efforts to support compliance with these rules, regulations, policies, procedures, and terms.

The undersigned represents and warrants that s/he is duly authorized to execute and deliver this Grants Addendum as set forth below and that this Grants Addendum is binding upon that party in accordance with its terms.
SEATTLE CHILDREN'S HOSPITAL

By: 
Name: Thomas W. Hansen, M.D. 
Title: CEO

THE ASSOCIATION OF CHRMC AND UNIVERSITY PHYSICIANS d/b/a CHILDREN'S UNIVERSITY MEDICAL GROUP

By: 
Name: Robert S. Smear, MD. 
Title: President

UNIVERSITY OF WASHINGTON, including its SCHOOL OF MEDICINE

By: 
Name: Paul G. Romney 
Title: CEO, UW Medicine
Appendix C:

University of Washington Institutional Base Salary

Institutional Base Salary is the annual compensation paid by the University of Washington for an employee's appointment, whether that individual's time is spent on research, instruction, administration, service or clinical activity. Institutional base salary excludes any income that an individual is permitted to earn outside of duties for the University of Washington.

This chart identifies the salary sources and components considered part of the UW IBS. Harborview Medical Center (Harborview) is operated and managed by the UW. Salary support funded by Harborview is considered part of the UW IBS, and time spent at Harborview is included in the faculty work week for effort reporting. Similarly, salary support funded by UW Medical Center (UWMC) or Seattle Cancer Care Alliance (SCCA) is considered part of the UW IBS, and time spent at UWMC or SCCA is included in the faculty work week for effort reporting.

<table>
<thead>
<tr>
<th>IBS includes salary from:</th>
<th>IBS excludes compensation from:</th>
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</thead>
<tbody>
<tr>
<td>Salary Sources</td>
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<tr>
<td>- State</td>
<td>- Veterans Administration Medical Center (VAMC)*</td>
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<tr>
<td>- Grants and Contracts</td>
<td>- Children's Hospital Regional Medical Center (CHRMC)*</td>
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<tr>
<td>- Gifts and Endowments</td>
<td>- Fred Hutchinson Cancer Research Center (FHCRC)*</td>
</tr>
<tr>
<td>- Other UW funds Including local funds and departmental clinical salary paid through the UW system</td>
<td>- Outside Professional Work</td>
</tr>
<tr>
<td>- Clinical Practice Plan Salary Direct salary paid by: UW Physicians (UWP) &amp; Children's University Medical Group (CUMG)</td>
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</tbody>
</table>

| Salary Components | | |
|-------------------|-------------------|
| - Regular Salary (including A/B Salary) | - Excess Compensation (E/C) |
| - Summer Salary | - Temporary Supplement (TPS) |
| - Paid Professional Leave | - Clinical Practice Plan Incentive Production based incentive |
| - Salary for Retired Faculty | - Monthly Additional Compensation (MAC) & Semi-Annual Additional Compensation (SAAC) |
| | Cl\inal Practice Plan Guaranteed Additional Compensation |
| | - Dental Clinical Practice Plan Incentive |
| | - Administrative Supplements (ADS) |
| | - Endowed Supplement (ENS) |

* Paid direct by those organizations
Appendix D: Remittance Supporting Documentation, Sample
### Monthly Remittance Report By Division

**Children's Grant/Contract/Special Fund Support**  
**Calendar Month Ending April 2010**  
**For All Reporting Groups**

<table>
<thead>
<tr>
<th>Group</th>
<th>Division</th>
<th>Emp#</th>
<th>Affiliate Name</th>
<th>Act</th>
<th>Activity</th>
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<th>Cap</th>
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<th>End Date</th>
<th>Unit</th>
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**Subtotals**

**Total Due to UW Psychology**

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<tr>
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<th>Division</th>
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<th>Due</th>
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</tbody>
</table>

**Subtotals**

**Total Due to UW Psychology**

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(✓) means new this month
Appendix E: Staff Assignment Agreement Term/Cycle

Staff Assignment Agreements shall typically be for a term of one year. Where reasonably possible, such agreements should be aligned with the Employer’s payroll cycle such that the salary information identified on the Salary Support Agreement will remain correct and accurate for the life of the agreement.

When the Employer is UW, the desirable agreement period shall generally be July 1 through June 30. When the Employer is SCRI, the desirable agreement period shall generally be November 1 through October 30.
Appendix F: Staff Assignment Agreement Form and Explanatory Graphic to Section 3.2.6., where both Subcontract and Salary Support Agreement is necessary
UW/SCRI Staff Assignment Agreement (form)

Employee Name: 
Employee Title: Admin. Contact: 

Employer: University of Washington
Seattle Children’s Research Institute

Agreement Number:
Agreement Type: ☐ New ☐ Modification
Agreement Period Start:
Agreement Period End:

This agreement between the Seattle Children’s Research Institute (SCRI) and the University of Washington (UW), governs the transfer between the parties of salary expenses for the above named individual to perform the work described herein, is entered into pursuant to the terms of the Implementation Guidelines (MM/DD/YY) signed and as subsequently amended. The terms and conditions of the Implementation Guidelines govern this agreement.

The employee named above is hereby assigned by his/her employer to perform unspecified work at and for the Work Site Organization.

Salary Details:
% Effort
Institutional Base Salary: $ 
Fringe Benefits (Rate: ______): $ 
Subtotal Direct Cost: $ 
Administrative Fee (XX% of Subtotal Direct Cost): $ 
Total Salary Support Cost $ 

<table>
<thead>
<tr>
<th>Employer</th>
<th>Work Site Organization</th>
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<tbody>
<tr>
<td>By signature below, the Employer confirms that the employee is authorized to conduct the work contemplated under this agreement for, and as directed by, the Work Site Organization and that the IBS and fringe benefit rate specified are correct and accurate.</td>
<td>By signature below, the Work Site Organization agrees to reimburse Employer an amount not to exceed the amounts for the specified effort contributed by the Employee.</td>
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Explanatory Graphic to Section 3.2.6., where both Subcontract and Salary Support Agreement is necessary.
Appendix G: Effort Certification

Subcontracts
When a subcontract mechanism is utilized, the responsibility to obtain effort certification for effort charged to the subaward generally transfers to the subaward recipient. The subaward agreement will specify whether this responsibility transfers under each specific subaward agreement.

Staff Assignment Agreements
All Staff Assignment Agreements contemplated under this Agreement contain information on the total amount of support for an individual and do not contain information on the source of funding (i.e., the source of the funds supporting the salary, such as grant funds, internal funds, etc., is not detailed).
To meet effort certification requirements, including federal requirements, Effort Certification remains the responsibility of the Prime Awardee issuing the Staff Assignment Agreement. The responsibility for certifying effort does not transfer to the Employer.
Appendix H: Confirmation of an Employee’s availability to provide effort; Changes to Staff Assignment Agreements

Confirmation of an Employee’s availability to provide effort
In cases where the organization issuing the Staff Assignment agreement intends to engage in activity that will entail modification to an active Staff Assignment Agreement, the Work Site Organization shall obtain confirmation of the Employee’s ability to provide the additional time from the appropriate administrator of the Employer prior to submission of proposal (for extramurally funded projects) or effecting the contemplated change (for other sources of support).
Email or letter from the appropriate administrator to the proposing PI or proposing PI’s administrator constitutes sufficient Employer approval.
It is the responsibility of the proposing PI to obtain this documentation.

Changes/Modifications

Generally, Staff Assignment Agreements require modification only when the Employee’s overall level of effort supported under the Agreement or Institutional Base Salary changes.

No changes in payments to the Employer shall be implemented until a modified Staff Assignment Agreement has been executed.
Appendix I: Payment Provisions

Payments shall be accompanied by supporting documentation that delineates (1) the Employee’s name, (2) Institutional Base Salary, (3) supported effort, (4) payment amount for salary and benefits, and (5) benefits rate used in the calculation of benefits costs.

If a payment error, in the form of a deviation from a then effective Staff Assignment Agreement, is detected in payments from SCRI to UW or from UW to SCRI, notice about the error shall be provided to SCRI Office of Research Finance (ORF). ORF shall, to the extent appropriate, cause a correction. To the extent reasonably feasible, the correction to the payment made shall be made with the subsequent payment.
Appendix J: Financial Terms: Staff Assignment Agreements

The percentage rate at which administrative fees on Staff Assignment Agreement costs shall be paid is 4%.
For the purposes of calculating the administrative fee, Staff Assignment Agreement costs shall include salary, fringe, and eligible non-personnel expenses.
Appendix K: Collaboration on Financial Issues

Institutional Base Salary (IBS) adjustments
IBS is subject to adjustments due to merit increases, promotions, and similar events. These adjustments do not require coordination. They may require an Employer request to the other organization to modify the Staff Assignment Agreement.
Material adjustments to IBS, such as addition of an Administrative Supplement (ADS), for which the party who is not the Employer will become fully or partially liable, shall be coordinated between the parties to the extent reasonably possible.