

AFFILIATION AGREEMENT

THIS AMENDED AND RESTATED AFFILIATION AGREEMENT is entered into as of the 1st day of July, 2007, by and among the Commonwealth of Kentucky, University of Louisville, acting through its Board of Trustees ("University"), and University Medical Center, Inc., a Kentucky nonprofit corporation ("UMC").

WHEREAS, University issued a Request for Proposal No. LN-208-95 (the "RFP") seeking proposals for the operation and management of the University of Louisville Hospital ("Hospital") and Related Facilities (collectively "ULH") and UMC submitted a timely response thereto; and

WHEREAS, University evaluated the proposals received in response to the RFP and on October 16, 1995 the University Board of Trustees determined that it was in the best interest of University to select the proposal submitted by UMC; and

WHEREAS, the parties have entered into a letter of intent concerning such proposed transaction, dated October 6, 1995 and executed by University on October 16, 1995 ("Letter of Intent");

WHEREAS, University is authorized to enter into contracts for financial and management services pursuant to KRS § 164A.560 and 740 KAR Chapter 1;

WHEREAS, certain entities which were parties to the Affiliation Agreement have terminated their participation in the Affiliation Agreement effective July 1, 2007;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties set forth above hereby agree as follows:

1. SCOPE AND PURPOSES OF AFFILIATION

UMC will lease, operate and manage ULH, subject to the terms and conditions of this Agreement and applicable Ancillary Agreements.

Among the purposes of the affiliation are to advance the following purposes, consistent with the terms herein:

- [i] To provide resources and support so that Hospital can be sustained and enhanced as a state-of-the-art facility providing high-quality healthcare to patients;
- [ii] To enhance competition by enabling Hospital to compete more effectively with for-profit and non-profit multi-hospital systems that have developed regional networks;

- [iii] To sustain and enhance University's education and research in medicine and related health science center programs;
- [iv] To provide a stable mechanism for providing and funding high-quality patient care to the indigent population in Hospital's service area;
- [v] To maximize the use of available resources in providing high quality, affordable healthcare to the public.

2. DEFINITIONS

The following terms shall have the meanings indicated:

"ACB" means the Ambulatory Care Building (except clinical and academic space reserved to the University, as identified on Schedule 2A).

"Affiliates" means as to a party hereto, any corporation or other entity which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such party.

"Ancillary Agreements" mean the Lease Agreement and QCCT Agreement.

"Best Efforts" means, as to a party hereto, an undertaking by such party to perform or satisfy an obligation or duty or otherwise act in a manner reasonably calculated to obtain the intended result by action or expenditure not disproportionate or unduly burdensome in the circumstances. Best efforts does not mean that a party will be required to institute litigation or arbitration as part of its best efforts.

"Brown Cancer Center" means the James Graham Brown Cancer Center (except academic and research space reserved to University as identified on Schedule 2B).

"Cabinet for Finance" means the Commonwealth of Kentucky Cabinet for Finance and Administration.

"CCB" means the Concentrated Care Building.

"Code" means the Internal Revenue Code of 1986, as amended, and all Laws promulgated pursuant thereto or in connection therewith.

"Control" means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by agreement, membership or otherwise).

"Downtown Medical Center" means the current and future efforts of the governing bodies of Louisville and Jefferson County to develop improved rationalization and coordination among healthcare providers in the downtown Louisville area or, where the context

requires, the geographical location of the facilities of such providers in the downtown Louisville area shown generally on Schedule 2.

“Faculty” means full-time and part-time physician-employees and gratis members of the School of Medicine who participate in the School of Medicine teaching programs.

“Galen” means Galen of Virginia, Inc., the prior operator of the Hospital.

“Health Sciences Center” means University’s Schools of Medicine, Dentistry and Nursing and College of Health and Social Sciences.

“Hospital,” when not further qualified, means the University of Louisville Hospital and Related Facilities.

“including” means including but not limited to.

“Indexed” means the amount specified herein for a particular item in the first year increased or decreased annually thereafter by the percentage increase or decrease in average Faculty or resident salaries at University.

“Initial Term” is defined in Section 25.1.1.

“ISC” means the Institutional Services Center.

“Lampton Building” means that two-story brick building located on that tract of land described in Paragraph 1 of the Lease Agreement.

“Laws” means all federal, state and local statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, awards (including awards of any arbitrator), judgments and decrees applicable to the relevant entity and to the businesses and assets thereof including the sale, leasing, ownership or management of real property; building standards; land use and zoning; safety, health and fire prevention; environmental protection; employment practices terms and conditions; civil rights; provision of institutional or professional health services; and charging or receiving fees or remuneration.

“Lease Agreement” means that certain Lease Agreement of even date herewith by and between Commonwealth and University, as landlord, and UMC, as tenant.

“New Program” means (i) signing by University of, or approved use of the University name in, any application for a certificate of need (“CON”) or other filing required for regulatory approval for a hospital-based service, technology or equipment; (ii) assignment by University of additional residency training positions to support a discrete new clinical service or treatment; or (iii) leadership of a service by a member of the full-time Faculty, created through a formal relationship between University and a hospital.

“Prior Agreements” means the agreements listed on Schedule 2C hereto by and among Galen, University and Commonwealth for the management and operation of Hospital.

"QCCT" means the funding mechanism for indigent care operated currently pursuant to that Second Amendment to Quality and Charity Care Trust Agreement entered into among Jefferson County, the City of Louisville, University, Commonwealth and Galen as such mechanism may be adjusted to account for the execution of this Agreement and the replacement of Galen by UMC as the operator of the Hospital, and as the same may be altered by further agreement of the parties.

"Related Facilities" means (i) the CCB, (ii) the ACB, (iii) the ISC, (iv) the parking structure located above the ISC, (v) the Lampton Building, (vi) the Brown Cancer Center, (vii) and fixtures, equipment and other personal property owned by the University currently located and used in the operation of the foregoing.

"RFP" means the Request for Proposal No. LN-208-95 issued by University seeking proposals for the operation and management of the Hospital and Related Facilities.

"School of Medicine" means the University of Louisville School of Medicine.

"ULH" or "ULH Facilities" means the Hospital.

"UMC" means University Medical Center, Inc.

"UMC Proprietary and Confidential Information" means all information that relates to or is used in connection with the business and affairs of UMC (that does not otherwise constitute University Proprietary and Confidential Information) including computer programs, any and all operating manuals or similar materials, policies and procedures, administrative, advertising and marketing materials and other information utilized by UMC in the performance of its obligations under this Agreement or Ancillary Agreements. UMC shall have no obligation to identify specifically UMC Proprietary and Confidential Information. UMC Proprietary and Confidential Information shall exclude any information (i) which is already known by the disclosing person, (ii) which is a matter of public knowledge, (iii) which has heretofore been or is hereafter published in any publication for public distribution, or (iv) which was filed as public information with any governmental authority, except to the extent such information was made public as a result of the act or omission of University, including any breach of an agreement of confidentiality.

"University Proprietary and Confidential Information" means all information that relates to or is used in connection with the business and affairs of University and including its ownership of Hospital and which is not also UMC Proprietary and Confidential Information. University shall have no obligation to identify specifically University Proprietary and Confidential Information. University Proprietary and Confidential Information shall exclude any information (i) which is already known by the disclosing person (ii) which is a matter of public knowledge, (iii) which has heretofore been or is hereafter published in any publication for public distribution, or (iv) which was filed as public information with any governmental authority, except to the extent such information was made public as a result of the act or omission of UMC including any breach of an agreement of confidentiality.

3. LEASE AND OPERATION OF ULH FACILITIES

Contemporaneously with the execution and delivery of this Agreement, Commonwealth and University as "Lessor" have agreed to lease to UMC as "Lessee" ULH on the terms and conditions of the Lease Agreement, substantially in the form of Exhibit 3 attached hereto and incorporated herein. The parties specifically affirm that the sole purpose of the Lease is to operate ULH in conformity with this Agreement, that the Lease is an integral part of the overall agreement set forth herein the provision of support by UMC to University for education, research, indigent care, and that accordingly, the rights and obligations of UMC as Lessee of ULH shall be as set forth herein and in the Lease, rather than as conventionally applied in Lessor/Lessee transactions.

4. GOVERNANCE OF UMC

UMC was organized on June 27, 1995 by Jewish Healthcare and St. Mary's Healthcare ("JHHS") and Norton Healthcare Services, Inc. (formerly known as Alliant Healthcare Services, Inc. ("AHS")) as a Kentucky nonprofit corporation for the purpose of responding to the RFP and, if successful, providing the operation and management services relating to ULH as contemplated in this Agreement. JHHS and AHS have withdrawn from membership in UMC effective May 1, 2007.

4.1 Bylaws of UMC

Contemporaneously with the execution and delivery of this Agreement, the Bylaws of UMC have been amended and restated in their entirety as set forth in Exhibit 4.

4.2. Strategic Plan

UMC will develop a strategic plan to achieve, among other things, timely implementation of the programs and achievement of the objectives described and/or contemplated in this Agreement. It is not the intent of this Agreement to define all of the components or the boundaries of a strategic plan. The strategic planning process and the implementation of plans developed in that process will continue throughout the term of this Agreement. However, the parties do agree that the initial plan will address at least the following issues:

- [i] An Emergency Services and Trauma Center Plan will be developed and implemented that will utilize world-class trauma centers with regional trauma networks as benchmarks. The Emergency Services and Trauma Center Plan will address, among other things the following:
 - [a] integration of appropriate JHHS and AHS affiliated hospitals and emergency rooms into the regional trauma network built around ULH;
 - [b] consolidation of the air medical services of University, JHHS and AHS to improve service, increase efficiency and expand the covered geographic area;

- [c] use of telemedicine to promote coordination and education of regional providers;
 - [d] development of a coordinated trauma network service with all central, southern and western Kentucky EMS providers to build a referral network and strengthen the teaching and educational programs in trauma care and emergency medicine; and
 - [e] the identification of space and procedures that can be utilized to provide medical care to patients requiring urgent, but non-emergency care in a more efficient and more responsive setting.
- [ii] The need and location for additional academic space.
 - [iii] The identification of programs, including New Programs, that have the potential to benefit the community and to become viable programs for the Hospital.
 - [iv] The analysis of the existing ACB Report (as defined in Section 12.3 hereof) and necessary renovation and restructuring of the ACB.
 - [v] The development of strategies and solutions for addressing indigent care needs funded by the QCCT.
 - [vi] The development of an appropriate method to provide primary healthcare, the development of a partnership for the operation of the ACB clinics with the ability to market those clinics as a part of the networks in which JHHS and AHS participate.
 - [vii] The integration of the University Schools of Medicine, Dentistry and Nursing and the University College of Health and Social Services into the operations of (a) the Hospital and (b) services provided by JHHS and AHS' network of hospitals.
 - [viii] The development of primary care practices and clinics with University Departments of Family and Community Medicine and Medicine and Pediatrics.
 - [ix] The development of an integrated medical informatics system.

UMC will promptly appoint the necessary groups to develop the strategic plan and its various components. Those groups will include members of the University Faculty, University representatives and UMC management and, when appropriate, physicians who are not members of the University Faculty, state and local government representatives, consultants and others. The planning process will proceed expeditiously and components of the plan will be submitted for approval and implementation when appropriate without waiting for completion of the final plan. UMC will use its Best Efforts to see that all projected plan completion and implementation dates identified in the Letter of Intent are met.

4.3. Operating Budget

UMC will develop annual operating budgets.

5. ACADEMIC PROGRAMS GENERALLY

5.1 Generally

5.1.1 Hospital Role. The parties agree that the Hospital shall serve as the principal adult teaching hospital of University and shall be available for teaching, research and clinical care programs of the University Schools of Medicine, Dentistry Nursing and Public Health plus residency programs and other programs mandated by state law. UMC and University each will use its respective Best Efforts to keep the Hospital and its associated programs fully licensed and accredited as needed effectively to conduct its business and programs. No training programs or rotations will operate at the Hospital or any Related Facility without the prior written consent of University. In performing such functions, UMC and University each will use its respective Best Efforts to establish good cooperative relationships with members of the Faculty, community physicians, sources of referrals, other healthcare facilities and with the community generally.

5.1.2 Integration of Health Sciences Center. UMC and University each will use its respective Best Efforts to fully integrate the programs and activities of the University Schools of Medicine, Dentistry, Nursing, and Public Health into the operations of the Hospital.

5.1.3 Downtown Medical Center. UMC and University each will use its respective Best Efforts to cause the Hospital to cooperate with and participate in the development of a coordinated Downtown Medical Center, to strengthen medical education and optimize specialty and high-technology programs, expertise and investment for the Commonwealth, subject, however, to the cooperation and participation of University, JHHS, AHS and relevant governmental entities.

5.1.4 Other Hospitals. The parties acknowledge that University Faculty may admit patients to, and provide patient care at, any of the Downtown Medical Center hospitals at which they hold admitting privileges, based upon the Faculty's professional medical judgment, recommendations of referring physicians, the patient's medical needs and the availability of beds and needed medical services.

5.2 Location of Programs

UMC consents to and shall cooperate with University to maintain the present location of the training programs and University activities listed on Schedule 5.2 unless UMC and University otherwise agree. UMC shall not, without the prior written consent of University, withdraw any training program from the Hospital.

6. ACADEMIC PROGRAM ENHANCEMENT

6.1 Enhancement of Trauma Center

6.1.1 Generally. UMC will use its Best Efforts promptly to develop a state-of-the-art regional trauma network with the Hospital emergency room as the hub of this trauma network. The trauma center will be enhanced consistent with the Trauma Center Plan developed and implemented consistent with the provisions of Section 4.2 hereof.

6.1.2 Accreditation of Required Programs. UMC, in cooperation with University, will use its Best Efforts to (i) maintain the current licensure and accreditation of Hospital cardiac programs, which licensure and accreditation are required of a Level 1 Trauma Center, and (ii) maintain certification (including by JCAHO) of the Hospital as a Level 1 Trauma Center.

6.2 Marketing of Leading Programs

UMC will use its Best Efforts to market the Hospital and its programs, (including particularly, the Hospital Trauma Center, Adult Burn Center, Oncology and other services for which the Hospital has more intensive service capacities than most other regional facilities). Such marketing efforts will include attempting to obtain managed care contracts, coordination with other community providers and physicians, and consumer information efforts.

6.3 School of Medicine

University acknowledges that UMC's ability to maintain or enhance current programs and to enhance new programs is dependent upon University's ability to provide high quality, accredited programs. University will use its Best Efforts to maintain accreditation of existing programs and obtain accreditation for new programs of the University Schools of Medicine, Dentistry and Nursing and Public Health with appropriate accreditation bodies.

7. NEW PROGRAMS

7.1 Programs at ULH

UMC and University each will use its respective Best Efforts to develop and implement New Programs at the Hospital subject to the consent of the University and pursuant to a strategic plan to be developed by UMC as referenced in Section 4.2 hereof. Upon execution of this Agreement, UMC agrees to initiate the strategic planning process to identify programs that have the potential to benefit the community and to become viable New Programs for the Hospital. Faculty participation in this strategic planning process will include both department chairs and other Faculty, with appropriate consultative processes for Faculty active at Hospital. Hospital shall be the principal adult teaching hospital affiliate of University. UMC will propose New Programs at the Hospital that are of interest to University, or will respond to proposals from University, based upon feasibility and financial resources generated by the Hospital or the program. When New Programs are proposed at Hospital, in each case, University and UMC will agree upon the level and duration of exclusive support to such New Programs. If University

identifies a New Program of Hospital, it shall first request that UMC appropriately support such proposed New Program. UMC and University each will use its respective Best Efforts to have one significant New Program, endorsed by the University and agreed to by UMC, fully operational by March 1, 1998.

8. MEDICAL STAFF

8.1 Medical Staff

Appointments to the Hospital's medical or professional staff (the "Medical Staff") shall be limited to (a) physicians who are members of University School of Medicine faculty or (b) other licensed health professionals who lawfully can be and are granted such privileges. University will use its Best Efforts to recruit qualified physicians to become members of its Faculty and will cooperate with Hospital to process applications for Faculty status based upon submission of documentation by the medical staff of Hospital to the appropriate University department. In granting gratis faculty appointments, University shall not arbitrarily or unreasonably discriminate against any applicant with qualifications substantially comparable to the type of physicians appointed or reappointed to the Faculty in the same department in the past five years; provided, however, that the applying physician must agree to participate in the University's teaching programs in a manner consistent with existing Departmental criteria.

8.2 Chiefs of Services

The Dean of the University School of Medicine or his designee shall serve as the Chief of the Hospital Medical Staff. A physician may be appointed as a Chief of Service, Medical Director or Clinical Department Head in the Hospital only if he or she is the corresponding University department chair, unless the Dean of the University School of Medicine otherwise approves.

8.3 Hospital-Based Faculty Arrangements with Other Facilities

Hospital-based physician faculty may contract with other hospitals only after obtaining approval of UMC, which will not be unreasonably withheld, and approval by the Dean of the University School of Medicine. It will not be unreasonable to withhold approval if such arrangement significantly interferes with staffing of Hospital for Hospital-based physician services or conduct of University's academic programs.

9. PATIENT POLICIES

9.1 Teaching Patients

All patients admitted to the Hospital shall be considered medical teaching patients unless the attending physician feels that the patient's participation in the teaching program may adversely affect the patient's condition. The attending physician must give Hospital administrator written notice of the reason for non-availability of the patient for the teaching program and must note the patient's non-availability for the teaching program and the reason on the patient's medical record.

10. [INTENTIONALLY OMITTED]

11. FINANCIAL TERMS

11.1 Generally

UMC will be responsible for the operations of the Hospital and as such shall be entitled to all revenues and liable for due payment of all expenses. , Any surplus will either be reinvested in the operation of the Hospital or distributed to the University for enhancement of its medical school or other Health Sciences Center programs, as provided herein.

11.2 Operating Expenses and Losses

11.2.1 Payment of Expenses. Revenues from the operation of ULH will be used to pay ULH operating expenses (including adequate reserves) and to make interest and principal payments when due in connection with borrowings for the benefit of ULH. UMC will charge no management fee to the University for the services provided hereunder.

11.2.3 Operating Losses. UMC as an entity will bear responsibility for all losses resulting from the operation of ULH to the extent such losses are not covered by guarantees of borrowings, financings, surplus distributions, and QCCT funds or other sources, as provided in this Agreement.

11.3 Lease Payments

In consideration for the use of ULH Facilities pursuant to the Lease Agreement, UMC will pay University lease payments as provided in the Lease Agreement.

11.4 Surplus Contribution

11.4.1 Contribution of Surplus Cash Flow. UMC will contribute and pay to University the Surplus Cash Flow arising throughout the term of this Agreement. For purposes of this Agreement "Surplus Cash Flow" shall mean net cash, remaining after customary operating (including any reserves), investing, and financing activities. Surplus Cash Flow shall be calculated in a Statement of Cash Flow prepared by UMC's independent certified public accountants in accordance with GAAP. Payments of Surplus Cash Flow shall be made by UMC to University (a) on January 1 and July 1 of each year of the Term based on a good faith estimate of half of the Surplus Cash Flow existing on such date, and (b) within one hundred twenty (120) days following the end of the UMC fiscal year based on Surplus Cash Flow as reflected on the audited financial statements (less amounts previously paid to UMC in the semi-annual estimated payments).

11.4.2 Excess Contributions. Any Surplus Cash Flow contributions made to University shall be used by the University to support the Hospital and/or the School of Medicine and/or the Health Sciences Center. The University shall develop a statement of use of funds that describes, in reasonable detail, the planned uses by the University of the Surplus Cash Flow and submit same to the UMC Board for review and comment not less than sixty (60) days prior to implementation, provided that this shall not prevent the University from changing its use of

funds due to changed circumstances. University will, not less than annually, report to the UMC Board the status of programs or projects funded with Surplus Cash Flow.

11.4.3 Future Years. UMC will make necessary ongoing capital expenditures to maintain attractive facilities to sustain and enhance the Hospital as a state-of-the-art facility providing high-quality healthcare to patients in accordance with an approved UMC business plan.

12. FACILITIES ENHANCEMENT

12.1 Generally

12.1.1 UMC Commitment. UMC commits \$35,000,000 for Hospital and Related Facility renovations, construction and equipment projects in the first year of this Agreement. In each of the second and third year of the Agreement, UMC commits an additional \$5,000,000 to be allocated through UMC's strategic plan. UMC will also consider additional capital commitments for additional projects as they are developed by UMC and University.

12.1.2 Facility Enhancement Project. Subject to the prior approval by University of plans and specifications, and receipt of any necessary regulatory approvals, UMC agrees (within the financial commitment set forth in § 12.1.1) to undertake the following projects (collectively, the "Facility Enhancement Projects") (as more particularly described on Schedule 12.1.2, which schedule shall include details of each project and estimated time frames for completion of each Facility Enhancement Project).

- [i] Expansion and renovation of Hospital emergency room;
- [ii] Renovation of Brown Cancer Center and acquisition of equipment;
- [iii] Expansion of Hospital intensive care unit;
- [iv] Renovation of the ACB;
- [v] Renovation of Hospital;
- [vi] Development of a state-of-the-art management information system; and
- [vii] Other projects identified in the Hospital strategic plan developed by UMC.

12.1.3 Commitment for Maintenance of Facilities and Provision of Parking Sites. UMC commits to maintain safe and attractive facilities. UMC also agrees to include, when applicable, additional parking in any site development plan prepared for any of the Facility Enhancement Projects or other projects developed by UMC to enhance the Hospital or Related Facilities.

12.1.4 Approval of Facility Alterations. The Lease Agreement shall contain provisions assuring reasonable approval rights to University for any and all structural alterations,

demolitions, additions, replacement, modifications, enhancements or other significant changes to the ULH Facilities.

12.2 Emergency Room

UMC and the University will promptly develop a state-of-the-art regional trauma center with the Hospital emergency room (the "Emergency Room") as the hub, as more particularly described in Section 4.2 above. To accommodate the increase in patient volume in the Emergency Room resulting from the establishment of this regional trauma center, UMC, with the assistance of University, will reconfigure and renovate the Emergency Room, pursuant to the Emergency Services and Trauma Center Plan referenced in Section 4.2.

12.3 Ambulatory Care Building

On or before March 23, 1996, University will use its Best Efforts, with the assistance of UMC, to obtain all analyses, reports, studies, plans and specifications, and drawings prepared by consultants regarding the renovation and restructuring of the ACB (the "ACB Report") to assist the planning process referenced in Section 4.2 hereof. Upon completion of the ACB component of the Strategic Plan and the approval thereof by UMC, UMC will implement the ACB Strategic Plan as soon as feasible. Funding for the renovation of the ACB shall be as provided in Section 12.1 hereof.

13. INDIGENT CARE; QCCT

13.1 Indigent Care

UMC recognizes that ULH must continue to serve the indigent and medically needy adult population in the ULH service area regardless of their ability to pay. The principal funding mechanism for ULH indigent care shall be the QCCT. Subject to funding of QCCT, (i) all adult patients requiring inpatient medical care shall be admitted to the Hospital without regard for the patient's ability to pay for any or all inpatient hospital services provided by Hospital, and (ii) appropriate adult outpatient services of Hospital shall also be provided by Hospital without regard for the patient's ability to pay for the services.

13.2 QCCT Matters

13.2.1 Funding; Termination The parties anticipate that the QCCT shall continue substantially in its current form; provided, however, if the QCCT is not funded as therein provided or if the parties are unable to agree to a substitute arrangement within ninety (90) days of such failure UMC, or University may terminate this Agreement upon written notice to the other parties hereto and to the parties to the QCCT Agreement, provided, any such termination shall be done in good faith.

13.2.2 Indigent Care. Throughout the term hereof, University and Commonwealth shall continue to abide by their respective obligations with respect to the QCCT as set forth in the QCCT Agreement attached hereto as Exhibit 14. Assuming that the QCCT is fully funded by the government contributors thereto as contemplated, UMC shall accept full financial

responsibility for providing medically necessary indigent care to adults at ULH in excess of amounts available from the QCCT to fund such indigent care. In the event QCCT funds are fully utilized, UMC shall continue to provide medically necessary indigent care at ULH to the indigent and medically underserved adults.

14. [INTENTIONALLY OMITTED]

15. REGULATORY APPROVALS

The parties shall fully cooperate in obtaining any regulatory approvals, comments or waivers required to effectuate this Agreement and the transactions contemplated herein.

16. STANDARDS OF PERFORMANCE

16.1 UMC Compliance to the Law and Standards

In performing administrative and management services and all other services required by this Agreement and other agreements contemplated herein, UMC will [i] comply in all material respects with all applicable Laws; [ii] provide such services in accordance with generally recognized standards for the operation of a high-quality tertiary care hospital that is part of an academic medical center, whose missions include teaching, research, clinical care and community service; and [iii] exercise reasonable care and prudence in operating the ULH Facilities in accordance with this Agreement and other agreements contemplated herein.

16.2 University Compliance with Law and Standards

University acknowledges that UMC's ability to provide certain services to the standard set forth above is, in part, dependent on the University's operation of a high quality medical school and the University agrees that it will [i] comply in all material respects with all applicable Laws; [ii] provide teaching, research and clinical care programs at a level generally recognized as meeting the standard for a high-quality medical school directly affiliated with a tertiary care hospital that is operated as part of an academic medical center; and [iii] exercise reasonable care and prudence in the services it, and its Faculty, provide the Hospital.

16.3 Accreditation

UMC agrees to use its Best Efforts keep Hospital and its current associated hospital programs fully licensed and accredited by hospital licensing and accreditation agencies, and University shall cooperate in such efforts.

16.4 Cooperation

In performing hereunder, UMC shall use its Best Efforts to establish good cooperative relationships with Faculty [both full time and gratis] community physicians, sources of referral, other facilities, and with the community generally.

17. FINANCIAL REPORTS AND ACCOUNTABILITY

17.1 Financial Statements

UMC will present to University and Commonwealth reports on the financial condition of Hospital on the basis set forth below as well as such other reports that University or Commonwealth may reasonably request, including statements reasonably necessary to substantiate calculations under § 11. UMC will also provide such reports as may be required by any regulatory agency having jurisdiction over the operations of Hospital. All financial reports and information provided by UMC to University and Commonwealth may be subject to an audit by certified public accountants employed by University or Commonwealth.

The reports required to be delivered to University and Commonwealth under this Section 17.1 are as follows:

- [i] Within twenty (20) business days after the close of each month, an unaudited balance sheet and related statement of revenues and expenses, and a cash flow statement showing the financial condition and results of Hospital's operations for the preceding month and a management report on the performance of Hospital for the preceding month in a form reasonably acceptable to University and Commonwealth; and
- [ii] Within one hundred thirty (130) days after the close of each year, a balance sheet and related statement of revenues and expenses, and a cash flow statement showing the financial condition and results of Hospital's operations during that year and a management report on the performance of Hospital for that year. The annual financial statements shall be audited by an independent national firm of certified public accountants experienced in auditing financial statements of non-profit hospitals selected by UMC's Board of Directors.

UMC may decide to use a short year (from the Effective Date to December 31, 1996) for financial reporting purposes in order to transition to a calendar year.

17.2 UMC Certification

After receipt of its audited financial statements, upon the request of University, UMC will certify to University and Commonwealth, annually with respect to ULH [i] the amount of Surplus Cash Flow, [ii] net patient services revenues, [iii] operating costs and expenses, [iv] debt balances, [v] interest expense, [vi] interest rate, [vii] management expenses, and [viii] such other matters as University may reasonably request with respect to compliance of UMC and its Affiliates with the terms and conditions of this Agreement and all agreements related thereto.

17.3 Statement of Payments to University, Faculty, Employees, and Affiliates

UMC shall, within one hundred twenty (120) days after the close of each year, notify University of any payments known to UMC to be made by UMC or any of its Affiliates and agents to [i] University employed, but not gratis, Faculty, [ii] University employees, or [iii] any entity under the control of or for the benefit of University employees or Faculty.

17.4 Inventory of Assets; Listing of Contracts and Obligations

Upon the request of any party, but in no event more frequently than one time per year, UMC will provide (a) a schedule of Hospital's capital assets, having a cost of more than \$1,000, listing for each such capital asset [i] location, [ii] acquisition date, [iii] item identifier or description, [iv] current depreciated cost, and [v] remaining depreciation period and/or (b) a schedule of outstanding leases, maintenance contracts, or other contracts or liabilities that are an obligation of Hospital.

17.5 Audit by QCCT

Nothing contained in this Section 17 shall limit QCCT audit and verification rights by its auditors.

17.6 UMC Certifications

All certifications by UMC required pursuant to this Agreement shall be certified by UMC's Chief Executive Officer and Chief Financial Officer and shall be subject to verification by an independent audit.

17.7 University Accounting

Reasonably promptly after June 30 and December 31 of each calendar year, University will provide UMC with a summary of expenditures by University of funds received from UMC. This shall include such detail as UMC reasonably requests from information possessed by University, consistent with University's confidentiality or other legal obligations. UMC shall have the right, not more than once annually, to examine the expenditures by independent audit. These reporting and audit rights do not confer any approval rights.

18. TAX CONSIDERATIONS

The parties acknowledge that the operation of Hospital by UMC upon the terms and conditions stated in this Agreement and the other agreements contemplated herein are intended to have no material adverse impact on the tax exempt status of University, or UMC, nor have any other substantial adverse effects on either of them. The parties further acknowledge that this Agreement may need to be restructured from time to time in order to provide optimal tax benefits to the parties; provided, however, that any such restructuring must be made on an economically neutral basis for each party. The parties agree to amend the terms of this Agreement from time to time in order to achieve these optimal tax benefits on an economically neutral basis whenever a party reasonably establishes that the opportunity for such tax benefits

exists. For the purposes of this Agreement, the term "tax benefits" shall include reduced taxable income or unrelated business income, reduction of risks, tax-exempt status, or greater tax deductions.

19. UMC OBLIGATIONS

19.1 Seminars and Continuing Medical Education.

UMC will regularly sponsor in its facilities educational seminars for physicians and other healthcare providers, including University continuing education programs, featuring University Faculty and programs.

19.2 Patient Education.

UMC will work with Faculty to develop and market wellness and health prevention programs to the public.

20. [INTENTIONALLY OMITTED]

21. ACB CLINICS

21.1 ACB Clinics.

UMC and University, (in cooperation with its designated Faculty organization), will use their respective Best Efforts to develop joint planning and to work in partnership to operate the ACB clinics. Pursuant to Section 4.3, UMC will establish a task force to investigate and recommend a mutually agreeable approach to providing primary healthcare in the most appropriate setting.

21.2 Funding of ACB Clinics.

To subsidize the operations of the ACB clinics, UMC will make available, during the first year of operations, at least \$1,000,000 of QCCT annual funding. UMC will also provide a subsidy for outpatient clinics located at the ACB. Funding of \$1,140,000 annually for the operations of the ACB clinics will be included in the first five years operating budgets referenced in Section 4.4.

22. FACULTY PRACTICE PLAN

University will have the right of prior approval, not unreasonably withheld and to be granted only in writing by University, of all agreements between any member or members of the Faculty and UMC or any Affiliate or party acting on UMC's behalf including network participation agreements, clinical practice agreement, or insurance, provider or capitation products.