

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.

23. [INTENTIONALLY OMITTED]

24. REPRESENTATIONS AND WARRANTIES

24.1 Representations and Warranties of UMC

UMC represents and warrants to University and Commonwealth as follows:

24.1.1 Organization and Standing. UMC is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky, and has full and unrestricted corporate power and authority to carry on its business as currently conducted, to execute and deliver this Agreement, the Ancillary Agreements and all other documents contemplated hereby and to carry out the transactions contemplated hereby.

24.1.2 Authority. The execution, delivery and performance by UMC of this Agreement, the Ancillary Agreements and all other documents contemplated hereby, the fulfillment of and the compliance with the respective terms and provisions hereof and thereof, and the consummation by UMC of the transactions contemplated hereby and thereby have been duly authorized by its Board of Directors (which authorization has not been modified or rescinded and is in full force and effect), and will not: (a) conflict with, or violate any provision of, any term or provision of the Articles of Incorporation or Bylaws of UMC or (b) conflict with, or result in any breach of, or constitute a default under, any agreement to which UMC is a party or by which UMC is bound. No other corporate action is necessary for UMC to enter into this Agreement, the Ancillary Agreements and all other documents contemplated hereby and to consummate the transactions contemplated hereby and thereby.

24.1.3 Binding Obligation. This Agreement, the Ancillary Agreements and all other documents to be executed by UMC constitute valid and binding obligations of UMC enforceable in accordance with the respective terms hereof and thereof. This Agreement, the Ancillary Agreements and all other documents to be executed by UMC pursuant hereto, when executed and delivered in accordance with the provisions hereof, shall be valid and binding obligations of UMC, enforceable in accordance with the respective terms hereof and thereof.

24.2 Representations and Warranties of University

24.2.1 Organization and Standing. University is a public institution of higher education and an agency of the Commonwealth. University and the Commonwealth each have full and unrestricted power, to execute and deliver this Agreement, the Ancillary Agreements and all other documents contemplated hereby and to carry out the transactions contemplated hereby, including all power and authority necessary or appropriate under the laws of the Commonwealth of Kentucky.

24.2.2 Authority. The execution, delivery and performance by University of this Agreement, the Ancillary Agreements and all other documents contemplated hereby, the fulfillment of and the compliance with the respective terms and provisions hereof and thereof, and the consummation by University of the transactions contemplated hereby and thereby have been duly authorized by the Board of Trustees (which authorizations have not been modified or

rescinded and are in full force and effect), and will not: (a) conflict with, or violate any provision of, any term or provision of the University's organizational documents, or (b) conflict with, or result in any breach of, or constitute a default under, any agreement to which University is a party or by which University is bound. No other action is necessary for University or the Commonwealth to enter into this Agreement, the Ancillary Agreements and all other documents contemplated hereby and to consummate the transactions contemplated hereby and thereby.

24.2.3 Binding Obligation. This Agreement, the Ancillary Agreements and all other documents to be executed by University or the Commonwealth constitute valid and binding obligations of University enforceable in accordance with the respective terms hereof and thereof. The Agreement, the Ancillary Agreements and all other documents to be executed by University or the Commonwealth pursuant hereto, when executed and delivered in accordance with the provisions hereof, shall be valid and binding obligations of University or the Commonwealth, as the case may be, enforceable in accordance with the respective terms hereof and thereof.

24.2.4 Property. The Commonwealth and/or University has good and marketable title to (or, as applicable, a valid leasehold interest in) the Hospital and the assets of the Hospital (the Hospital and the Assets of the Hospital are collectively the "Assets") free and clear of any and all material mortgages, pledges, security interests, liens, charges, claims, restrictions, and other encumbrances, except as listed on Schedule 24.2.4. The tangible personal property included in the Assets (except inventory) is in good operating condition consistent with usual standards in hospitals and, to University's knowledge, the Assets conform with all applicable Laws; and the inventory included in the Assets is useable and saleable in the ordinary course of business of the Hospital and is not obsolete.

24.2.5 Leases and Contracts. Except as set forth on Schedule 25.2.5(b), each of the leases and contracts associated with the Hospital as listed on Schedule 25.2.5(a) (the "Leases and Contracts") is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms, and Hospital is not in default under any of the leases or contracts (and no event has occurred which, with the passage of time, the giving of notice, or both, would constitute a default); and none of the transactions contemplated by this Agreement creates in any party to such leases or contracts the right to revise the terms of, to terminate, to accelerate any obligation, or otherwise declare that any such leases or contracts have been breached. To the best knowledge of University, all parties with which Hospital has contractual arrangements are in compliance therewith and are not in default (and no event has occurred which, with the passage of time, the giving of notice, or both, would constitute a default) thereunder; and no event has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a default under the Leases or Contracts; and University has obtained all necessary consents of the parties to such Leases and Contracts for the assignment thereof to UMC. Any exceptions to the foregoing are listed on Schedule 25.2.5(b).

24.2.6 Taxes. To the best knowledge of the University, all federal income tax returns and all other federal, state or local tax returns which are required to be filed in connection with the operation of the Hospital have been filed and all taxes shown on said returns or on any assessment therefor and any other taxes or assessments required to be paid or withheld in connection with the operation of the Hospital have been paid.

24.2.7 Licenses and Permits; Compliance with Laws. After due inquiry, to the best knowledge of the University, the Hospital has all material state, federal, special or local governmental authorizations, licenses or permits and accreditations from third parties required to conduct its operations as presently being conducted and for the use and occupancy of its facilities; neither the operation of the Hospital, nor the Assets as used in the operation of the Hospital violate or fail to comply in any material respect with any applicable codes, laws or ordinances, rules or regulations; the conduct of the Hospital as presently conducted, and the use and occupancy of the Assets comply in all material respects with all requirements of all governmental bodies or agencies having jurisdiction over it or them; there is no material act or omission on the part of Hospital which would subject Hospital to the likelihood of any fine or suspension; no notice not heretofore complied with has been received, from any federal, state, or other governmental authority or agency having jurisdiction over the Hospital or the Assets, that Hospital or any of the Assets fail to comply in any material respect with any applicable law, ordinance, regulation, building or zoning law, or requirement of any public authority or body.

24.2.8 Prohibited Transactions. After due inquiry, to the best knowledge of the University, Hospital, including its employees, have not engaged in any activities which are prohibited under the federal Medicare and Medicaid statutes, including without limitation 42 U.S.C. § 1320a-7b, or under 42 U.S.C. 1395nn, or the regulations promulgated pursuant to such statutes or related state or local statutes or regulations or which are prohibited by rules of professional conduct.

24.2.9 Litigation. To the best knowledge of the University, except as set forth on Schedule 25.2.9 attached hereto, Hospital and the Assets are not subject to any pending or, to University's knowledge, threatened litigation, arbitration, governmental investigation or other legal, administrative or tax proceeding or any judgment, order or decree or other governmental restriction which would impede or prevent the consummation of the transactions contemplated by this Agreement or adversely affect UMC's operation of the Hospital after February 7, 1996, nor does University know of any basis for the same.

24.2.10 Employees and Employee Benefits. Schedule 25.2.10 is a substantially complete and accurate list of Hospital employees as of its date, and there are no employment or other agreements with any such persons; and Hospital is not a party or subject to any collective bargaining or similar labor agreement nor has Hospital encountered any labor union organizing activity or had any actual or threatened employee strikes, work stoppages, slow downs or lockouts.

- [i] To the best knowledge of the University: Schedule 25.2.10 attached hereto lists each bonus, pension (as defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical or other plan, arrangement or understanding (whether or not legally binding) providing benefits to any current or former employee, officer or director

of Hospital, and any employment, consulting, severance, termination or indemnification agreement, arrangement or understanding with any employee of Hospital (collectively, "Benefit Plans").

- [ii] To the best knowledge of the University: University has delivered to UMC true, complete and correct copies of (a) each Benefit Plan (or, in the case of any unwritten Benefit Plans, descriptions thereof), (b) the most recent summary plan description for each Benefit Plan for which such summary plan description is required, and (c) each trust agreement, group annuity contract or other funding arrangement relating to any Benefit Plan.
- [iii] To the best knowledge of the University: no Benefit Plan contains any provision that imposes any liability or obligation on UMC as a successor employer, or in any other manner, with respect to Hospital's obligations under such Benefit Plan, absent UMC's written consent and assumption of such Benefit Plans and obligations.
- [iv] To the best knowledge of the University: Hospital and any other entity that would be aggregated with Hospital under Code Section 414(b), (c), (m) or (o) (collectively, the "Hospital Affiliates") have substantially complied and will substantially comply with the continuation coverage provisions of ERISA Section 601-608 and Code Section 4980B with respect to all group health plans, as such term is defined in Code Section 5000(b)(1) ("COBRA Coverage"), of Hospital and the Hospital Affiliates, and there are no past or current violations of the continuation coverage provisions by Hospital and the Hospital Affiliates that could give rise to any material liability.

24.2.11 Environmental Matters. Hospital is in material compliance with all applicable federal, state and local laws, rules, regulations, ordinances and requirements relating to the environment ("Environmental Laws"); except as set out on Schedule 25.2.11 attached hereto, [i] no "Hazardous Wastes" (as hereinafter defined) have ever been generated, transported, treated, stored, or disposed of on any real property owned or leased by Hospital, [ii] Hospital has not transported or disposed or caused or permitted any person to transport or dispose of any Hazardous Wastes other than in accordance with all Environmental Laws, and [iii] Hospital has not ever violated any of the Environmental Laws in any material respect. Without limiting the generality of the foregoing, no asbestos, PCBs or other Hazardous Wastes or any petroleum product or constituents thereof is present on, in or under any of the property of Hospital, whether owned or leased except for materials used in the ordinary course of hospital operations in compliance with Law, including radioactive materials, sharps, bio-hazards and infectious wastes. "Hazardous Wastes" for purposes of this Agreement shall include, without limitation: [i] hazardous substances or hazardous wastes, as those terms are defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.*, and any other applicable federal, state or local law, rule, regulation, ordinance or requirement, all as amended

or hereafter amended; [ii] petroleum, including without limitation crude oil or any fraction thereof which is liquid at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 pounds per square inch absolute); [iii] any radioactive material, including without limitation any source, special nuclear, or by-product material as defined in 42 U.S.C. Section 2011 et seq.; and [iv] asbestos or any asbestiform minerals in any form or condition.

24.2.12 Real Estate Title Matters. Except for Permitted Liens (hereinafter defined), The Commonwealth and/or University has good and marketable fee simple title to the real property included in the Assets (the "Real Property") free and clear of all material liens, security interests, assessments, mortgages, pledges, encumbrances, restrictions and charges of all kinds or claims of any nature whatsoever, direct or indirect, whether accrued, absolute, contingent or otherwise. No such encumbrances will impair the value or utility of the Real Property in any material respect. Title to the Real Property is insurable at standard and customary rates without any exceptions except for Permitted Liens. Adequate access is available for the present use of each parcel of the Real Property without substantial legal, financial or other impediments. "Permitted Liens" shall mean [i] liens for taxes not yet due and payable, [ii] zoning, building or other restrictions, variances, covenants, rights of way, encumbrances, easements, and other minor irregularities in title, none of which, individually or in the aggregate [a] interfere with the present use or occupancy of the Real Property, [b] have more than an immaterial effect on the value thereof or its present use, or [c] could impair the ability of UMC to use such property for its present use; [iii] the exceptions set forth on Schedule 25.2.12; and [iv] tenants in possession (the right of which shall terminate as of February 7, 1996). The Real Property is in the possession or control of University and no other person is entitled to possession of the Real Property except for tenants in possession (the right of which shall terminate as of February 7, 1996). To the best knowledge of the University: except for Permitted Liens, the Real Property is not subject to [i] any governmental decree or order (or threatened or proposed order known to the University) to be sold or taken by public authority, or [ii] any rights of way, building use restrictions, exceptions, variances, reservations or limitations of any nature whatsoever, in each case not of record. To the best knowledge of the Commonwealth and University, the structures on the Real Property are structurally sound and in conformity with prevailing industry standards and generally accepted standards of good engineering practice, with no material defects, are in good and safe operating condition and repair (ordinary wear and tear excepted) and are adequate for the uses to which they are being put.

25. TERM AND TERMINATION

25.1 Term

25.1.1 Initial Term. The term of this Agreement (the "Initial Term") shall be for an approximate period of fifteen (15) years commencing on February 7, 1996 and continuing through 12:01 AM on the date which shall be the thirtieth (30th) day following the termination of the initial tax exempt bond issue, or similar financing, referenced in Section 11 hereof. At the closing of such financing the parties shall execute a writing to be appended hereto that identifies the termination of the Initial Term.

25.1.2 Renewal Terms. The term of this Agreement shall automatically renew for up to three successive five year renewal terms unless (i) this Agreement shall have been

earlier terminated in accordance with Section 25 or (ii) UMC shall have notified the other parties in writing no later than eighteen months prior to the expiration of the Initial Term or the applicable renewal term, as the case may be, of its intent not to renew, unless University agrees to a shorter notice period.

25.2 Termination

25.2.1 Termination for Cause. Either University or UMC may terminate this Agreement for cause in the event of a breach by the other party of any of its material performance obligations hereunder. Any such termination shall be subject to the following conditions:

- [i] The terminating party must give written notice to the other party specifying in reasonable detail the claimed breach.
- [ii] The other party shall have ninety (90) days following receipt of such notice in which to cure the breach or if the breach is subject to cure but not within ninety (90) days such reasonable time as is necessary to diligently cure the breach.
- [iii] If the claimed breach is not so cured within such period, the non-breaching party shall serve a second notice of termination, and this Agreement shall terminate effective at the end of the University's next full academic year following such second notice of termination but in no event less than twelve (12) months after the second notice of termination.

25.2.2 Special Termination Rights of University. University shall have the right to terminate this Agreement for (a) academic cause and/or (b) loss of accreditation which results directly from UMC's failure to support a material, current training program listed on Schedule 26.2.2. In such event this Agreement shall terminate effective at the end of the University's next full academic year following notice of termination, but in no event less than twelve (12) months after notice of termination.

25.2.3 Special Termination Rights of the Parties. Pursuant to Section 14.2, UMC or University shall have the right to terminate this Agreement for failure to fund the QCCT in accordance with its terms, upon ninety days written notice to the other parties hereto.

25.2.4 Cross Default. This Agreement shall terminate immediately upon any termination of the Lease Agreement.

25.3 Effect of Termination

25.3.1 Transition Period. In the event of termination or expiration of this Agreement, upon University's written request, UMC shall cooperate with University to formulate a transition plan, reasonably acceptable to UMC and University, to effectuate the orderly termination of this Agreement and UMC shall take all actions reasonably requested by University to facilitate the transition to operation and management by University or by another

third party. During the performance of the termination plan, each party shall provide to the other a level of support and cooperation, reasonably sufficient to complete and implement such transition plan and to satisfy each party's duties and obligations under the plan. As part of such cooperation, UMC shall provide University and its employees and advisors with (a) reasonable access to all UMC personnel and consultants (b) reasonable access to and the right to copy or replicate all UMC financial, medical, regulatory, and management records including all records relating to the ULH Facilities, all records relating to any matters arising hereunder, all records needed for governmental reporting or compliance with accrediting body requirements, as well as computer source codes, manuals, indexes, data systems, extracts and technical assistance to access such information, and to reload such records on a new system, and (c) specific notice of any matter known to be existing at such time as to which there may be an obligation under § 28. University shall not make unreasonable requests or impose unreasonable conditions with respect to such access (including, without limitation, a request which would result in UMC's violation of any law or breach any Agreement entered into in the ordinary course of business) and UMC shall not impose any unreasonable conditions or requirements with respect to such access by University. University shall reimburse UMC actual out-of-pocket expenses for staff overtime, computer service, or similar items incurred in providing the foregoing.

25.3.2 Return of Proprietary and Confidential Information. Upon expiration or termination of this Agreement, for any reason, (i) UMC shall promptly return to University all University Proprietary and Confidential Information (including all financial and operational records and reports relating to the operation of ULH under this Agreement) and (ii) University shall promptly return to UMC all UMC Proprietary and Confidential Information. UMC will also make available for the transition and future operation of the Hospital medical records, enrollment figures, provider payment arrangements and subject to appropriate restrictions on use, professional competence and practice patterns of Hospital, its employees and agents.

25.3.3 Assumption or Repayment of Debt. Upon the effective date of termination University shall assume, to UMC's reasonable satisfaction, or repay all debt of UMC that was duly approved by the UMC Board of Directors prior to termination or incurred in the ordinary course of business, and obtain a release, reasonably satisfactory to UMC, of UMC from any further obligations thereunder.

25.3.4 Settlement of Accounts. In the event of expiration or termination of this Agreement, the parties shall meet promptly, and in no event later than three (3) months prior to the effective date of termination, to address the settlement of outstanding amounts payable and receivable under this Agreement. At termination, University shall pay UMC in exchange for all equipment, fixtures, capital improvements, inventory or similar items an amount equal to the greater of (a) the undepreciated book values reflected in the books and records of UMC maintained in accordance with generally accepted accounting principles, consistently applied, or (b) the fair market value of such assets in the hands of the University as established by an appraisal of a national firm either agreed to by the parties or selected by a United States District Court Judge sitting in Louisville, Kentucky. University shall deposit in an escrow account, to be established at the time, such amount as is determined by the UMC Board as a reserve to pay for any contingent obligations of UMC relating to the operation of the Hospital that remain after the termination date.

25.4 Right of First Refusal After Termination

To the extent permitted by applicable Law, if University enters into any agreement (including a Letter of Intent) to convey all or a substantial portion of the ULH Facilities (through sale or a financing lease for substantially the remaining useful life of the ULH Facilities) within twelve (12) months after termination of this Agreement, UMC shall have a nontransferable right of first refusal to enter into a similar transaction on terms no less favorable than are contained in such agreement, provided that this right of UMC shall not exist in the event of material breach of this Agreement or the Lease or Member Agreement by UMC, or material breach of the Guarantee of JHHS and/or AHS. University shall take all actions permitted by Law necessary to give effect to this right of first refusal including making it a condition of any request for proposal. University shall provide UMC with written notice of any such transaction (along with a description of the terms thereof) and UMC shall have sixty (60) days after receipt of such notice in which to exercise its right of first refusal by delivering to University a firm offer to such terms as are reasonably deemed by University to be no less favorable than those in the prior offer described in the notice to UMC.

26. [INTENTIONALLY OMITTED]

27. RESOLUTION OF DISPUTES

27.1 Generally

The parties shall act promptly to mutually resolve any disputes that may arise with respect to this Agreement. All such disputes shall be subject to the provisions of this Section 27. The parties agree that, the existence and details of a dispute notwithstanding, the parties shall, pending the completion of the dispute resolution procedures described in this Section 27, continue without delay their performance hereunder.

27.2 Dispute Resolution Procedure

Any dispute arising between the parties relating to or involving the application, interpretation or performance of this Agreement shall be settled, if possible, as follows:

- [i] In the event of any dispute between the parties with respect to this Agreement, the matter shall initially be submitted promptly to the Vice President for Health Affairs of the University and the Chief Executive Officer of UMC for the purpose of endeavoring to resolve such dispute.
- [ii] In the event of any dispute that cannot be resolved at the administrative level within fifteen (15) business days after the date of submission of the dispute to them, then the matter shall be submitted promptly to a Special Committee of UMC's Board composed of three directors appointed by the University, and one director, not an employee of the University, and not a physician, selected by the above appointed directors for further consideration and discussion to attempt to resolve the dispute.

- [iii] In the event that such persons are unable to resolve the dispute within fifteen (15) business days after the day of submission of the dispute to them, then the matter shall be submitted promptly to the University's President for further consideration and discussion to attempt to resolve the dispute. These persons shall have fifteen (15) business days to attempt to resolve the dispute.

28. INSURANCE, PRE TAKEOVER RESPONSIBILITY AND SETOFF

28.1 Insurance

UMC shall maintain in full force and effect at all times during the Term of this Agreement commercial general all risk insurance coverage with combined limits of not less than \$20,000,000 per occurrence and [\$20,000,000] in the aggregate] and other customary and reasonable insurance coverages or self insurance arrangements reasonably acceptable to University. Self insurance arrangements that meet the conditions of tax exempt, or similar financing arrangements are deemed to be reasonably satisfactory to University. All insurance policies carried by UMC shall (i) be issued by an insurance company reasonably acceptable to University; (ii) be in form acceptable to University; (iii) designate the University as an additional insured; (iv) provide for thirty (30) days' prior written notice to University of any material change or cancellation or other expiration of such policy or any defaults thereunder. UMC shall promptly pay all premiums for insurance policies required under this Section 28.1. UMC shall provide evidence of current satisfaction of this condition to University upon request.

28.2 Incurred Liabilities

28.2.1 Breach of Representations. If any party incurs any liability, loss, damage, cost or expense (the "Non-Breaching Party") as a result of the any misrepresentation or breach of the representations and warranties set forth in this Agreement by another party (the "Breaching Party") or the Breaching Party's officers, directors, employees, contractors, subcontractors or agents, the Breaching Party agrees, upon the reasonable request of the Non-Breaching Party, to renegotiate this Agreement or take such other actions as are reasonable and equitable such that the Non-Breaching Party is returned to a financial position substantially the same as the financial position the Non-Breaching Party would have been in had the Breaching Party not so breached this Agreement. If the parties are unable to renegotiate this Agreement within ninety (90) days of the Non-Breaching Party's request, the Non-Breaching Party may institute suit to recover such amount as will return it to the same financial position as it would have been but for the breach.

28.2.2 Pre-Takeover Responsibility. The Commonwealth and the University acknowledge that neither UMC nor JHHS or AHS has responsibility or liability for the operation of the Hospital prior to February 7, 1996. In the event UMC, JHHS, or AHS should be subject to any loss, cost, damages, liability or expense, of whatever nature or kind, including attorneys' fees (collectively "loss") arising from the operations of the Hospital prior to February 7, 1996, they, and each of them shall have the same setoff rights, as are described in Section 28.2.3 hereof. The amount set forth in a notice of the loss, which may be updated from time to time,

shall be deposited in an interest bearing account of UMC until it is finally determined, by agreement or by court order, that UMC, AHS or JHHS, as the case may be, has suffered a loss for which University is liable, and the amount of the loss. If the amount of the loss is less than the amount in the account, the balance, together with interest actually earned, shall be paid to University. If the amount required to be paid to University at the time the notice, as amended from time to time, is delivered to University is insufficient to liquidate the loss, additional amounts shall be deposited in the account at the time payment would otherwise be required to be made to University until the full amount of the loss is deposited in the account.

28.2.3 Set Off. In the event any claim is made by a third party against UMC which, if sustained, would (a) result in any loss, cost, damage or liability (collectively "loss") to UMC, and (b) which claim results from and which loss would be caused by a breach of a representation or warranty or other breach of this Agreement or Ancillary Agreements by University. University hereby consents to the setting aside of an amount reasonably sufficient to cover the claim, as amended from time to time, from any funds that UMC would otherwise be obligated to pay University under the terms of this Agreement or any Ancillary Agreement, including the Lease or the Guaranty. Said amount shall be deposited in an interest bearing account of UMC, and if the claim results in a required payment, such payment shall be made from the account up to the full amount in the account. If the amount in the account is more than is required to pay the claim, the balance, together with interest actually earned, shall be paid to University. If the amount required to be paid to University at the time the claim is made, or as amended from time to time, is insufficient to liquidate the claim, additional amounts shall be deposited in the account at the time they would otherwise be required to be paid to University until the full amount of the claim is deposited in the account. UMC shall promptly provide University with a copy of the claim.

28.2.4 Survival. This Section 28.2.4 shall survive termination or expiration of this Agreement for a period of three (3) years after the effective date of such termination or expiration; provided, however, that with respect to any Claim or other matter (including actual and direct damages incurred other than as a result of a third party claim) for which notice has been timely given within such three (3) year period, the period shall be extended until the final resolution of such Claim or other matter (including actual and direct damages incurred other than as a result of a third party claim).

28.2.5 Notices. A Breaching Party having reason to believe that it may be entitled to benefit under this Section 28.2.5 shall give reasonably prompt written notice to the other Party specifying in reasonable detail the nature and basis of any such matter but such notice shall not be a condition of any obligation of any party under this Section 28.2.5 and failure of the Non-Breaching Party to provide such notice shall not relieve the Breaching Party of its obligations under this Section 28.2.5 unless the delay or failure to provide such notice prejudices the Breaching Party in a manner that demonstrably results in actual and direct damages to the Breaching Party, in which event the Breaching Party shall be relieved of such obligations but only to the extent such actual and direct damages can be proved.

29. PROPRIETARY AND CONFIDENTIAL INFORMATION

29.1 UMC Proprietary and Confidential Information

The UMC Proprietary and Confidential Information and all copies and modifications thereof are the property of UMC. University acknowledges that the UMC Proprietary and Confidential Information constitutes valuable assets and trade secrets of UMC. During the term of this Agreement and at all times thereafter, University agrees that, except as required by Law or order of court:

- [i] it will hold the UMC Proprietary and Confidential Information in strict confidence with at least the same degree of care as it uses for University Proprietary and Confidential Information;
- [ii] it will not, and will instruct its employees and agents not to, directly or indirectly, voluntarily or involuntarily, use, sell, lease, assign, transfer, disclose or otherwise make available any part of the UMC Proprietary and Confidential Information to others, except with the express written consent of UMC;
- [iii] it will not copy or duplicate by any means, in whole or in part, the UMC Proprietary and Confidential Information, except with the express written consent of UMC; and
- [iv] except with respect to third parties approved in advance in writing by UMC (which approval shall not be unreasonably withheld or delayed), University will limit access to the UMC Proprietary and Confidential Information to only those of its employees and agents who need access to the UMC Proprietary and Confidential Information, and, if requested by UMC, it will require its employees, agents and approved third parties to execute nondisclosure agreements.

29.2 University Proprietary Information

University's Proprietary and Confidential Information and all copies thereof are the property of University. UMC, acknowledge that the University Proprietary and Confidential Information constitute valuable assets and trade secrets of University. Accordingly, during the term of this Agreement and at all times thereafter, UMC, JHHS and AHS each individually agree that, except as required by Law or order of court:

- [i] it will hold the University Proprietary and Confidential Information in strict confidence with at least the same degree of care as it uses for its own Propriety and Confidential Information;
- [ii] it will not, and will instruct its employees and agents not to, directly or indirectly, voluntarily or involuntarily, use, sell, lease, assign, transfer, disclose or otherwise make available any part of the University Proprietary

and Confidential Information to others, except with the express written consent of University;

- [iii] it will not copy or duplicate by any means, in whole or in part, the University Proprietary and Confidential Information, except with the express written consent of University; and
- [iv] except with respect to third parties approved in advance in writing by University (which approval shall not be unreasonably withheld or delayed), UMC, JHHS and AHS will limit access to the University Proprietary and Confidential Information to only those of its employees and agents who need access to the University Proprietary and Confidential Information, and, if requested by University, it will require its employees, agents and approved third parties to execute nondisclosure agreements.

29.3 Survival

UMC's, and University's obligations under this Section 29 shall survive any termination of this Agreement.

30. MISCELLANEOUS PROVISIONS

30.1 Assignment; Change of Control

30.1.1 Assignment of Interest in Hospital. During the Term hereof neither UMC nor University shall sell, transfer, or assign (including by operation of Law) its interest in the Hospital without the consent of the other, subject to the Commonwealth's right to transfer the Hospital to another state entity, provided that this shall not reduce UMC's rights hereunder.

30.1.2 Assignment of Agreement. None of the parties shall sell, transfer or assign (including by operation of Law) its interest in this Agreement without the prior approval of the other parties.

30.2 Use of University Name

UMC shall have the reasonable opportunity to advertise its affiliation with University; provided, however, that (i) University has a prior opportunity to review and approve any new category of such use, which approval shall not unreasonably be withheld and (ii) that UMC takes reasonable steps to avoid any use of the University name that implies University affiliation or endorsement of UMC activities other than those activities related to the operation of the Hospital in accordance with this Agreement.

30.3 Entire Agreement; Amendment

This Agreement, including all Exhibits and Schedules hereto, contains the entire agreement between the parties relating to the subject matter herein and all prior proposals, discussions and writings by and among the parties and relating to the subject matter herein are

superseded hereby. None of the terms of this Agreement may be amended unless such amendment is in writing and signed by all parties hereto, and recites specifically that it is an amendment to the terms of this Agreement.

30.4 Waiver

No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Agreement or under any other instrument given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any event of default hereunder or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

30.5 Severability

In the event that either (a) a court of competent jurisdiction holds that a particular provision or requirement of this Agreement is in violation of any applicable Law or (b) the parties are definitively advised by a government agency which has jurisdiction that a feature or provision of this Agreement violates Laws or regulations over which such department or agency has jurisdiction, then each such provision, feature or requirement shall be fully severable and: (i) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (ii) the remaining provisions hereof shall remain in full force and effect and shall not be affected by the severable provision; (iii) the parties shall in good faith negotiate and substitute a provision similar in terms to such severable provision as may be possible and still be legal, valid and enforceable, unless the effect of such severance and substitution would be to deprive a party substantially of the benefits contemplated under this Agreement, in which case any party may terminate this Agreement upon thirty (30) days' written notice to the other parties of thirty (30) days or such greater period of notice as is acceptable to such court or governmental agency and is necessary to provide for an orderly transition in accordance with § 25.3 hereof.

30.6 Governing Law

This Agreement is deemed to have been entered into in the Commonwealth of Kentucky and its interpretation, its construction, and the remedies for its enforcement or breach are to be applied pursuant to and in accordance with the laws of the Commonwealth of Kentucky (excluding the choice of law rules thereof).

30.7 Notices

All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered (including delivery by courier or overnight delivery service), mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, telegram, telex, or facsimile transmission, addressed as follows:

[i] If to Commonwealth:

Secretary of Finance and Administration Cabinet
Room 383
Capitol Annex
Frankfort, KY 40601
Facsimile No. (502) 564-6785

with a copy (which shall not constitute notice) to:

General Counsel
Office of Legal and Legislative Affairs
Room 374
Frankfort, KY 40601
Facsimile No. (502) 564-6785

[ii] If to University:

Office of the President
103 Grawemeyer Hall
University of Louisville
Louisville, Kentucky 40292
Attention: President
Facsimile No. (502) 852-5682

with a copy (which shall not constitute notice) to:

University Counsel
206 Grawemeyer Hall
University of Louisville
Louisville, Kentucky 40292
Facsimile No. (502) 852-5818

[iii] If to UMC:

Chief Executive Officer
University of Louisville Hospital
530 South Jackson Street
Louisville, Kentucky 40202

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be mailed, delivered or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee with the return receipt, the delivery receipt, the affidavit of messenger or (with respect to a telex) the answer back being deemed conclusive, but not

exclusive, evidence of such delivery or at such time as delivery is refused by the addressee upon presentation.

30.8 Additional Actions and Documents

Each of the parties hereto hereby agrees to take or cause to be taken such further actions, to execute, deliver and file or cause to be executed, delivered and filed such further documents and instruments, and to use Best Efforts to obtain such consents (including regulatory approvals), as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

30.9 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

30.10 Survival

Neither expiration nor termination of this Agreement shall terminate those obligations and rights of the parties that have arisen from performance during the period in which this Agreement was in effect, or that by their express terms are intended to survive, and except as specifically limited herein, such rights, obligations and provisions shall survive the expiration or termination of this Agreement.

30.11 Benefit of Agreement

It is the explicit intention of the parties hereto that no person or entity other than the parties hereto is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto as third party beneficiary or otherwise, and that the covenants, undertakings, and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, the parties hereto or their respective successors and assigns as permitted hereunder.

30.12 Construction

Each party hereto hereby acknowledges that it was represented by counsel and participated equally in the drafting and negotiation of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than against the other.

30.13 Execution in Counterparts

To facilitate execution, this Agreement may be executed in as many counterparts as may be required. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

IN WITNESS WHEREOF, each of the parties hereto has caused this Affiliation Agreement to be duly executed in its name and on its behalf, on the respective date(s) stated below, but effective as of the date first indicated above.

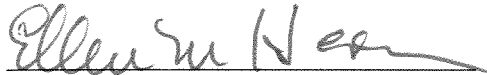
COMMONWEALTH OF KENTUCKY

By: 

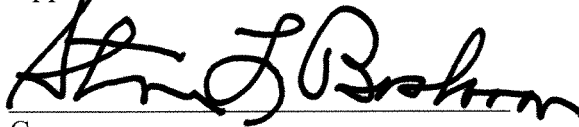
Secretary of Finance and
Administration Cabinet

Date: 3/11/09

HAVE SEEN AND APPROVED:

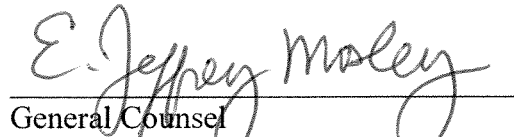

General Counsel to the Governor

Approved:


Governor

Date: _____

Approved as to Form and Legality:


General Counsel
Finance and Administration Cabinet


UNIVERSITY MEDICAL CENTER,
INC.

By: 

President

Date: _____

Approved as to Form and Legality:


Counsel
University Medical Center


UNIVERSITY OF LOUISVILLE

By: 

President

Date: _____

Approved as to Form and Legality:


Counsel
University of Louisville

SCHEDULES AND EXHIBITS

[A] SCHEDULES

2A	Clinical and Academic Space in ACB Reserved to University *
2B	Clinical and Academic Space in Brown Cancer Center Reserved to University *
2C	Prior Agreements with Galen of Virginia, Inc. *
5.2	Other Training Programs and University Activities *
12.1.2	Facility Enhancement Projects *
25.2.5	Necessary Consents *
25.2.9	Litigation, Etc. *
25.2.10	Employee and Employee Benefit Matters *
25.2.11	Environmental Matters *
25.2.12	Real Estate Matters *

[B] EXHIBITS

3	Lease *
4	Amended and Restated Bylaws of UMC
4.2	Member Agreement *
14	Quality and Charity Care Trust Agreement *
24	Guarantee *

* On File in the Office of the President