

EXECUTION VERSION

INTEGRATION AND AFFILIATION AGREEMENT

by and among

THE CITY OF COLORADO SPRINGS, COLORADO

and

UNIVERSITY OF COLORADO HEALTH

and

UCH-MHS

and

**POUDRE VALLEY HEALTH CARE, INC.
D/B/A POUDRE VALLEY HEALTH SYSTEM**

Dated as of July 2, 2012

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INTEGRATION AND AFFILIATION AGREEMENT

This Integration and Affiliation Agreement (this “Agreement”) is made and entered into as of this 2nd day of July, 2012, by and among the CITY OF COLORADO SPRINGS, COLORADO, a home rule city and municipal corporation duly organized and validly existing under the laws of the State of Colorado (the “City”), UNIVERSITY OF COLORADO HEALTH, a nonprofit corporation duly organized and validly existing under the laws of the State of Colorado (“UC Health”), UCH-MHS, a newly formed nonprofit corporation duly organized and validly existing under the laws of the State of Colorado (“New Memorial”), of which The University of Colorado Hospital Authority, a body corporate and political subdivision of the State of Colorado (“UCHA”), is the sole member, and POUUDRE VALLEY HEALTH CARE, INC., a nonprofit corporation duly organized and validly existing under the laws of the State of Colorado and doing business as Poudre Valley Health System (“PVHS”, and, together with UC Health and New Memorial, the “UC Health Parties”). Each of the City, UC Health, New Memorial, PVHS and the UC Health Parties shall be referred to herein as a “Party” and collectively, as the “Parties.”

RECITALS:

A. WHEREAS, the City owns and operates, as an enterprise of the City, Memorial Health System, a general acute care hospital system located in Colorado Springs, Colorado (“MHS”).

B. WHEREAS, UC Health is a nonprofit health system formed by PVHS and UCHA. UC Health operates to support the health care, teaching and related missions of its members and certain Affiliates.

C. WHEREAS, pursuant to and under the terms set forth in this Agreement and the Health System Operating Lease Agreement between the City, PVHS and New Memorial, executed as of the date hereof (the “Operating Lease”), the City and PVHS have agreed that the MHS Operations are to be leased or conveyed to PVHS (and subsequently to New Memorial), as provided therein, and shall henceforth be integrated into UC Health.

D. WHEREAS, the City and the UC Health Parties, with the advice of experienced consultants, have analyzed their market situation, currently and as projected, and believe that the Transactions will best preserve the continued operations of MHS and its historic role in the community, while at the same time allowing it to benefit from operating financially and administratively within the UC Health integrated health care system.

E. WHEREAS, the UC Health Parties seek to position MHS as the regional “hub” of UC Health for El Paso County, Colorado and the surrounding area served by the MHS Operations.

F. WHEREAS, the ultimate objectives of the Transactions are (i) to preserve and advance the mission and vision of MHS as a component of UC Health, (ii) to preserve and enhance the availability of care within the MHS Operations for the benefit of the citizens of Colorado Springs, Colorado and the surrounding region, and (iii) to preserve and enhance the missions of the University of Colorado's Academic Health Center and the academic affiliations of UC Health.

G. WHEREAS, the City and UC Health Parties each believe that it is advisable and in the best interests of their respective organizations and the communities they serve to effect the Transactions by entering into this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, the Parties hereto, intending to be legally bound, hereby agree as follows:

Article I

DEFINITIONS

1.1 Definitions. As used herein, the capitalized words and terms set forth below shall have the following meanings. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Operating Lease.

“Agreement” means this Integration and Affiliation Agreement, together with the Exhibits and Schedules referred to herein.

“Children's Hospital” means Children's Hospital Colorado, a nonprofit corporation duly organized and validly existing under the laws of the State of Colorado.

“Children's Sublease” has the meaning set forth in Section 2.2.2.

“City” has the meaning set forth in the Preamble.

“City Limits” has the meaning set forth in Section 5.2.1.

“City Nominating Committee Appointees” has the meaning set forth in Section 3.2.1.

“Competing Business Venture” has the meaning set forth in Section 5.4.1.

“Core Government Programs” has the meaning set forth in Section 4.1.4.

“Core Services” has the meaning set forth in Section 4.2.23.

“El Paso Appointees” has the meaning set forth in Section 3.3.1.

“Effective Date” shall mean the Effective Date of the Operating Lease, which shall also be the effective date of this Agreement.

“Financial Support Agreement” has the meaning set forth in Section 2.2.1.

“Good Cause” has the meaning set forth in Section 3.4.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended, or any successor provision, and the rules and regulations promulgated thereunder, as amended.

“Including” means including, but not necessarily limited to.

“Initial Board” has the meaning set forth in Section 3.3.2.

“JNC Composition Requirement” has the meaning set forth in Section 3.2.1.

“Joint Nominating Committee” has the meaning set forth in Section 3.2.

“Memorial Board” has the meaning set forth in Section 2.1.1.

“MHS” has the meaning set forth in Recital A.

“MHS Hospitals” means Memorial Hospital Central and Memorial Hospital North, and any hospital located within the City Limits which replaces either or both.

“New Memorial” has the meaning set forth in the Preamble.

“New Memorial Board” or “New Memorial Board of Directors” means the Board of Directors of New Memorial.

“Offer” has the meaning set forth in Section 5.4.2.

“Operating Lease” has the meaning set forth in Recital C.

“Party” or “Parties” has the meaning set forth in the Preamble.

“Person” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Pre-Exemption Period” has the meaning set forth in Section 2.1.1.

“PVHS” has the meaning set forth in the Preamble.

“Summary Notice” has the meaning set forth in Section 5.4.2.

“Term” has the meaning set forth in Section 6.1.

“Transition Date” has the meaning set forth in Section 2.1.5.

“UCHA” has the meaning set forth in the Preamble.

“UC Health” has the meaning set forth in the Preamble.

“UC Health Appointees” has the meaning set forth in Section 3.3.1.

“UC Health Board” or “UC Health Board of Directors” means the Board of Directors of UC Health.

“UC Health Nominating Committee Appointees” has the meaning set forth in Section 3.2.1.

“UC Health Parties” has the meaning set forth in the Preamble.

“Will” means “shall” and vice versa, without distinction.

Article II

RELATED TRANSACTIONS

2.1 Integration of the MHS Operations.

2.1.1 The MHS Operations that are not subleased to Children’s Hospital will be operated as a full and integral part of UC Health, initially by PVHS (as a member of UC Health) through the Memorial Board (as hereinafter defined) from the Effective Date until New Memorial receives recognition from the Internal Revenue Service that it is an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code and the MHS Operations are transferred from PVHS to New Memorial on the Transition Date, such date not to be later than eighteen (18) months following the Effective Date (such period, the “Pre-Exemption Period”). As of the date hereof PVHS shall have appointed, and during the Pre-Exemption Period shall maintain, a sub-committee consisting of the individuals listed on Exhibit A attached hereto, who shall also be the initial directors of New Memorial (the “Memorial Board”). During the Pre-Exemption Period, in the event that the composition of the New Memorial Board changes pursuant to the terms of Article 3 herein, such changes shall automatically apply to the Memorial Board, so that at all times during the Pre-Exemption Period the members of the Memorial Board and the members of the New Memorial Board are the same. PVHS (acting through the Memorial Board) shall have and may exercise all the functions and authorities provided for the New Memorial Board herein, and PVHS shall accord the City the same rights and functions with regard to the Memorial Board as are described herein with respect to the New Memorial Board, so that the only difference during the Pre-Exemption Period shall be that the functions of the New Memorial Board shall be exercised by PVHS (acting through the Memorial Board). For the avoidance of doubt, during the Pre-Exemption Period, unless the context otherwise clearly indicates, all provisions herein referring to the New Memorial Board shall be interpreted to mean the Memorial Board. During the period of the Effective Date through the Transition Date, notwithstanding anything herein to the contrary, PVHS shall, as required by law, exercise ultimate authority and management responsibility over the MHS Operations.

2.1.2 To accomplish the integration of the MHS Operations into UC Health, the City has leased all of the MHS Facilities and transferred all of the Acquired Assets to PVHS pursuant to the terms of the Operating Lease (which shall be effective as of the Effective Date), and relinquished all powers, governance rights, authority and control, and consent or approval or consultation rights with respect to the MHS Operations, except for (a) its rights set forth in the Operating Lease, and (b) the rights expressly set forth herein.

2.1.3 As of the date hereof, New Memorial has been formed as a Colorado nonprofit corporation, and a certified copy of its articles of incorporation has been delivered to the City. As promptly as practical after the date hereof, but in no event later than three (3) months following the Effective Date, New Memorial shall adopt bylaws with provisions conforming to the terms of this Agreement (and shall deliver a copy of such bylaws to the City) and file with the Internal Revenue Service a Form 1023 application for tax-exempt status. The articles of incorporation and/or bylaws of New Memorial may be amended only upon a two-thirds (2/3) vote of the entire New Memorial Board, subject to final approval of any material amendment to such bylaws by UC Health, except for such changes required by applicable law, and such amendments shall be made in accordance with the provisions of Section 3.8.

2.1.4 As of the Effective Date, the UC Health Parties assume, and the UC Health Parties hereby covenant to duly and timely perform and discharge or cause to be performed and discharged, the covenants and obligations relating to the MHS Operations as set forth herein.

2.1.5 As promptly as practicable after New Memorial receives recognition from the Internal Revenue Service as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code, PVHS shall transfer the MHS Operations and assign this Agreement and the Operating Lease to New Memorial (the "Transition Date") at which time New Memorial shall undertake all obligations of PVHS under this Agreement and the Operating Lease. In connection with such transfer of MHS Operations to New Memorial, the Memorial Board shall be automatically dissolved. From and after the Transition Date, the governance and structure of New Memorial and the composition of the New Memorial Board shall be maintained in accordance with the provisions of this Agreement.

2.1.6 Following the Pre-Exemption Period, in the event of any inconsistency between the articles of incorporation or bylaws of New Memorial (as each may exist at a given time) on one hand, and this Agreement on the other hand, it is the intent of the Parties that the provisions of the articles of incorporation or bylaws of New Memorial govern, *provided* that the UC Health Parties have not violated Section 3.8 in a manner relevant to such priority.

2.2 Other Arrangements.

2.2.1 Colorado Springs Branch. UCHA shall provide Three Million Dollars (\$3,000,000) annually for a period of forty (40) years to fund the development of

a branch of the University of Colorado School of Medicine in Colorado Springs (subject to the term sheet described in the next sentence). To carry out this commitment to the City, pursuant to a separate written agreement (the “Financial Support Agreement”) with the University of Colorado School of Medicine, to be effective as of the Effective Date and incorporating substantially the key terms set forth on the term sheet attached hereto as Exhibit B.

There is no commitment by any of the UC Health Parties to provide funding to the branch beyond forty (40) years from the Effective Date (or such earlier termination date of the Operating Lease and this Agreement).

2.2.2 Children’s Hospital Sublease. It is anticipated that pediatric services shall be provided at the MHS Facilities through a sublease agreement with Children’s Hospital (the “Children’s Sublease”). Unless and until the Children’s Sublease becomes effective, the UC Health Parties will provide, or arrange for the provision of, the pediatric services at MHS in accordance with the terms of this Agreement. If and when the Children’s Sublease becomes effective, defined space at the MHS Facilities, as agreed to by PVHS or New Memorial (as applicable) and Children’s Hospital, shall be subleased to Children’s Hospital for purposes of the provision of certain pediatric services. To the extent that performance of any of the covenants in Section 4.2 are applicable to the activities, operations and business of Children’s Hospital at the MHS Facilities, the UC Health Parties shall use commercially reasonable efforts to enforce compliance by Children’s Hospital with such covenants pursuant to the Children’s Sublease, and will remain primarily obligated to the City to fulfill such covenants with respect to pediatric services. The City expressly acknowledges and agrees that upon entry into the Children’s Sublease, the UC Health Parties, as applicable, may grant to Children’s Hospital certain rights and responsibilities under this Agreement and the Operating Lease in connection with the pediatric services to be provided by Children’s Hospital at the MHS Facilities during the term of the Children’s Sublease, *provided* that Children’s Hospital shall not be granted any rights greater than the rights the UC Health Parties have hereunder or under the Operating Lease.

Article III

GOVERNANCE AND CORPORATE STRUCTURE

3.1 General. The governance structures, powers and authorities set forth in this Article 3 have been established by the Parties to enable the effective integration of the MHS Operations into UC Health as a planning and operating entity in order to (a) serve the Colorado Springs community and region as the hub in developing UC Health in Colorado Springs, El Paso County and throughout the southern Colorado region as a southern flagship of UC Health, (b) utilize the financial, clinical, academic and administrative resources of UC Health and its members for the benefit of MHS and its community and region, and (c) enhance the missions of PVHS, UCHA and New Memorial, and that of UC Health and its members, by integrating the MHS Operations as effective components of UC Health. The rights, powers and obligations of the New Memorial Board with respect to governance are set forth in this Article 3 and in the bylaws of New Memorial. The City shall have no voting or governance rights with

respect to PVHS, New Memorial, UC Health or its Affiliates; *provided* that the City shall have (a) its rights with respect to the Joint Nominating Committee (as hereinafter defined) specifically provided in Sections 3.2 and 3.3 hereof, and (b) its right to fully enforce the Operating Lease and this Agreement and any other agreement entered into by and among the City and any of the UC Health Parties in connection with the Transactions as provided herein and therein.

3.2 Joint Nominating Committee. As soon as practicable following the date hereof, but in no event later than three (3) months following the Effective Date, the City and UCHA shall form a joint nominating committee, which shall exist throughout the Term (as hereinafter defined), to recommend candidates as El Paso Appointees (as hereinafter defined) for appointment to the New Memorial Board (the “Joint Nominating Committee”) in accordance with the terms of this Agreement and the organizational documents of New Memorial.

3.2.1 Composition. The Joint Nominating Committee shall at all times be made up of six (6) individuals, three (3) of whom are chosen by the City (the “City Nominating Committee Appointees”) and three (3) of whom are chosen by UCHA (the “UC Health Nominating Committee Appointees”); *provided* however, the Joint Nominating Committee Appointees shall not be comprised of individuals who would cause the Joint Nominating Committee to be a local public body, a state public body or otherwise be subject to the Colorado Open Meetings Law, Colorado Revised Statutes Section 24-6-401 et seq. (the “JNC Composition Requirement”). In the event that there is a vacancy on the Joint Nominating Committee among the City Nominating Committee Appointees, the City shall have the right to appoint a new member to the Joint Nominating Committee. In the event that there is a vacancy on the Joint Nominating Committee among the UC Health Nominating Committee Appointees, UCHA shall have the right to appoint a new member to the Joint Nominating Committee, in each case in accordance with the JNC Composition Requirement and the other requirements of this Agreement. The Joint Nominating Committee may act only by vote of a majority of the entire Joint Nominating Committee.

3.2.2 Term of Joint Nominating Committee Members. Each City Nominating Committee Appointee and UC Health Nominating Committee Appointee shall serve at the pleasure of the entity that was responsible for appointing them to the Joint Nominating Committee, and may be removed at any time, with or without cause, by such entity.

3.2.3 Meetings of the Joint Nominating Committee. The Joint Nominating Committee shall meet at such times and such places as set forth in the organizational documents of New Memorial. The Joint Nominating Committee shall consider criteria for New Memorial Board competencies and needs suggested to it by UC Health and the City in making its recommendations with respect to the El Paso Appointees.

3.2.4 Approval of El Paso Appointees. Each person nominated to serve as an El Paso Appointee on the New Memorial Board by the Joint Nominating

Committee shall be so appointed only if and when he/she is approved as set forth in Section 3.3, on an individual (not aggregate) basis.

3.3 New Memorial Board.

3.3.1 Composition of the New Memorial Board. As soon as practicable following the date hereof, but in no event later than the Transition Date, the New Memorial Board shall be increased in size so that it is comprised of at least eleven (11) directors, (a) at least seven (7) of whom are individuals who reside in (and, for the one (1) year period immediately prior to the date of his or her nomination, have continuously resided in) El Paso County, Colorado and who have been nominated by the Joint Nominating Committee as set forth in Section 3.2 (the “El Paso Appointees”), and (b) at least four (4) of whom have been appointed directly to the New Memorial Board by UCHA (the “UC Health Appointees”). For the avoidance of doubt, at all times a majority of the members of the New Memorial Board shall be El Paso Appointees. In no event shall the New Memorial Board be comprised of individuals who would cause the New Memorial Board to be a local public body, a state public body or otherwise be subject to the Colorado Open Meetings Law, Colorado Revised Statutes Section 24-6-401 et seq.

3.3.2 The Initial New Memorial Board. During the period prior to the formation of the Joint Nominating Committee and the appointment and election of New Memorial Board members pursuant to Sections 3.3.1 and 3.3.3, the initial New Memorial Board (the “Initial Board”) shall consist of the six (6) persons listed on Exhibit A attached hereto (who shall also serve as the members of the Memorial Board). The term of each of the members of the Initial Board shall terminate upon the appointment or election and qualification of the initial UC Health Appointees and the El Paso Appointees, as applicable, as set forth in Section 3.3.3 below.

3.3.3 Appointments to the New Memorial Board Following Formation of the Joint Nominating Committee. Following the formation of the Joint Nominating Committee (which shall be no later than three (3) months following the Effective Date), New Memorial Board Members shall be appointed in accordance with Section 3.3.1 as follows:

(a) UCHA shall appoint the UC Health Appointees to the New Memorial Board at the pleasure of UCHA. The terms of the UC Health Appointees shall be staggered, and each UC Health Appointee shall be randomly assigned to Class A or Class B by UCHA in accordance with the New Memorial bylaws. An effort shall be made to keep each class of approximately equal size. Each UC Health Appointee shall hold office for a term of two (2) years, except that the terms of the initial UC Health Appointees appointed by UCHA immediately following the Initial Board shall be as follows:

(i) The UC Health Appointees in Class A shall have their terms expire on October 1, 2015 and every two (2) years thereafter; and

(ii) The UC Health Appointees in Class B shall have their terms expire on October 1, 2016 and every two (2) years thereafter.

(b) UCHA shall appoint the El Paso Appointee candidates to the New Memorial Board at the pleasure of UCHA, following the recommendation of such El Paso Appointee candidates by the Joint Nominating Committee. In the event that an El Paso Appointee candidate is not (i) approved for appointment to the New Memorial Board by UCHA, or (ii) finally approved as set forth in Section 3.3.(c), as applicable, then the Joint Nominating Committee shall propose an alternative El Paso Appointee candidate to UCHA for appointment to the New Memorial Board. Once appointed by UCHA, the terms of the El Paso Appointees shall be staggered, and each El Paso Appointee appointed to the New Memorial Board immediately following the formation of the Joint Nominating Committee shall be randomly assigned to Class A or Class B by UCHA in accordance with the New Memorial bylaws. An effort shall be made to keep each class of approximately equal size. Each El Paso Appointee shall hold office for a term of two (2) years, except that the terms of the El Paso Appointees elected to office immediately following the Initial Board shall be as follows:

(i) The El Paso Appointees in Class A shall have their terms expire on October 1, 2015 and every two (2) years thereafter; and

(ii) The El Paso Appointees in Class B shall have their terms expire on October 1, 2016 and every two (2) years thereafter.

(c) In the event that UCHA or any UC Health Party determines that it is in its best interests to enter into acquisition, construction or similar financing arrangements related to the MHS Operations, then the El Paso Appointees may be made subject to the approval of any of the UC Health Parties, as applicable, if required to satisfy the rules for tax exemption in accordance with Internal Revenue Service rules and guidance or any master trust indenture to which UCHA, UC Health or PVHS is a party in connection with such financing arrangements. In addition, in the event that UCHA determines that, for purposes of corporate governance of New Memorial, the appointment of the El Paso Appointees and/or the UC Health Appointees should be made subject to the approval of any of the UC Health Parties, then the El Paso Appointees and/or the UC Health Appointees, as applicable, may be made subject to the approval of any such UC Health Parties, as applicable.

3.4 Removal of New Memorial Board Members. The New Memorial Board may require the removal of any El Paso Appointee or any UC Health Appointee following a majority vote of the entire New Memorial Board, but only for malfeasance in office, failure regularly to attend meetings, or for any other good cause which renders the appointee incapable of or unfit to discharge the duties of a member of the New Memorial Board (“Good Cause”). The removal of a New Memorial Board member for Good Cause shall be subject to the final approval of UCHA or, if applicable, one (1) or more of the

UC Health Parties, and in the event of such a removal, the New Memorial Board shall notify in writing such New Memorial Board member, the City and UC Health.

3.5 Vacancies on the New Memorial Board. Any vacancies among the El Paso Appointees on the New Memorial Board shall be filled by UCHA, following the submission of the name or names of proposed candidates by the Joint Nominating Committee to UCHA for consideration; *provided* that vacancies among the El Paso Appointees shall be filled in a manner that complies with the JNC Composition Requirement. Vacancies among the UC Health Appointees shall be filled by UCHA is its sole discretion.

3.6 No Change in New Memorial Board Structure. Unless otherwise modified as a result of an amendment to the New Memorial bylaws effected as provided therein and in accordance with this Agreement and/or the Operating Lease, the New Memorial Board structure will remain in place for a period equal to the term of the Operating Lease or any earlier termination thereof.

3.7 System Governance Practices and Authorities. Other than the clinical services and activities of Children's Hospital at the MHS Facilities performed pursuant to the Children's Sublease, which will be overseen and directed by the Board of Directors of Children's Hospital, the UC Health Board of Directors has the overall responsibility and authority for the operation of UC Health, including New Memorial and its member entities. To ensure full functioning as an integrated unit, the UC Health Board of Directors will have the power to make decisions and initiate/implement actions involving New Memorial (including oversight and direction over the MHS Operations, in compliance with law and UC Health contractual obligations). The New Memorial Board will have the authority with respect to the matters reserved to the New Memorial Board pursuant to the articles of incorporation and bylaws of New Memorial, but otherwise shall be subject to the full authority of UC Health as described in the articles of incorporation and bylaws of New Memorial, subject to compliance by UC Health with Section 3.8 below.

3.8 No Avoidance. (a) None of the UC Health Parties, directly or indirectly shall, including without limitation, by amendment of their (or any of their Affiliates') respective organizational documents, or through any reorganization, transfer of assets or interests, consolidation, merger, dissolution, sale of securities or other voluntary action or deliberate inaction, or through the allocation of governance or management responsibility between UC Health and New Memorial (and any of their Affiliates) and (b) the City shall not, directly or indirectly, including without limitation, through exercise of its governmental functions, assertion of governmental immunities or other means, or deliberate inaction, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Agreement or the Operating Lease by the UC Health Parties or the City respectively, but shall at all times in good faith carry out all such provisions of this Agreement or the Operating Lease.

Article IV

POST-CLOSING COVENANTS OF THE UC HEALTH PARTIES

4.1 Major Requirements. As of the Effective Date and continuing throughout the Term, and notwithstanding any other provision in this Article 4 to the contrary, the UC Health Parties agree to meet the qualifications, and perform the covenants and commitments in all material respects, set forth in this Section 4.1.

4.1.1 Name. The UC Health Parties shall preserve the legacy, identity and brand of the names “Memorial Hospital” and/or “Memorial Hospital System” and the marks of MHS in appropriate ways not inconsistent with promoting the identity of the MHS Operations as integral parts of UC Health. In addition, and not in derogation of the preceding sentence, during the Term the UC Health Parties will apply to MHS Operations the then-existing naming and branding conventions and marks utilized by UC Health as part of its overall system branding architecture.

4.1.2 Tax-Exempt Status. Each UC Health Party shall be an entity that is tax-exempt under Section 501(c)(3) of the Code; *provided* that New Memorial shall have applied for such tax-exempt qualification within three (3) months of the Effective Date (with the expected receipt of qualification within eighteen (18) months following the Effective Date).

4.1.3 Academic Affiliation. UC Health shall remain affiliated with an academic institution of higher learning throughout the Term, directly or via the affiliations of its members and Affiliates.

4.1.4 Government Program Participation/Accreditation.

(a) The UC Health Parties shall ensure that throughout the Term the MHS Hospitals will be: (i) a participating provider in the basic federal Medicare program, (ii) a participating provider in the basic Colorado Medicaid program, (iii) a participating provider in the basic Colorado Indigent Care program, and (iv) a participating provider in the basic United States Department of Defense TRICARE program (collectively, the “Core Government Programs”); *provided* that any commitment in this sentence shall no longer apply if any such program goes out of existence. Notwithstanding the foregoing, the UC Health Parties may terminate participation of the MHS Hospitals in (i) the basic federal Medicare program if the MHS Hospitals are adversely affected by changes in such program and a majority of nonprofit hospitals in the United States cease participating in that program, (ii) the basic Colorado Medicaid program if the MHS Hospitals are adversely affected by changes in such program and a majority of nonprofit hospitals in Colorado cease participating in that program, (iii) the basic Colorado Indigent Care program if the MHS Hospitals are adversely affected by changes in such program and a majority of nonprofit hospitals in Colorado cease participating in that program, and (iv) the basic Department of Defense TRICARE program if (A) the MHS Hospitals are adversely affected by changes in such

program and the terms of reimbursement under an existing or proposed TRICARE provider contract with the MHS Hospitals is or will be less than what other similar nonprofit hospitals are receiving under their existing or proposed TRICARE provider contracts and it is not financially feasible to accept such terms as determined by UC Health or (B) a majority of nonprofit hospitals in Colorado cease participating in that program.

(b) In the event that the UC Health Parties intend to terminate participation in the Core Government Programs, the UC Health Parties shall give the City no less than sixty (60) days advance written notice setting forth in reasonable detail the evidence or data which supports the UC Health Parties' conclusion that they can terminate participation in the program under the terms of this Section 4.1.4. If the City disputes the UC Health Parties' conclusion, the City shall have the right to submit the dispute, before the expiration of such sixty (60) day period, to the dispute resolution process described in Section 16.19 of the Operating Lease, and, if the dispute is not resolved, either the City or the UC Health Parties shall have the right to submit the dispute to a court of competent jurisdiction in accordance with Section 8.2 hereof. If the court issues a ruling or decision that the UC Health Parties are not entitled to terminate participation in one or more programs pursuant to Section 4.1.4 (a), but the Court does not order specific performance requiring that participation by the MHS Hospitals in the applicable Core Government Program(s) continue, the City shall have the right to terminate this Agreement if the UC Health Parties nevertheless terminate participation in the program under dispute. Notwithstanding anything in this Section 4.1.4 to the contrary, the UC Health Parties shall not be required to ensure that the MHS Hospitals participate in any of the Core Government Programs if such participation does not occur due to a lack of sufficient physicians participating in the program, *provided* that the UC Health Parties have used commercially reasonable efforts to cause sufficient physicians employed by MHS to participate in the program.

(c) The MHS Hospitals shall maintain accreditation, which may include conditional accreditation, by The Joint Commission (or other similar national accreditation body); *provided* that if at any time the MHS Operations are "conditionally accredited" (either due to deficiencies inherited from operation of MHS prior to the Effective Date or otherwise), the UC Health Parties shall resolve such deficiencies within the time periods permitted by The Joint Commission.

4.2 Additional Requirements. As of the Effective Date and continuing throughout the Term, the UC Health Parties agree to perform the following covenants and commitments in all material respects. Not in derogation of PVHS's obligations in Section 4.1 or as Lessee under the Operating Lease, the Parties agree that nothing in this Section 4.2 shall obligate either of the UC Health Parties to a level of financial commitment or services to MHS greater than provided by UC Health to its then-existing members.

4.2.1 Community Outreach. The UC Health Parties shall (i) assist the U.S. military in trauma proficiency and readiness at levels, to the extent reasonably necessary, that are no less than those being provided immediately prior to the Effective Date; (ii) support MHS Operations outreach to appropriate outlying medical facilities and other health centers (e.g., Peak Vista Community Health Centers) with the goal that the residents of El Paso County, Colorado and its outlying communities have continued access to a broad range of high quality services provided by MHS; and (iii) maintain and pursue partnerships with local charitable, philanthropic, public health, educational, military, and social service organizations to develop programs, services and strategies that are consistent with community public health needs identified by the UC Health Parties in the El Paso County community, in a manner that leverages the capabilities and resources of the El Paso County, Colorado community. In addition, PVHS or, New Memorial, as applicable, will maintain a Forensic Nurse Examiners Program at one (1) or more of the MHS Hospitals.

4.2.2 Headquarters. The UC Health Parties shall ensure that the MHS headquarters remain in the City of Colorado Springs, Colorado.

4.2.3 Maintenance of Purpose. The UC Health Parties shall maintain the charitable purposes of the MHS Operations in order to meet the current and future health care needs of the community. The UC Health Parties shall ensure that the proceeds that they receive for any services that they offer to or arrange for the community shall not inure to the benefit of any individual or private interest to the extent that such benefit would adversely affect the status of New Memorial under Section 501(c)(3) of the Internal Revenue Code.

4.2.4 Relationships with Local Vendors. The UC Health Parties shall, with respect to the MHS Operations, use commercially reasonable efforts to continue the existing materials management and purchasing policy in maintaining relationships with local vendors who offer competitive terms. That policy states a preference for contracting with local companies, but allows for competitive bidding from vendors outside the El Paso County, Colorado area. The UC Health Parties shall use commercially reasonable efforts to contract with local vendors in securing competitive terms for MHS, to the extent consistent with the other obligations of the UC Health Parties hereunder.

4.2.5 Information Technology. The UC Health Parties shall maintain a website that describes the services provided by PVHS or New Memorial, as applicable. The UC Health Parties shall also select and create (or obtain as licensee), support, and maintain information systems (including object and source code), software and other information technology that complies with all federal and state legal requirements for hospital information technology.

4.2.6 Integrated Health Care. The UC Health Parties shall, with respect to the MHS Operations, operate and maintain an integrated network of coordinated health care services for patients who receive services provided through the MHS Operations. The UC Health Parties shall develop strategies for health care providers

(including providers within the MHS Operations) designed to enable such providers to participate in evolving federal and state payment systems related to integrated health care systems including payment systems related to accountable care organizations.

4.2.7 Outreach to Local Physicians. The UC Health Parties will collaborate with and work to strengthen relationships with local physicians and physician groups in order to successfully coordinate care of MHS patients, and will maintain an “open” medical staff model that will allow qualified community physicians in and around El Paso County the ability to possess privileges at the MHS Hospitals.

4.2.8 Centers of Excellence. The UC Health Parties will seek out opportunities to develop clinical centers of excellence within the MHS Operations for specified services, subject to patient volume and demand and based on the reasonable and prudent business judgment of the UC Health Parties.

4.2.9 Accountability. In furtherance of the desire of the Parties to assure that the UC Health Parties are responsive to the citizens of Colorado Springs, Colorado and the El Paso County, Colorado community, the UC Health Parties shall, within one hundred and twenty (120) days following the close of the UC Health Parties’ first fiscal year (whether partial or full) following the Effective Date, and for all subsequent fiscal years throughout the Term, no less frequently than once every fiscal year (within one hundred and twenty (120) days following the end of the fiscal year), the President or Chief Executive Officer and the Chairman of the Board of New Memorial or another of the UC Health Parties, as applicable, shall provide a report to the El Paso County, Colorado community which shall include, at a minimum, the following items: (a) publicly available information regarding the healthcare needs of the El Paso County, Colorado community and an analysis of how the UC Health Parties addressed these needs in the previous year, including how the UC Health Parties provided services for underserved clinical areas; (b) the level of charity care and other community benefits provided by the UC Health Parties with respect to MHS Operations; (c) how the service commitments of the UC Health Parties set forth in this Agreement have been satisfied, including a discussion about new or changed services brought to the Colorado Springs, Colorado community; (d) information regarding continued and new partnerships by the UC Health Parties with community, charitable, public health and social service providers; (e) an annual quality report including patient/employee/physician satisfaction scoring with respect to the MHS Operations; (f) information regarding the New Memorial Board including discussion about the background of their board members, and biographies of the members of the UC Health Board; (g) the UC Health Parties’ audited financial statements; (h) significant changes in the health care environment and plans of the UC Health Parties to address such changes; (i) information regarding quality initiatives as set forth in Section 4.2.23, and (j) other information reasonably requested by the City from time to time and deemed relevant and appropriate by the UC Health Parties. Notwithstanding the reporting requirements of this Section 4.2.9, in lieu of publicly reporting certain information required above to the community generally, the UC Health Parties may deliver certain confidential or other competitively sensitive information, as determined by the UC Health Parties in their sole reasonable discretion, to one (1) or more City Representatives (as defined in the Operating Lease). For the

avoidance of doubt, it is the Parties' joint intention that in no event shall the UC Health Parties be obligated to deliver any such confidential or competitively sensitive information to one or more City Representatives if it is reasonably determined by the UC Health Parties, after considering available alternatives, that there is a material risk that such information would be considered to be "public records" (as such term is defined in Colorado Revised Statutes Section 24-72-202) subject to disclosure pursuant to Sections 24-702-201 through 24-702-206 of the Colorado Revised Statutes.

4.2.10 Medical Staff Matters. Prior to the Effective Date the City shall have provided to the UC Health Parties true, correct and complete copies of the bylaws and rules and regulations of the medical staff of MHS, as well as a list of all current members of the medical staff of MHS. The UC Health Parties will initially maintain the current forms of such bylaws, rules and regulations; *provided* that the medical staff at MHS may be asked to amend the bylaws to accommodate new programs, services or academic affiliations with the University of Colorado that become available at MHS as a participating provider in UC Health and to be consistent with this Agreement.

4.2.11 Assumed Contracts. The UC Health Parties shall fully respect any contracts that it assumes as Assumed Contracts pursuant to the Operating Lease that are agreements with local physicians for the provision of services described therein (which may include, for example, agreements that govern the provision of anesthesia, emergency medicine, radiology and pathology services), subject to any future amendments to such agreements or rights to terminate such agreements or upon expiration in accordance with the terms and conditions of such agreements.

4.2.12 Payor Contracts. UC Health shall use commercially reasonable efforts to include MHS in UC Health system-wide payor contracts and to negotiate favorable terms for MHS participation in other payor arrangements.

4.2.13 Permits. Subject to full cooperation of the City and MHS as required under Section 16.10 (Further Assurances) of the Operating Lease, following the Effective Date, PVHS (or New Memorial or UCHA, as applicable) will obtain and maintain all material licenses, permits, certificates and other authorizations, consents and approvals of any Governmental Entity that are necessary for operations of MHS in the ordinary course under any law, including provider agreements with the Medicare and Medicaid programs (including their respective fiscal intermediaries) and the TRICARE and the Colorado Indigent Care Program.

4.2.14 Regulatory Compliance. The UC Health Parties shall operate the MHS Operations in compliance in all respects material to the operation of the MHS Facilities with all applicable statutes, rules, regulations and requirements of the Governmental Entities having jurisdiction over the operations of MHS or its related ancillary services, including but not limited to the federal Anti-Kickback Law, 42 U.S.C. §1320a-7b, the Stark Laws 42 U.S.C. §1395nn, as amended, the False Claims Act, 31 U.S.C. §1329, et. seq., and HIPAA, and timely file all reports, data and other information required to be filed with any Governmental Entity in connection with the same in accordance with generally accepted hospital management procedures.

Notwithstanding anything herein to the contrary, nothing in this Section 4.2.14 shall obligate the UC Health Parties to assume any obligation, responsibility or liability for regulatory noncompliance of the MHS Facilities or the City relating to or arising during the period prior to the Effective Date, unless such liabilities were expressly assumed by PVHS (as Assumed Liabilities of the Lessee under the Operating Lease).

4.2.15 Patient Privacy. The UC Health Parties shall comply in all material respects with all confidentiality and non-disclosure requirements that apply to MHS Operations, specifically including the privacy requirements of the Administrative Simplifications subtitle of HIPAA and analogous state requirements, and shall comply in all material respects with all policies and safeguards relating to protected health information (as defined by federal regulations implementing HIPAA).

4.2.16 Administration of Trusts and Donations. The UC Health Parties shall provide for the continuing administration of any trusts or donations that provide for continued support of the MHS Operations and programs, and that are part of the Acquired Assets under and as defined in the Operating Lease.

4.2.17 Solicitation of Grants and Donations. The UC Health Parties shall use commercially reasonable efforts to obtain grants, contracts or lifetime or testamentary gifts, devises or donations of money, personal property or real property to support and enhance the clinical, educational and research missions of the MHS Operations. Any monies generated from such efforts will remain dedicated to support of the MHS Operations.

4.2.18 Clinical Trials. The UC Health Parties shall maintain and support appropriate biomedical or health-related research studies of patients at the MHS Hospitals in effect as of the Effective Date that are Assumed Contracts and shall, after the Effective Date, continue to support and enhance the development of clinical trials of patients which are industry-sponsored or funded by the United States Department of Health and Human Services National Institutes of Health or other governmental or non-profit sponsors.

4.2.19 Operating Costs. The UC Health Parties shall use commercially reasonable efforts to provide the MHS Operations with improved access to (a) professional liability and other insurance, (b) supply chain management and (c) other shared corporate infrastructure with the goal of containing the operating costs of the MHS Operations over time.

4.2.20 Research and Development. The UC Health Parties shall provide funding for MHS Operations research and development projects that are included in the annual budget approved in accordance with the UC Health Parties' organizational documents.

4.2.21 Provision of Charity Care. The UC Health Parties shall provide care to the indigent, uninsured or under-insured at all times throughout the Term, which shall in no event be at a level less than the level of such services provided by nonprofit

hospitals in the state of Colorado generally. In addition, such level of care shall be not less than that provided consistent with the MHS Policy for Charity Care and the MHS Policy for Indigent Care in effect immediately prior to the Effective Date; *provided* that the New Memorial Board may alter such levels or policies to reflect changes in laws, rules, regulations, payment systems, demographic needs, or prevailing practices by other similarly situated nonprofit hospitals, and, *provided* further, that the UC Health Parties shall meet their obligations under this Section 4.2.21. Any dispute between or among the Parties related to this Section 4.2.21 shall be submitted to an accelerated arbitration process as set forth in Section 7.2.2 hereof.

4.2.22 Maintenance and Expansion of Clinical Services. The UC Health Parties will expend significant financial resources in order to maintain and expand the sophistication and range of the clinical services of the MHS Operations, which commitments include the following:

(a) For the period commencing on the Effective Date and concluding three (3) years thereafter, the UC Health Parties agree to offer, or arrange to offer, the core services of the MHS Operations identified on Schedule 4.2.22 (the “Core Services”) at levels no less than those existing immediately prior to the Effective Date. The Parties acknowledge that Core Services means the basic range of most important services within each service listed on Schedule 4.2.22, and not each and every procedure or physician within a particular category or service. After the three (3) year anniversary of the Effective Date, the UC Health Parties may change the scope and/or level of the services of the MHS Operations, *provided* that the MHS Hospitals shall throughout the Term offer all services that are required to be provided by a general medical/surgical hospital as a condition of licensure by the Colorado Department of Public Health and Environment.

(b) During the Term, the UC Health Parties will use commercially reasonable efforts to offer at the MHS Hospitals a range of services that is reasonably responsive to the acute care medical needs of the community. If at any time following the third (3rd) anniversary of the Effective Date the UC Health Parties believe that prudent hospital management principles warrant the suspension or termination of any Core Service, such matter must be explained at a meeting of the New Memorial Board (but, for the avoidance of doubt, such decision shall not be subject to any voting or approval requirements of the New Memorial Board). If at any time during the Term the UC Health Parties believe that prudent hospital management principles warrant the suspension or termination of a service line that comprises three percent (3%) or more of the gross revenues of MHS Operations during the fiscal year preceding the time of any proposed suspension or termination, then such proposed action: first, must be explained at a meeting of the New Memorial Board, and second, must be approved by a three-quarters (3/4) vote of the entire UC Health Board (*provided* that this shall not preclude other or earlier action if required by law or regulatory or judicial action); *provided* that the foregoing shall in no way limit the obligations of the UC Health Parties to provide the Core Services until the third

(3rd) anniversary of the Effective Date and, at any time during the Term of the Operating Lease, to maintain hospital licensure as set forth in Section 4.2.22(a).

(c) The UC Health Parties will also work to expand appropriate services of the MHS Operations in Park, Teller and Fremont counties.

(d) With respect to all of the foregoing obligations and commitments, care models will be developed and applied by the UC Health Parties in light of, among other considerations, then-customary medical practices and the best interests of the patients and their families.

(e) Any dispute between or among the Parties related to this Section 4.2.22 shall be submitted to an accelerated arbitration process as set forth in Section 7.2.2 hereof.

4.2.23 Quality. During the Term, the UC Health Parties will maintain a range of policies, procedures and efforts to maintain and improve the quality of services throughout UC Health. Its goal is to provide high quality services at all of its hospitals and facilities, and it will utilize quality assurance and improvement methods to achieve that goal. The UC Health Parties shall report on such quality initiatives as part of its annual reporting to the community described in Section 4.2.9 hereof.

4.2.24 Health Services Education. The UC Health Parties shall be supportive of a continuum of health service education programs in the City of Colorado Springs. This shall include the commitment described in Section 2.2.1 to establish a branch of the University of Colorado School of Medicine in Colorado Springs as well as expanding programs to enhance and extend the existing resources dedicated to undergraduate training and expanding clinical post-graduate and residency training.

Article V

ADDITIONAL COVENANTS OF THE PARTIES

5.1 Acknowledgement of the Parties. The City acknowledges that the UC Health Parties have certain interests in the business and good will of the MHS Operations during the Term, and the UC Health Parties acknowledge that the City has certain interests as owner of the MHS Facilities during the Term, and certain interests in the business and good will of MHS operations after the Term, and accordingly, the Parties agree to the following restrictions set forth in this Article 5.

5.2 Non-Competition.

5.2.1 Non-Competition by the UC Health Parties.

(a) Each of the UC Health Parties agrees that beginning on the Effective Date and for a period of two (2) years following the end of the Term of this Agreement, it will not, individually, collectively, or in concert with any third party, directly or indirectly (including, without limitation, (i) as a shareholder,

owner, manager, partner or joint venturer, (ii) through any officer, employee, independent contractor or other representative, and/or (iii) in any other capacity calling for the rendition of such services or operations), provide any service within the city limits of Colorado Springs, Colorado as they exist as of the Effective Date and irrespective of any future changes thereto, as more specifically described on Schedule 5.2.1 (the “City Limits”) that competes with the services or operations of MHS or the MHS Operations, except as contemplated on behalf of MHS and the MHS Operations in accordance with the terms of this Agreement and the Operating Lease. The UC Health Parties further acknowledge that to the extent that any UC Health Party and/or any of their Affiliates engage in any new or expanded health care services in the City Limits during the Term (other than any Competing Business Venture established in accordance with the requirements set forth in Section 5.3 below), such services will be integrated into and used to reinforce the success and service capacity of MHS and the MHS Operations, rather than to create clinical facilities independent of MHS or the MHS Operations.

(b) The UC Health Parties shall cause their Affiliates, beginning on the Effective Date and for a period of two (2) years following the end of the Term of this Agreement, to not, individually, collectively, or in concert with any third party, directly or indirectly (including, without limitation, (i) as a shareholder, owner, partner or joint venturer manager, (ii) through any officer, employee, independent contractor or other representative, and/or (iii) in any other capacity calling for the rendition of such services or operations), provide any service within the City Limits that competes with the services or operations of MHS or the MHS Operations.

(c) Notwithstanding the restrictions set forth in Sections 5.2.1(a) and (b) above, the City expressly acknowledges and agrees that existing activities or sites of Children’s Hospital primarily related to pediatric services (as the same may be expanded, added to, modified or relocated from time-to-time) in the City Limits and any then-existing activities or facilities of any hospital or health care system that becomes a new member or participant in UC Health or comes under the control of UC Health or Children’s Hospital during the Term, (or any action of several such entities) shall be excluded from the prohibitions set forth in this Section 5.1.2.

5.3 Non-Competition by the City. The City agrees that that, beginning on the Effective Date and throughout the Term, within the City Limits, it will not and will cause its Affiliates (including other City enterprises) not to, directly or indirectly (including, without limitation, (i) as a shareholder, owner, manager, partner or joint venturer or through any officer, partner, employee, independent contractor and/or (ii) in any other capacity calling for the rendition of such services or operations, provide any service within the City Limits that competes with the services or operations of MHS or the MHS Operations. Notwithstanding the foregoing, nothing herein is intended to prevent the City from providing any non-health care activities in carrying out its governmental functions.

5.4 Competing Business Ventures.

5.4.1 Waiver of Non-Compete Restriction. Regardless of whether or not the City participates in a Competing Business Venture (as hereinafter defined), the Parties agree that the restrictions set forth in Section 5.4.2 shall not apply and/or if applicable, shall be deemed waived with respect to any Competing Business Venture established, purchased, acquired or otherwise operated by the UC Health Parties that would be outside the ten (10) mile radius of either MHS Hospital (measured from the center of its current campus, or its relocated campus if the MHS Hospital is relocated) but within the City Limits, *provided* that the UC Health Parties comply with the requirements set forth in Section 5.4.2 by offering the City the opportunity to participate in such Competing Business Venture. For purposes of this Section 5.4.1, a “Competing Business Venture” means any health care related business or service that competes with or would compete with the MHS Operations, excluding a hospital licensed by the Colorado Department of Health.

5.4.2 Right of City to Invest in Competing Business Venture. Beginning on the Effective Date, prior to entering into any binding (subject to conditions to closing) legal agreement to establish, purchase, acquire, enter into a joint venture to, or otherwise operate a Competing Business Venture (which may consist of a self-proposed UC Health venture or a venture with one or more third parties), UC Health shall first provide the City with a right of first refusal to invest in such Competing Business Venture at some appropriate level, under all of the relevant circumstances (“Offer”), such Offer terms to be contained in a summary notice of the material terms of such Competing Business Venture (the “Summary Notice”). If UC Health possesses a written proposal or an internally developed and approved plan to engage in a Competing Business Venture, it shall provide the City with the Summary Notice, and the City shall then have thirty (30) days to submit to UC Health a written offer to participate in the Competing Business Venture on the Offer terms of the Summary Notice. If the City declines to participate or fails timely to respond within such thirty (30) day period, UC Health may proceed with the transaction substantially on the terms set forth in the Summary Notice. If the City timely notifies UC Health that it elects to participate in the Competing Business Venture within such thirty (30) day period, the relevant parties, including the City, shall proceed to negotiate in good faith definitive agreements for the Competing Business Venture. If the City and UC Health do not reach such an agreement within a reasonable amount of time following good faith negotiations (not to exceed ninety (90) days following the City’s notice of election to participate in the Competing Business Venture), UC Health may proceed with the transaction substantially on the terms set forth in the Summary Notice

5.5 Non-Solicitation.

5.5.1 Acknowledgement. The City acknowledges that the UC Health Parties have a legitimate interest in the stability of the workforce of the MHS Operations during the Term, and the UC Health Parties acknowledge that the City has a legitimate interest in the stability of such workforce if the Operating Lease terminates or expires,

and accordingly, the Parties agree to the following restrictions set forth in this Section 5.5.

5.5.2 Non-Solicitation by the UC Health Parties. The UC Health Parties agree that if the Operating Lease terminates or expires and the MHS Operations revert back to the City in accordance with the terms of the Operating Lease, then for a period of two (2) years thereafter, the UC Health Parties will not, and will cause each of their Affiliates not to, directly or indirectly attempt to influence, recruit or solicit for employment, or directly or indirectly assist in attempts to influence, recruit or solicit for employment, as, for, with or on behalf of itself or a third party any person who was or is an executive officer of MHS or a senior manager of the MHS Operations. The foregoing restrictions shall not be deemed applicable to or violated by (a) solicitations to the public made through public media, or (b) solicitation and employment of individuals who were employed by any of the UC Health Parties or any of their Affiliates prior to their service at MHS. Nothing in this Section 5.5.2 shall be construed as to require the UC Health Parties or their Affiliates to violate the federal Anti-Kickback Law, 42 U.S.C. §1320a-7b or any similar state law.

5.5.3 Non-Solicitation by the City. The City agrees that, during the Term, the City will not, and will cause each of its Affiliates not to, directly or indirectly attempt to influence, recruit or solicit for employment, or directly or indirectly assist in attempts to influence, recruit or solicit for employment, as, for, with or on behalf of itself or a third party any person who was or is an employee or officer of any of the UC Health Parties or their Affiliates. The foregoing restrictions shall not be deemed applicable to or violated by solicitations to the public made through public media. Nothing in this Section 5.5.3 shall be construed as to require the City or its Affiliates to violate the federal Anti-Kickback Law, 42 U.S.C. §1320a-7b or any similar state law.

5.6 Transition of MHS Employees.

5.6.1 Transition of Practitioners and Other MHS Employees. As of the Effective Date, subject to operational needs and the UC Health Parties' review of each of the MHS Employees' qualifications, experience and personnel history, one or more of the UC Health Parties or their Affiliates, UCHA or Children's Hospital, as applicable, shall offer employment, for not less than a six (6) month period, to substantially all MHS Employees (including current members of the medical staff of the MHS Hospitals who are MHS Employees) who are in good standing under applicable City and MHS human resource policies in place as of the Effective Date. Each such offer of employment with any UC Health Party shall be for a position with the same base compensation then being provided by MHS prior to the Effective Date. During the six (6) month period commencing on the Effective Date, no UC Health Party shall reduce the base compensation of any MHS Employee who accepts an offer of employment with such UC Health Party and shall provide such employees with employee retirement and health and welfare plans and programs that, in general, are no less favorable to the employees as an aggregate group than those offered to newly hired employees working within such UC Health Party. To the extent that the UC Health Party hiring the MHS Employees provides qualified retirement programs for such MHS Employees, such hiring entity

shall recognize all of such MHS Employees' service with MHS for purposes of determining eligibility and vesting. To the extent that any UC Health Party hiring the MHS Employees provides health and welfare programs for such MHS Employees, each such hiring entity shall use commercially reasonable efforts of to ensure that its insurers waive pre-existing conditions limitations in the welfare benefit plans of such UC Health Party that might otherwise apply to such MHS Employees except to the extent that such MHS Employees have not satisfied such limitations under the welfare benefit plans of MHS or the City in existence immediately prior to the Effective Date. Each health or other insurance plan maintained by the applicable hiring UC Health Party shall recognize, for purposes of satisfying any deductibles, co-pays and out-of-pocket maximums, any payment made by such MHS Employees toward deductibles, co-pays and out-of-pocket maximums for the plan year that includes the Effective Date. In the event that any MHS Employee is hired by UCHA or an Affiliate of the UC Health Parties, including a UC Health Affiliate, in connection with the provision of services for MHS Operations, the UC Health Parties will use commercially reasonable efforts to ensure that UCHA or such Affiliates, as applicable, comply with the terms of this Section 5.6.1. Notwithstanding anything herein to the contrary, nothing in this Agreement (whether express or implied) is intended to or shall create any beneficial or other rights or remedies for any Person other than the Parties. In addition to any notice requirements it has under the Operating Lease, the City hereby agrees to notify the UC Health Parties as promptly as practicable in writing of any changes in human resources policies and welfare benefit plans of MHS or the City, or in the base compensation and benefits of the MHS Employees, and the City shall have provided to the UC Health Parties in advance of the Effective Date all information reasonably necessary for the UC Health Parties to fulfill their obligations under this Section 5.6.1.

5.6.2 Staffing Plan. The UC Health Parties shall work to implement and refine processes to employ best-in-industry productivity and budgeting methodologies and other workforce management tools in order to encourage growth of the MHS Operations and align incentives for achieving economies of scale.

5.6.3 Assistance to the City. The UC Health Parties acknowledge that the City will need assistance from certain MHS Employees subsequent to the Effective Date for purposes of winding up the business affairs of the City with respect to the MHS Operations. To this end, the UC Health Parties agree to, and shall use commercially reasonable efforts to cause their Affiliates and Children's Hospital and UCHA, if applicable, to provide such assistance of the former MHS Employees as the City requests from time to time in connection with the winding up of its business affairs with respect to the MHS Operations and other matters relating to its operation of the MHS Operations prior to the Effective Date for the following purposes; *provided* that nothing in this Section 5.6.3 shall obligate the UC Health Parties or their Affiliates or Children's Hospital or UCHA to prioritize such assistance to the City over their own needs and requirements, or to provide a greater level of service or responsiveness to the City than the UC Health Parties provide to themselves or their Affiliates, or that Children's Hospital or UCHA provides to themselves:

- (a) preparation of financial statements as of the Effective Date for the City with respect to the MHS Operations;

(b) assistance in preparing any unfiled MHS Cost Reports for the periods prior to the Effective Date and the terminating MHS Cost Reports for the period ending on the Effective Date;

(c) assistance in gathering and providing of relevant information to the City, as reasonably requested in connection with the PERA Liability (as defined in the Operating Lease) and agreed by the relevant UC Health Party, their Affiliates, Children's Hospital or UCHA; and

(d) assistance in such other matters as is reasonably requested by the City from time to time and agreed by the relevant UC Health Party, their Affiliates, or Children's Hospital or UCHA.

The UC Health Parties will, and will use commercially reasonable efforts to cause their Affiliates and Children's Hospital and UCHA to, if applicable, provide the assistance of such MHS Employees to the City as set forth above at its "fully loaded" cost (compensation plus benefits plus reasonable administrative overhead charge not to exceed fifteen percent (15%) of the allocated compensation plus benefit cost).

5.7 Responsibility and Commensurate Authority of PVHS and UC Health.

The UC Health Parties shall have full responsibility for fulfilling PVHS's obligations in accordance with this Agreement and the Operating Lease, including without limitation, the obligations to: (a) maintain the quality of the MHS Operations and services, consistent with the relevant quality standards of UC Health that are applied consistently among the hospitals and health care providers within UC Health; (b) include the MHS Operations in appropriate UC Health initiatives; (c) develop and enhance the programs within the MHS Operations; (d) integrate the information systems utilized in connection with the MHS Operations with those of other hospitals and health care providers within UC Health; and (e) "integrate" the MHS Operations as an efficient, effective component of the overall UC Health system. The City acknowledges that it will as a practical matter not be feasible for the UC Health Parties to achieve these objectives unless, in addition to these responsibilities, they also possess commensurate and sufficient authority over the MHS Operations. Accordingly, the City acknowledges and agrees that not in derogation of what is specifically provided herein or in the Operating Lease (a) the UC Health Parties shall have with respect to MHS all powers and authorities customary or reasonably necessary to the operation of hospitals and related facilities and programs that are part of an integrated health system; and (b) except in the good faith exercise of its lawful rights and powers set forth herein or in the Operating Lease, the City shall not interfere in, or impede, or unreasonably delay the UC Health Parties in the exercise of their functions as described above.

5.8 Cooperation with University of Colorado School of Medicine.

The UC Health Parties will cooperate in appropriate ways with the University of Colorado School of Medicine (including by providing the financial support set forth in Section 2.2.1) in the University's efforts to develop a medical school branch in Colorado Springs pursuant to the terms of the Financial Support Agreement.

Article VI

TERM AND TERMINATION

6.1 Term. This Agreement shall become effective as of the date hereof and shall expire upon the effective date of the expiration of the term or earlier termination of the Operating Lease (the “Term”). The Term of this Agreement is not subject to renewal, unless the Parties mutually agree in writing to extend the Term of this Agreement beyond the date described in the preceding sentence.

6.2 Termination. This Agreement shall automatically terminate upon the expiration, or any termination, of the Operating Lease.

Article VII

NO THIRD-PARTY BENEFICIARIES, REMEDIES, SURVIVAL

7.1 Third Party Beneficiaries. Nothing referred to or expressed in this Agreement is intended by the Parties, nor shall this Agreement be deemed, to confer any legal or equitable right or remedy, claim or benefit on any Person (including any physician, employee, patient, vendor, or contractor) not a Party to this Agreement, as third-party beneficiary or otherwise. No other Person other than the Parties to this Agreement shall be a third-party beneficiary of this Agreement.

7.2 Remedies.

7.2.1 The sole and exclusive remedies of the Parties under this Agreement shall be (a) specific performance and (b) the Parties’ respective rights to terminate the Operating Lease; *provided*, however, that a Party may seek such remedies only (a) under the circumstances set forth in such specific termination provision of the Operating Lease, or (b) for material breach or nonperformance of this Agreement, and subject to satisfaction of the dispute resolution process described in Section 16.19 of the Operating Lease or the accelerated arbitration process described in Section 7.2.2 below, as applicable. Notwithstanding the foregoing, a Party may resort immediately to a court of competent jurisdiction, without exhausting the dispute resolution processes addressed above if (i) an action for specific performance or injunctive or other equitable relief is necessary to prevent imminent material harm to such Party or such Party would suffer such imminent material harm that is not readily compensable in monetary damages, and (ii) the complaining Party has provided at least five (5) business days written notice to the other Party stating the basis for its seeking such relief and the receiving Party has not responded in a manner that removes the threat of such material and imminent harm.

7.2.2 Notwithstanding the foregoing, in the event of a dispute regarding the matters set forth in Sections 4.1 (Major Requirements), 4.2.9 (Accountability), 4.2.21 (Provision of Charity Care) and 4.2.2 (Maintenance and Expansion of Clinical Services), the Parties shall submit the issue to an accelerated arbitration process under the authority of a mutually agreed organization that commits to complete such process within sixty (60) days of such submission, and the enforcement of the UC Health Parties’

performance of such obligations shall be subject to such accelerated and final arbitral determination.

7.3 Survival.

7.3.1 All covenants contained in this Agreement that contemplate performance thereof following the Effective Date will survive for the period so contemplated by such covenant or agreement whether for a specified by number of years or by reference to a specified external event or circumstance, and may be enforced during, or timely following, their duration.

7.3.2 All other covenants which do not contain a specified time period for their performance will continue indefinitely until the expiration of the Term or termination of this Agreement pursuant to the terms hereof.

Article VIII

MISCELLANEOUS PROVISIONS

8.1 Parties and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns. No Party may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Parties, except in connection with an assignment permitted under the Operating Lease or an assignment of this Agreement on the Transition Date as provided herein, and subject to the restrictions on assignable or transferrable rights set forth therein.

8.2 Governing Law; Venue.

8.2.1 This Agreement has been executed and will be consummated in the State of Colorado. Accordingly, this Agreement will be governed by and construed in accordance with the laws of the State of Colorado, without giving effect to any choice or conflict of laws rule or provision that would cause the application of the domestic substantive laws of any other jurisdiction.

8.2.2 The Parties agree that any suit, action or proceeding with respect to this Agreement shall be brought exclusively in an appropriate state court located in El Paso County, Colorado. In the event any such action is removed to federal court for any reason, jurisdiction and venue shall be exclusively in the United States District Court for the District of Colorado. By execution of this Agreement, each Party irrevocably submits to each such jurisdiction for that purpose. Each Party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to such venue of any such suit, action or proceeding on the basis of its being brought in an inconvenient forum.

8.3 Notices. All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder will be deemed duly given if it is delivered personally or sent by recognized

overnight courier services (such as Federal Express or DHL) and addressed to the intended recipient as set forth below:

If to the City, addressed to: City of Colorado Springs, Colorado
Attention: Mayor
30 S. Nevada Avenue,
Suite 601
Colorado Springs, Colorado 80903

with copies to: Colorado Springs City Attorney
30 S. Nevada Avenue, Suite 501
Colorado Springs, Colorado 80903

and President of City Council
107 N. Nevada Avenue
Colorado Springs, Colorado 80903

and Fulbright & Jaworski, LLP
Attention: James G. Wiehl, Esq.
190 Carondelet Plaza
St. Louis, Missouri 63105

If to PVHS, addressed to: Poudre Valley Health Care, Inc.
Attention: Chief Executive Officer
Attention: General Counsel
2315 East Harmony Road, Suite 200
Fort Collins, Colorado 80525

with a copy to: Wallis S. Stromberg
Davis Graham & Stubbs LLP
1550 17th St., Suite 500
Denver, Colorado 80202

If to UC Health, addressed to: Bruce Schroffel
President
12401 E. 17th Avenue, Mail Stop F417
Leprino Building, Suite 1036
Anschutz Medical Campus
Aurora, Colorado 80045

with copies to: Allen Staver
General Counsel
12401 E. 17th Avenue, Mail Stop F415
Leprino Building, Suite 1030
Aurora, Colorado 80045

and Hogan Lovells US LLP

Attention: Clifford D. Stromberg, Esq.
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004

Notices will be deemed given when delivered personally or delivered by courier. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

8.4 Entire Agreement. This Agreement (including the Schedules and Exhibits attached hereto), together with the Operating Lease (including the Schedules and Exhibits attached thereto), the Standstill and Cost Reimbursement Agreement dated January 19, 2012 by and between the City, UCHA and UC Health and the Non-Disclosure Agreement dated as of January 19, 2012 by and between the City, UCHA and UC Health, and all other agreements and documents executed in connection with the Transactions, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof. For the avoidance of doubt, the covenants and agreements of the Parties in this Agreement are in addition to, and not in derogation of, the terms of the Operating Lease, except as otherwise expressly provided herein.

8.5 Amendments. No amendment, alteration or modification of this Agreement shall be valid unless in each instance such amendment, alteration or modification is (i) expressed in a written instrument duly executed by the Parties and expressly stating that it is an amendment to this Agreement and (ii) approved by UC Health in writing in advance of its effective date.

8.6 Counterparts; Electronic Transmission. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A facsimile or electronically transmitted signature shall be deemed an original for purposes of evidencing execution of this Agreement.

8.7 Headings; Terms. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Defined terms are applicable to both the singular and plural forms. All pronouns will be deemed to refer to the masculine, feminine or neuter, as the identity of the Person may require. The singular or plural includes the other, as the context requires or permits. The word "include" (and any variation) is used in an illustrative sense rather than a limiting sense. The word "day" means a calendar day. All references to "Sections" are to sections of this Agreement unless indicated otherwise.

8.8 Further Assurances. On or after the Effective Date, a Party, at the reasonable request of another Party and without further consideration, shall promptly do each and every act and thing as may be necessary or reasonably expected of such Party to

consummate and perform the Transactions, including (a) executing and delivering, or causing to be executed and delivered, to the requesting Party all such documents and instruments as are reasonably required to evidence the terms of this Agreement, in addition to those otherwise required by this Agreement, in form and substance reasonably satisfactory to the requesting Party; (b) furnishing documents; (c) filing reports, returns, applications, filings and other documents and instruments; (d) assisting in good faith in any litigation, threatened litigation or claim and cooperating therein with other parties and their advisors and representatives, including providing relevant documents and evidence and maintaining confidentiality in connection with such litigation or threatened litigation or claims against the Party from whom such cooperation is requested; and (e) cooperating with each other in exercising any right or pursuing any claim, whether by litigation or otherwise, other than rights and claims running against the Party from which such cooperation is requested. This provision shall not expand the obligations of PVHS or New Memorial as Lessee under Section 16.10 (Further Assurances) of the Operating Lease.

8.9 Waiver. No waiver by any Party or failure or delay in taking action with regard to any default, misrepresentation or breach of any responsible warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent matter or affect in any way any rights arising by virtue of any prior or subsequent occurrence, and no waiver will be effective unless set forth in writing and signed by the Party against whom such waiver is asserted.

8.10 Severability. The invalidity or unenforceability of any term or provision of this Agreement will not affect the validity or enforceability of the remaining terms and provisions hereof that reasonably can be given effect apart from the invalid or unenforceable part.

8.11 Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

8.12 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance required by this Agreement.

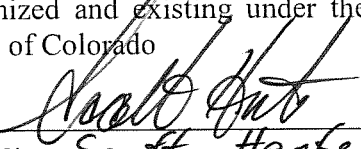
[Signature Page Follows]

[Signature Page to Integration and Affiliation Agreement]

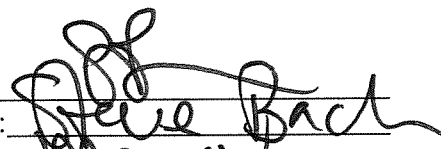
IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

CITY:

CITY OF COLORADO SPRINGS, a home rule city and municipal corporation duly organized and existing under the laws of the State of Colorado

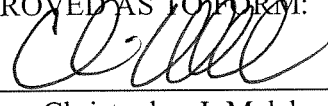
By: 
Name: Scott Hente
Title: President, City Council
Date: 27 June 2012

and

By: 
Name: Steve Bach
Title: Mayor
Date: 6/27/12

(SEAL) Attest:

APPROVED AS TO FORM:

By: 
Name: Christopher J. Melcher
Title: City Attorney
Date: 6/27/12

UC HEALTH:
UNIVERSITY OF COLORADO HEALTH, a
Colorado nonprofit corporation

By: _____
Printed Name: Bruce Schroffel
Title: Chief Executive Officer
Date: _____

EXHIBITS

- A. List of Initial Directors of Memorial Board
- B. UC Health and the University of Colorado School of Medicine Term Sheet

NEW MEMORIAL:
UCH-MHS, a newly formed Colorado
nonprofit corporation

By: _____
Printed Name: Bruce Schroffel
Title: President and Chief Executive Officer
Date: _____

PVHS:
POUDRE VALLEY HEALTH CARE, INC., a
Colorado nonprofit corporation

By: _____
Name: Rulon F. Stacey. Ph.D.
Its: President and Chief Executive Officer
Date: _____

EXHIBIT B

UC Health and the University of Colorado School of Medicine Term Sheet

1. Parties to the Agreement will be University of Colorado Health (“UC Health”) and the Regents of the University of Colorado (“Regents”).
2. UC Health will pay \$3 million each year to the School of Medicine (“SOM”)
 - Monthly payments in the amount of \$250,000 (“Support Payments”)
 - First Support Payment to begin 1st month after the Effective Date
 - Support Payments to be made each month for forty (40) years (subject to # 9 below).
3. Support Payments can only be used by the SOM to pay the costs of establishing and operating a branch of the SOM in Colorado Springs
 - The SOM shall fund balance of the cost of the branch of the SOM.
4. Support Payments cannot be viewed/used as a substitute for UCH’s or UC Health’s clinical support for the SOM on the Anschutz Medical Campus.
5. Support Payments cannot be viewed/used to replenish past or future reductions in State general fund or University institutional support for the SOM.
6. University must use best efforts to establish a branch of the SOM in Colorado Springs and obtain accreditation for it.
7. The educational and clinical programs which are created in Colorado Springs by this Agreement will be co-branded by the SOM, UC Health and MHS.
8. All graduate medical education positions at MHS must be mutually agreed upon by the SOM and UC Health.
9. If the branch of the SOM in Colorado Springs is not operational and accredited within 3 years from the Effective Date, UC Health can elect to pay the Support Payments into a restricted account at the University of Colorado Hospital Foundation (the “Restricted Account”) to be held and not released to the SOM until the earlier of: (i) the branch of the SOM in Colorado Springs becomes operational and accredited or (ii) an independent third-party consultant certifies to UC Health in writing that there is a high probability that the branch of the SOM in Colorado Springs will be operational and accredited within the next twelve (12) months.
10. If the branch of the SOM in Colorado Springs is not operational and accredited within ten (10) years from the Effective Date, UC Health’s obligation to make the Support Payments will terminate and UC Health will begin using the funds which have accumulated in the Restricted Account to support educational activities and programs for healthcare professionals at the MHS Hospitals in Colorado Springs. In the event a

SOM branch is subsequently established in Colorado Springs during the forty (40) year term, appropriate funding by UC Health would be renewed for the remainder of the forty (40) year term.

11. If UC Health does not comply with its obligation to make the Support Payments and the Regents do not enforce that obligation, the City will have the right to enforce UC Health's obligation as a third-party beneficiary of the Agreement.

SCHEDULE 5.2.1

City Limits

In accord with City Charter § 1-10, the “City limits of the City of Colorado Springs” includes the geographical area over which the corporate and jurisdictional boundaries of the City of Colorado Springs has been extended through incorporation or annexation as depicted by the attached map (see “Attachment to Integration Agreement’s Schedule 5.2.1 City Limits.pdf”).

SCHEDULE 4.2.22

Core Services

1. Cancer Care
2. Disease Management
3. Emergency Care
4. Heart and Vascular Care
5. Neonatal Intensive Care (NICU)
6. Orthopedic Care
7. Pediatric Care
8. Perinatal Genetics Care
9. Radiology and Imaging
10. Trauma Care (Level II)
11. Women's Care
12. Obstetrics
13. Surgical

SCHEDULES

Schedule 4.2.22 Core Services

Schedule 5.2.1 City Limits

EXHIBIT A

List of Memorial Board Members

1. Merv Bennett
2. Brandy Williams
3. Christopher J. Melcher
4. Bruce Schroffel
5. Rulon F. Stacey. Ph.D.
6. Jim Shmerling, DHA FACHE