RESOLUTION NO. 89-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS, COLORADO, APPROVING THE PROPOSED MEMORIAL HEALTH SYSTEM OPERATING LEASE AGREEMENT AND THE INTEGRATION AND AFFILIATION AGREEMENT WITH UNIVERSITY OF COLORADO HEALTH SYSTEM, SUBJECT TO VOTER APPROVAL.

WHEREAS, since 1949, the City of Colorado Springs has owned and operated Memorial Health System, dedicated to being a regional leader in providing high quality healthcare services to all citizens; and,

WHEREAS, City Council carefully considered the option of leasing the assets of Memorial Health System to an outside independent operator to ensure provision of the best possible healthcare for the entire community; and,

WHEREAS, City Council previously determined that it is in the best interests of the public health, safety and welfare of the City and its residents to consider proposals from potential independent strategic partners that contemplate independent operation and management of Memorial Health System through an arrangement in which the City would lease the Memorial Health System facilities and transfer its operating assets to a third-party; and,

WHEREAS, City Council authorized and created the Memorial Health System Task Force in August 2011 comprised of Council members and citizens, which in turn issued a Confidential Descriptive Memorandum and Request for Proposals dated October 17, 2011, and said Task Force carefully reviewed and considered all proposals received there from; and,

WHEREAS, City Council in January 2012 accepted the recommendation of the Memorial Health System Task Force, and selected the University of Colorado Health system as the exclusive bidder to be considered as an independent strategic partner with the Memorial Health System and to pursue negotiations of an operating lease agreement between the City, and the University of Colorado Health system for the independent operation and management of the Memorial Health System through an arrangement in which the City would lease the Memorial Health System facilities and transfer its operating assets to the University of Colorado Health system and related parties; and,

WHEREAS, City Council and the City Attorney have completed negotiations with the University of Colorado Health system for the independent operation and management of the Memorial Health System through a lease of the Memorial Health System facilities and the transfer of its operating assets, and said negotiations have

now produced a Health System Operating Lease Agreement and an Integration and Affiliation Agreement between the City, and the University of Colorado Health system and related parties.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1. That City Council hereby finds that the agreements created as a result of the aforementioned negotiations with University of Colorado Health system will result in a long-term relationship with the best possible independent strategic partner for the operation and management of the Memorial Health System, will provide the highest quality of healthcare for our community, will result in the best long term financial return to the community, will enhance and contribute to the economic development of the City, and will offer the greatest opportunity for the long term success of health care delivery in our community. Therefore, City Council does hereby approve and authorize the entering into of the Health System Operating Lease Agreement presented on June 27, 2012, and the Integration and Affiliation Agreement presented on June 27, 2012, by and among the City of Colorado Springs, University of Colorado Health, Poudre Valley Health Care, Inc., and UCH-MHS, as attached hereto as Exhibit A and Exhibit B.

Section 2. The City Council further hereby states that a condition to the aforementioned Health System Operating Lease Agreement and the Integration and Affiliation Agreement becoming effective is voter approval and the satisfaction of all terms and conditions as set forth in the aforementioned agreements.

Section 3. The City Council further directs the City Attorney and City Staff to take all steps necessary to: i) carry forward the implementation of the aforementioned agreements, including the preparation and approval of all schedules, exhibits and other ancillary documents and agreements necessary to effect the transaction; ii) submit to the voters for approval the transactions contemplated by these resolutions; iii) submit to the Colorado Attorney General for review and approval these agreements; and iv) take whatever other steps as are necessary or appropriate to effectuate and implement the agreements if and when approval by the voters and the Colorado Attorney General are accomplished.

Section 4. All ordinances, resolutions, By-Laws, and regulations of the City in conflict with this resolution are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any ordinance, resolution, By-Law or regulation or part thereof, heretofore repealed.

DATED at Colorado Springs, Colorado, this 27th day of June, 2012.

Council President

ATTEST:

City Clerk

Exhibit A

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

TABLE OF CONTENTS

Page

Article I DEFINITIONS **2**
1.1 Definitions 2

Article II RELATED TRANSACTIONS **4**
2.1 Integration of the MHS Operations 4
2.2 Other Arrangements 5

Article III GOVERNANCE AND CORPORATE STRUCTURE **6**
3.1 General 6
3.2 Nominating Committee 7
3.3 New Memorial Board 8
3.4 Removal of New Memorial Board Members 9
3.5 Vacancies on the New Memorial Board 10
3.6 No Change in New Memorial Board Structure 10
3.7 System Governance Practices and Authorities 10
3.8 No Avoidance 10

Article IV POST-CLOSING COVENANTS OF THE UC PARTIES **11**
4.1 Major Requirements 11
4.2 Additional Requirements 12

Article V ADDITIONAL COVENANTS OF THE PARTIES **18**
5.1 Acknowledgement of the Parties 18
5.2 Non-Competition 18
5.3 Non-Competition by the City 19
5.4 Competing Business Ventures 20
5.5 Non-Solicitation 20
5.6 Transition of MHS Employees 21
5.7 Responsibility and Commensurate Authority of PVHS and UC Health 23
5.8 Cooperation with University of Colorado School of Medicine 23

Article VI TERM AND TERMINATION **24**
6.1 Term 24
6.2 Termination 24

Article VII NO THIRD-PARTY BENEFICIARIES, REMEDIES, SURVIVAL **24**
7.1 Third Party Beneficiaries 24
7.2 Remedies 24
7.3 Survival 25

Article VIII MISCELLANEOUS PROVISIONS **25**
8.1 Parties and Assigns 25

TABLE OF CONTENTS
(continued)

Page

8.2 Governing Law; Venue 25
8.3 Notices 25
8.4 Entire Agreement 27
8.5 Amendments 27
8.6 Counterparts; Electronic Transmission 27
8.7 Headings; Terms 27
8.8 Further Assurances 27
8.9 Waiver 28
8.10 Severability 28
8.11 Incorporation of Exhibits and Schedules 28
8.12 Time is of the Essence 28

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 POUDRE 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:_____
Title:_____
Date:_____

and

By:_____
Name:_____
Title:_____
Date:_____

(SEAL) Attest:

APPROVED AS TO FORM:

By:_____
Name: Christopher J. Melcher
Title: City Attorney
Date:_____

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

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

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:_____

EXHIBITS

A. List of Initial Directors of Memorial Board

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

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

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 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

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").

Exhibit B

EXECUTION VERSION

HEALTH SYSTEM OPERATING LEASE AGREEMENT

by and among

THE CITY OF COLORADO SPRINGS, COLORADO,

and

UNIVERSITY OF COLORADO HEALTH PARTIES:

UCH-MHS

and

POUDRE VALLEY HEALTH CARE, INC.

(D/B/A POUDRE VALLEY HEALTH SYSTEM)

Dated as of July 2, 2012

TABLE OF CONTENTS

Page

ARTICLE I INDICES 3

1.1 Indices 3

ARTICLE II LEASE AND CONVEYANCE 3

2.1 Demise and Lease of MHS Facilities 3

2.2 Transfer of the Acquired Assets 5

2.3 Excluded Assets 10

ARTICLE III CONSIDERATION AND OTHER MATTERS 11

3.1 Initial Payment 11

3.2 Flat Monthly Lease Payments 13

3.3 Margin Sharing Payments 13

3.4 PERA 14

3.5 Capital Improvements 15

3.6 Assumption of Assumed Liabilities 16

3.7 Excluded Liabilities 18

3.8 City Responsibility 19

3.9 Disclaimer of Unstated Warranties 19

3.10 Net Lease 20

3.11 Parties' Rights Regarding Reconciliation of Assets and Liabilities 20

ARTICLE IV COVENANTS OF THE LESSEE 21

4.1 Legal Compliance of the Lessee 21

4.2 Reporting Requirements 21

4.3 Preservation and Access to Records After the Effective Date 21

4.4 Post Transfer Access to Information and Personnel 22

4.5 Operating Covenant 22

ARTICLE V COVENANTS OF THE CITY 24

5.1 Quiet Enjoyment 24

5.2 Non-Imposition and City Condemnation 24

5.3 New Community Health Foundation 24

5.4 Excluded Restricted Funds 26

5.5 Actions Relating to Outstanding MHS Long-Term Debt 26

5.6 Use of Controlled Substance Permits 27

5.7 MHS Cost Reports 28

TABLE OF CONTENTS
(continued)

Page

5.8 Insurance 28
5.9 Transfer of City Rights 28
5.10 Shared Services 30
5.11 Cooperation 30
ARTICLE VI COVENANTS OF THE PARTIES PENDING EFFECTIVE DATE 30
6.1 Licenses, Approvals and Consents 30
6.2 Public Announcements 30
6.3 Notification of Certain Matters 31
6.4 No-Shop 32
6.5 Satisfaction of Conditions 32
6.6 Access to MHS Facilities 32
6.7 Operations Pending Closing 33
6.8 Negative Covenants Pending Closing 35
6.9 WARN Act Notice 37
6.10 Certain Litigation 37
6.11 Prorations 37
6.12 Lessee Notifications Prior to the Effective Date 37
6.13 Significant Change in MHS Operations 37
6.14 Satisfaction of Pre-Effective Date Covenants 38
6.15 Binding Pre-Effective Date Agreements 38
6.16 Actions by the MHS Board of Trustees 39
ARTICLE VII ASSIGNMENT, PLEDGING AND SUBLETTING 39
7.1 Right to Pledge 39
7.2 Assignment to New Memorial 40
7.3 Right to Assign and Sublet 40
7.4 Restrictions on Assignments and Subleases 40
ARTICLE VIII MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE 41
8.1 Maintenance, Modifications and Expansion of MHS Facilities 41
8.2 Disposition or Transfer of MHS Facilities 42
8.3 Disposition of Machinery and Equipment 43
8.4 Taxes, Other Governmental Charges and Utility Charges 43

TABLE OF CONTENTS
(continued)

Page

8.5 Required Insurance 44
8.6 Right of Access to the MHS Facilities 45
ARTICLE IX DAMAGE, DESTRUCTION AND EMINENT DOMAIN 45
9.1 Damage and Destruction 45
9.2 Condemnation 46
9.3 Lessee Entitled to Certain Net Proceeds 47
9.4 No Change in Rent; No Liens 47
ARTICLE X REPRESENTATIONS AND WARRANTIES OF THE CITY 47
10.1 Existence and Capacity 47
10.2 Powers; Consents; Absence of Conflicts with Other Agreements 48
10.3 Binding Agreement 48
10.4 Legal Proceedings 48
10.5 No Outstanding Rights 49
10.6 Acquired Assets 49
10.7 Financial Information; No Undisclosed Liabilities 49
10.8 Permits and Approvals; Accreditations 50
10.9 Intellectual Property 51
10.10 Government Program Participation/Accreditation 52
10.11 Compliance With Laws 54
10.12 Assumed Contracts 54
10.13 Furniture and Equipment 55
10.14 Real Property 55
10.15 Personal Property 57
10.16 Insurance 57
10.17 Employee Benefit Plans 57
10.18 Employees and Employee Relations 58
10.19 Tax Matters 59
10.20 Environmental Matters 60
10.21 Immigration Act 62
10.22 WARN Act 62
10.23 OSHA 63

TABLE OF CONTENTS
(continued)

Page

10.24 Inventory ... 63
10.25 Absence of Changes ... 63
10.26 Assumed Debt ... 64
10.27 Accounts Receivable and Accounts Payable ... 64
10.28 City Ownership of Interest in MHC ... 65
10.29 Transaction Expenses; Advisor Fees ... 65
10.30 Statements True and Correct ... 65
10.31 Limitations ... 65
ARTICLE XI REPRESENTATIONS AND WARRANTIES OF THE LESSEE ... 66
11.1 Existence and Capacity ... 66
11.2 Powers; Consents; Absence of Conflicts with Other Agreements ... 66
11.3 Binding Agreement ... 67
11.4 Legal Proceedings ... 67
11.5 Financial Statements; Absence of Certain Changes or Events ... 67
ARTICLE XII DELIVERIES AND CONDITIONS TO CLOSING ... 69
12.1 Actions of the City at Closing ... 69
12.2 Actions by the Lessee at Closing ... 71
12.3 Conditions Precedent to Consummation of the Transaction ... 72
ARTICLE XIII TERM; DEFAULT AND TERMINATION ... 74
13.1 Duration of Term ... 74
13.2 Delivery and Acceptance of Possession ... 75
13.3 Options to Terminate Lease in Certain Events ... 75
13.4 Events of Lessee Default; Remedies upon Default ... 77
13.5 Events of City Default; Remedies upon Default ... 79
13.6 Notice and Surrender of Assets Upon Termination ... 80
13.7 FMV Price of MHS Operations Upon Expiration or Termination ... 81
13.8 Transition Service ... 82
ARTICLE XIV SURVIVAL; RISK OF LOSS AND INDEMNIFICATION ... 83
14.1 Survival of Representations, Warranties and Covenants ... 83
14.2 Risk of Loss ... 84
14.3 Indemnification by the Lessee ... 84

TABLE OF CONTENTS
(continued)

Page

14.4 Indemnification by the City 84
14.5 Indemnification Procedures 85
14.6 Survival 86
14.7 Mitigation 86
14.8 Limitation on Damages 86
14.9 Priority of Collection and Set-offs 87
14.10 Indemnification as Sole Remedy 88
ARTICLE XV RESTRICTION ON SALES 88
15.1 Subsequent Lessee Transactions 88
15.2 Remedies for Breach 89
15.3 Survival 89
ARTICLE XVI MISCELLANEOUS 89
16.1 Parties, Assigns and Affiliates 89
16.2 Authorization of the Lessee to Act as if it were Fee Owner 90
16.3 Governing Law; Venue 90
16.4 Notices 91
16.5 Entire Agreement 92
16.6 Amendments 92
16.7 Counterparts; Electronic Transmission 92
16.8 Representations as to Knowledge 93
16.9 Headings; Terms 93
16.10 Further Assurances 93
16.11 Consented Assignment 94
16.12 Waiver 94
16.13 Severability 94
16.14 Remedies Cumulative; Equitable Relief 94
16.15 Incorporation of Exhibits and Schedules 95
16.16 Time is of the Essence 95
16.17 No Third Party Beneficiaries 95
16.18 Recording of County Interests 95
16.19 Dispute Resolution 95

TABLE OF CONTENTS
(continued)

Page

16.20 Set-offs by the Lessee 96
16.21 Representatives 96

HEALTH SYSTEM OPERATING LEASE AGREEMENT

This HEALTH SYSTEM OPERATING LEASE AGREEMENT (this "Operating Lease") is made and entered into as of July 2, 2012 (the "Execution Date") by and between 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"), and UCH-MHS, a newly formed Colorado non-profit 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 a political subdivision of the State of Colorado ("UCHA"), is the sole member, and POUDRE VALLEY HEALTH CARE, INC., a Colorado nonprofit corporation, d/b/a Poudre Valley Health System (the "Lessee" or "PVHS"), which is a member of University of Colorado Health, a Colorado non-profit corporation duly organized and validly existing under the laws of the State of Colorado ("UC Health"). The City and the Lessee are referred to individually in this Operating Lease as a "Party" and are referred to collectively in this Operating Lease as the "Parties."

RECITALS

A. The City owns and operates, as an enterprise of the City, Memorial Health System ("MHS"), a general acute care hospital system located in Colorado Springs, Colorado, comprised of (i) Memorial Hospital Central and Memorial Hospital North (each, a "MHS Hospital," and collectively, the "MHS Hospitals"), and (ii) other health care businesses (the "MHS Ancillary Businesses") that are controlled by or incident to the operation of MHS by the City (the MHS Hospitals and the MHS Ancillary Businesses, collectively with the MHS Facilities and the Acquired Assets (each as hereinafter defined), comprise the "MHS Operations").

B. The Council of the City (the "Council") has determined, following many months of analysis, public input and consultation with nationally recognized health care experts, that it is in the best interests of the residents of the MHS service area, including those located within the City, to transfer the responsibility for MHS Operations to another operator, subject to the terms and conditions of this Operating Lease.

C. After extensive review of many proposals from qualified hospital operators, the City has determined that the most favorable terms of the transfer of MHS Operations were offered by UCHA on behalf of UC Health and its Affiliates (as hereinafter defined), and accordingly the City desires to transfer MHS Operations to the Lessee as UC Health's designee.

D. The City is authorized by Article X, Section 10-60 of The Charter of the City of Colorado Springs (the "Charter") to lease property of the City, subject to the restrictions set forth in Section 10-60 of the Charter.

E. The City shall exercise all rights and responsibilities under this Operating Lease in the manner permitted under its constitutional documents in effect at such time, and consistent with the terms hereof.

F. It is expected that the Lessee shall assign this Operating Lease and transfer the MHS Operations to New Memorial on the Transition Date (as hereinafter defined) within

eighteen (18) months after the Effective Date, at which time (i) New Memorial shall become the "Lessee" hereunder, and (ii) UCHA shall remain the guarantor of New Memorial's obligations as the Lessee hereunder.

G. The assignment of this Operating Lease to New Memorial and New Memorial's resulting obligations hereunder shall become effective only after New Memorial has been recognized by the Internal Revenue Service as a tax-exempt, public charity within the meaning of Sections 501(c)(3) and 509(a) of the Code.

H. The Lessee intends to assume responsibility to conduct the MHS Operations in such a manner as to provide the residents of the MHS service area, including those located within the City, with health care services comparable to the quality of care provided by the members of UC Health, in accordance with the terms and conditions of an Integration and Affiliation Agreement to be entered into between the City and the Lessee as of the Execution Date, a form of which is attached as Exhibit A (the "Integration Agreement").

I. UCHA shall guaranty the obligations of each of PVHS and New Memorial as the Lessee under this Operating Lease pursuant to the UCHA Guaranty (as hereinafter defined).

J. The Lessee's purposes in entering into this Operating Lease and assuming the MHS Operations include advancing the overall missions of UC Health and its members in operating an integrated high quality, academically affiliated health system.

K. As a result of the economic development benefits that are anticipated to accrue to the City and its citizens as a result of this Operating Lease and the Integration Agreement, including, without limitation, facilitating possible future expansion and growth of the MHS Operations, and funding the associated development of a medical school branch of the University of Colorado (which is Lessee's academic affiliate), and enabling the Lessee to create opportunities for effective relationships with medical providers, all of which will foster increased employment opportunities for the citizens of the City, the City has declared, and hereby declares, that this Operating Lease is a lease for economic development within the meaning of Section 10-50 of the Charter.

L. The City desires to lease the MHS Facilities and transfer, convey and assign the Acquired Assets (as hereinafter defined) and the Assumed Liabilities (as hereinafter defined) of the City to Lessee (other than the Excluded Assets and Excluded Liabilities, each as hereinafter defined), and the Lessee desires to lease the MHS Facilities, and accept and assume from the City the Assumed Assets and Assumed Liabilities, upon the terms and subject to the conditions set forth in this Operating Lease.

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter contained, the Parties do hereby agree as follows (consummation of the transactions contemplated in this Operating Lease and the agreements referenced herein is referred to herein as the "Transactions"):

ARTICLE I
INDICES

1.1 **Indices**. Attached hereto as Schedule 1.1 are (a) an Index of Defined Terms used throughout this Operating Lease, (b) an Index of Schedules to this Operating Lease and (c) an Index of Exhibits to this Operating Lease.

ARTICLE II
LEASE AND CONVEYANCE

2.1 **Demise and Lease of MHS Facilities**.

2.1.1 Lease. On the Effective Date (as hereinafter defined) and upon the terms, covenants and conditions contained herein, for and throughout the Term (as hereinafter defined), the City shall demise and lease to the Lessee, and the Lessee shall take and lease from the City, all of the City's right, title and interest in each of the following (each a "MHS Facility" and collectively, the "MHS Facilities"):

(i) The real property (including vacant land), hospital and other patient facilities, physician office buildings, physician offices, sites of health care delivery and ancillary medical services and associated administrative support services, utility or related space or property that are owned by the City and used for MHS Operations (including the MHS Hospitals) as of the Effective Date as described on Schedule 2.1.1(i) attached hereto and parking areas, driveways and other improvements, appurtenances, goods, fixtures, furnishings or other types of personal property, other than Excluded Assets or personal property that constitutes Shared Services (as hereinafter defined), located on, incorporated into or affixed to any part of such real property or facilities (collectively, the "Owned Real Property");

(ii) To the extent such rights or interests are not transferred to the Lessee as Assumed Contracts, all rights of the City or MHS to use, hold or occupy any real property and improvements that are not owned by the City but that are used in connection with MHS Operations as of the Effective Date as described on Schedule 2.1.1(ii) attached hereto, including, without limitation, the interest of the City or MHS as provided in any license, lease, sublease, occupancy agreement or like instrument, whether written, oral or implied, burdening any portion of, or interest in, any such real property (the "Leased Real Property", and together with the Owned Real Property, the "Real Property"); and

(iii) All construction in progress and all rights, titles, powers, privileges, interests, rights to use, licenses, easements, rights-of-way, permits, special or conditional use permits, certificates of occupancy, planned development agreements, subdivision or site plan approvals, or other land use permits or approvals, in each case appurtenant or incident to or to the extent otherwise affecting any Owned Real Property or Leased Real

Property, but only to the extent such items are not legally transferrable to the Lessee as Acquired Assets.

2.1.2 Permitted Restrictions. The MHS Facilities shall be demised and leased from the City to the Lessee, and the Acquired Assets shall be conveyed from the City to the Lessee, subject to the restrictions set forth below (the "Permitted Restrictions"):

(i) The terms and conditions of this Operating Lease, the Integration Agreement and the Assumed Contracts;

(ii) Liens for Taxes (as hereinafter defined) and special assessments on MHS Facilities and/or the Acquired Assets that are not yet due and payable or are due and payable but not yet delinquent, including, without limitation, any liens related to real estate taxes which are the subject of any tax reduction proceedings to the extent such proceedings are listed on Schedule 2.1.2(ii);

(iii) Such minor defects, irregularities, Encumbrances (as hereinafter defined), easements, rights of way and clouds on title as normally exist with respect to properties or assets, as the case may be, similar in character to the MHS Facilities and/or the Acquired Assets, as the case may be, and as do not, in the aggregate, materially impair the value or interfere with the Lessee's use of the MHS Facilities or the Acquired Assets, as the case may be, as of the Effective Date;

(iv) Applicable zoning and building ordinances and land use regulations by any applicable Governmental Entity (in the case of the City, acting in its regulatory, police capacity or other governmental capacity, but not in its capacity as lessor to this Operating Lease).

(v) Liens and security interests securing any of the Assumed Liabilities agreed to and accepted by the Lessee prior to the Effective Date;

(vi) Those certain matters disclosed as encroachments on Schedule 2.1.2(vi);

(vii) Any exceptions caused by Lessee, its agents, representatives or employees;

(viii) Encumbrances for mechanics', carriers', workers', repairmen's, warehousemen's, or statutory liens or other similar liens which are not yet delinquent, or are being contested in good faith and by appropriate proceedings in respect thereof with respect to each Assumed Contract and are listed on Schedule 2.1.2(viii);

(ix) Those B-2 exceptions to title described in Schedule 2.1.2(ix);

(x) For the Leased Real Property and Leases which are Assumed Contracts (excluding any Leases under which the City is the owner of the Real Property) only, utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that will not materially interfere with or impair the Lessee's use of the MHS Facilities as of the Effective Date;

(xi) Any other Encumbrance that has been approved or deemed approved in advance in writing by the Lessee.

2.2 **Transfer of the Acquired Assets**. On the Effective Date, and upon the basis of the terms, covenants and conditions contained herein, the City shall transfer and convey, and the Lessee shall accept and receive, all of the City's or MHS's right, title and interest in the assets, whether tangible or intangible, which are owned or used by the City or MHS as of the Effective Date and which relate to the MHS Operations, other than the MHS Facilities and the Excluded Assets (each as hereinafter defined) (collectively, the "Acquired Assets"). In each and every case in this Section 2.2 where a statement is made that an asset "relates to", "is related to", or "relating to" the MHS Facilities, the Acquired Assets and/or the MHS Operations, such phrase shall mean that the asset is (i) used in connection with the MHS Facilities, the Acquired Assets and/or the MHS Operations, as applicable, or (ii) directly related to the MHS Facilities, the Acquired Assets and/or the MHS Operations, as applicable, but in each case excluding the Shared Services. If an asset or service (A) is used in or relates to both (i) the MHS Facilities, the Acquired Assets or the MHS Operations and (ii) other activities of the City, and (B) in the case of an asset, such asset is not part of the MHS Facilities (such assets or services, the "Shared Services"), then, during the Term, the City shall provide to the Lessee, or arrange for the provision of, such asset or service that is not used exclusively by MHS as of the Effective Date, including, without limitation, the Shared Services identified on Schedule 2.2, on commercially reasonable terms consistent with those under which such Shared Services were provided to MHS immediately prior to the Effective Date for the remainder of the term of each Contract for such Shared Services (other than Excluded Contracts), or if there is no such Contract, then for a period up to three (3) years, as may be requested by the Lessee. Notwithstanding anything herein to the contrary, if an item that would otherwise be a Shared Service is listed on a schedule hereto or described herein as an Acquired Asset, then such item shall be an Acquired Asset and not a Shared Service.

The Acquired Assets shall include, without limitation, all of the rights, titles and interests of the City and MHS in (i) the assets, other than the MHS Facilities and the Excluded Assets, appearing in the audited financial statements of MHS as of December 31, 2011, as supplemented on a monthly basis by the City up to the Effective Date, copies of which have been or will be delivered to the Lessee on or prior to the Effective Date (the "Financial Statements"), (ii) any tangible or intangible assets acquired by the City or MHS that relate to the MHS Operations as of or prior to the Effective Date, and (iii) the following items, in each and every case as of the Effective Date (except as specified below):

2.2.1 Leases. (i) All rights of the City and MHS to use or occupy any Leased Real Property pursuant to leases that relate to the MHS Operations as of the Effective Date, excluding Shared Services, including all of the rights of the City or MHS in and to any security deposit or escrow (and any interest thereon), prepayments, or any other amounts or instruments, whether cash or letters of credit or other instrument, deposited in connection with or serving as security for the Leased Real Property, and (ii) all leases, subleases, tenancies, concessions, licenses, occupancy agreements or similar agreements (including any and all modifications, amendments, supplements, extensions or renewals thereof) to which the City (or MHS) is the landlord party with respect to the MHS Facilities as set forth on Schedule 2.2.1 (collectively with the leases of Leased Real Property, the "Leases").

2.2.2 Personal Property: All of the tangible personal property which is owned or used by the City or MHS or its Affiliates (as hereinafter defined) and which relates to the MHS Operations, excluding the personal property of Briargate (as hereinafter defined), including, without limitation, all fixtures, machinery, vehicles, office furnishings, equipment, spare parts, furniture, appliances, inventories, supplies, computers, hardware and other items of tangible personal property owned, used, maintained or operated by the City or MHS for the MHS Operations (collectively, the "Personal Property").

2.2.3 Intellectual Property: All rights, licenses and other claims that the City or MHS may have to claim ownership, authorship or invention of, or the right to use, any trademark, trade name, service mark, trade dress, patent, copyright, Internet domain name, Internet website, website address, URL, metatag, computer program (including object and source code), software, know-how, trade secret, formula, pattern, compilation, method, technique, confidential information, client list, technical information, program, specification of plan, and all filings, registrations or applications relating to any of the foregoing, and all associated goodwill, in each case which relates to the MHS Operations, all of which are set forth on Schedule 2.2.3 attached hereto (collectively, the "Intellectual Property Assets"). Intellectual Property Assets specifically excludes the Excluded Names, whether or not related to the MHS Operations.

2.2.4 Contracts: Except for the Excluded Contracts, all rights, benefits and interests of the City or MHS in and to all Contracts (as hereinafter defined) which relate to the MHS Operations and the MHS Facilities, including, without limitation (i) all construction, architectural and engineering Contracts relating to the Real Property, (ii) all service, supply, maintenance and/or security Contracts relating to the Real Property, (iii) all Contracts relating to the management of the MHS Operations and the MHS Facilities, (iv) all information technology and information system leases which relate to the MHS Operations and the MHS Facilities, (v) the Contracts set forth on Schedule 2.2.4 (which may include oral agreements, but only to the extent described in reasonable detail on such schedule), (vi) the benefit of such portion of Contracts for Shared Services that is applicable to the MHS Operations and the MHS Facilities, and (vi) all other written agreements which relate to the MHS Operations and the MHS Facilities (collectively with the Leases, the "Assumed Contracts"); provided that all such Assumed Contracts shall be set forth or described on Schedule 2.2.4, except for such Assumed Contracts with a value of less than Ten Thousand Dollars ($10,000) per month, or One Hundred Twenty Thousand Dollars ($120,000) per year, as to each such dollar threshold on an aggregate (not individual contract) basis. As used herein, the term "Contracts" means any written or oral commitments, contracts, equipment leases, personal property leases, license agreements, warranties, indentures, guaranties and bonds in connection with any contracts or personal property, insurance policies and all other agreements related to the MHS Operations.

2.2.5 Licenses and Permits: All rights, benefits and interests of the City or MHS, to the extent assignable or transferable, in or to the licenses, provider numbers and provider agreements related to Government Programs (as hereinafter defined), permits, approvals, certificates of exemption, franchises, accreditations and registrations, and other licenses, permits, certificates, authorizations, consents, waivers or similar approvals (collectively, the "Governmental Approvals") issued to or for the benefit of the City or MHS (or otherwise pending) with respect to the development, operation or ownership of MHS and MHS Operations, including, without limitation, all zoning and variance approvals, if any, special use

or exception approvals, if any, building approvals, building permits and certificates of occupancy, provider agreements relating to Government Programs, as all such Governmental Approvals are set forth on Schedule 2.2.5 attached hereto.

2.2.6 Donations: All rights, benefits and interests of the City or MHS, to the extent assignable or transferable, or to the extent the use thereof is restricted by the donor to be used for the benefit of MHS, in and to any restricted fund, lifetime or testamentary gift, devise or donation of money, personal property or real property held by the City or MHS for the MHS Operations in each case that is subject to a legal or equitable duty placed thereon by the donor, or was otherwise given exclusively for the benefit of MHS, including, without limitation, those set forth on Schedule 2.2.6 attached hereto.

2.2.7 Trust Rights: Except with respect to the New Community Health Foundation (as hereinafter defined and to the extent formed under Section 5.3 below), all rights, benefits and interests of the City or MHS in and to any beneficiary relationship of the City or MHS or any related trust or foundation with respect to which the Person (as hereinafter defined) by whom the title to property is held is subject to equitable duties to deal with the property for the benefit of MHS Operations, as set forth on Schedule 2.2.7 attached hereto. As used herein, the term "Person" means the City, MHS, the Lessee, UC Health or any Governmental Entity (as hereinafter defined), corporation, partnership, limited liability company, association, trust, unincorporated organization or any other entity. As used herein, "Governmental Entity" means any local or state government or authority or federal government or authority of the United States of America, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts, instrumentalities or other subdivisions, including the Colorado Department of Health Care Policy and Financing and the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services.

2.2.8 Cash and Equivalents in Final Net Working Capital Amount: All cash, depreciation reserves or accounts, debt service reserve funds, cash equivalents and investments owned by or held for the City or MHS which relate to the MHS Operations (whether on hand or in banks, trusts, investments or accounts in the name of or on behalf of the City or MHS) and any funds on deposit with any third party which relate to the MHS Operations, all of which shall have been disclosed in writing to the Lessee, and such assets shall be conveyed to the Lessee in the aggregate only to the extent reflected in the calculation of the Final Net Working Capital Amount.

2.2.9 Accounts Receivable: To the extent legally assignable, all accounts, notes, obligations, interest and other receivables owed to or for the benefit of the City or MHS which relate to the MHS Operations (the "Accounts Receivable"), whether existing on or after the Effective Date, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, withholds, intergovernmental transfer receivables and disproportionate share payments, arising from or related to MHS Operations, billed or unbilled, recorded or unrecorded, whether payable by private pay patients, private insurance, third party payors, governmental entities or by any other source. If any such Accounts Receivable are not legally assignable, such as the Accounts Receivable relating to Government Programs, the City or MHS, as applicable, shall use commercially reasonable efforts to collect the same (before or

after the Effective Date), shall not waive such receipt and shall pay the Lessee within thirty (30) days of receipt the amount so received, net of all reasonable costs to collect the same.

2.2.10 Payments: All cost report settlements, advance payments, prepayments, prepaid expenses, deposits, money due from restricted funds to, or grants received by, MHS or the City from whatever source (in each case to the extent assignable or transferable) and the like that exist on or after the Effective Date which were or are made or due which relate to the MHS Operations, the current categories and amounts of which are set forth on Schedule 2.2.10 attached hereto.

2.2.11 Unclaimed Property: Any unclaimed property of any third party which relates to the MHS Operations, including, without limitation, any such property that is subject to applicable escheat laws.

2.2.12 Inventory: All inventories of supplies, drugs, food and other disposables and consumables which relate to the MHS Operations (collectively, "Inventory").

2.2.13 Documents: All documents, records, operating manuals, data, files and computer software, including source codes and passwords, which relate to the MHS Operations, however recorded and wherever located, including, without limitation, all patient records, employee records, business and financial records, billing records, cost reports, equipment records, claims and litigation records, vendor relations records, medical and administrative libraries, proprietary manuals, marketing materials, policy and procedure manuals, files, compliance program materials, program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, disciplinary policies, catalogs, data, studies or analyses and seals, minute books and other documents relating to the organization, maintenance and existence of MHS, including all files and records related to the Assumed Contracts and the Leases (collectively, the "Documents"), provided that the City or MHS may at its expense retain copies of any of the Documents in accordance with law and the retention policies adopted by the City. In addition, as provided in Section 4.4, the Lessee shall allow the City or MHS access to the Documents existing on the Effective Date upon reasonable notice until the expiration of the applicable statute of limitations of the type of claim or claims for which the Documents may be needed to respond to or defend such claim or claims.

2.2.14 Names: Except for Excluded Names, all right, title and interest that the City or MHS has to use any names and symbols which relate to the MHS Operations (including variations thereof), including, without limitation, the names "Memorial Health System," "Memorial Hospital Central," "Memorial Hospital for Children," "Memorial Hospital North," any name disclosed on Schedule 2.2.14 attached hereto, and all variants thereof, and all goodwill associated therewith and all applications and registrations associated therewith.

2.2.15 Business Interests: Any and all of the interests of the City or MHS or their Affiliates which relate to the MHS Operations (i) in any and all Persons which the City or MHS controls, or (ii) in which the City or MHS or their Affiliates owns or holds common stock, partnership interests, membership interests or any other equity or non-equity interest or control, as such interests are described on Schedule 2.2.15 attached hereto (which shall include the

number of authorized, issued and outstanding shares of each class of the capital stock or other equity or non-equity interests of such Person), together with all stock certificates, member agreements, minutes and other records relating to such Persons that are in the possession or control of the City or MHS; it being agreed that the City shall take all actions necessary to transfer such interests to the Lessee or its designee(s) on the Effective Date, including obtaining any required third party consents in connection with such transfers.

2.2.16 Other Assets: Telephone numbers, fax numbers, passwords and the like which relate to the MHS Operations.

2.2.17 Goodwill: All goodwill which relates to the MHS Operations.

2.2.18 Claims: All warranties (express or implied) and all claims, rights and causes of action which relate to the MHS Operations and any payments, awards or other proceeds resulting therefrom (except, in each case, with respect to a claim, right or cause of action that is an Excluded Liability or relates to an Excluded Asset).

2.2.19 Insurance. All rights to current or future recoveries under commercial general liability, property and all other applicable insurance policies which relate to the MHS Operations, MHS Facilities, Assumed Liabilities or the Acquired Assets (except, in each case, with respect to a claim that is an Excluded Liability or relates to an Excluded Asset), which proceeds will be assigned directly to the Lessee, and the assignable insurance policies set forth on Schedule 2.2.19 (except, in each case, with respect to a claim that is an Excluded Liability).

2.2.20 Rebates. All rebates allocable to MHS paid or payable in respect to the period prior to the Effective Date under or in respect of any group purchasing organization agreements in which MHS participates or other programs or agreements for purchases of goods or services by MHS or the City which relate to the MHS Operations or the MHS Facilities.

2.2.21 Utilities, Cabling and Network Systems. All rights and interests, without limit in time, of the City or MHS in electric, water, sewage or other utility systems and in telecommunications cabling and network electrical systems (i) located in or serving the MHS Facilities or (ii) located elsewhere, but to the extent currently used or reasonably necessary for the operation of the MHS Facilities.

2.2.22 Employee Records. All files and records relating to the MHS Employees (as hereinafter defined) who are hired by the Lessee as of the Effective Date, including those regarding work history, compensation and benefits, as well as such policies, manuals and similar materials as are reasonably necessary for the Lessee to address personnel, benefits or other issues, or resolve disputes, regarding such employees.

2.2.23 Plans and Specifications. To the extent assignable and transferrable without material cost, all site plans, architectural renderings, plans and specifications, engineering plans, "as built" drawings, surveys, construction plans, floor plans and other similar plans or diagrams, if any, the City or MHS owns or has rights to, and which relate to the MHS Operations.

2.2.24 Tax Refunds. All rights to refunds of Taxes and all other Tax assets of the City or MHS which relate to the MHS Operations for periods after the Effective Date.

2.2.25 Warranties. To the extent assignable or transferable, all warranties, guarantees and bonds, if any, from third parties received in connection with any of the Real Property or with respect to the performance and quality of workmanship or the quality of materials relating to any of the foregoing (collectively, the "Warranties").

2.2.26 Agency Receivables. All rights to settlement and positive retroactive adjustments, if any, for open cost reporting or reimbursement periods ending on or prior to the Effective Date arising from or against the U.S. Government under the terms of the Medicare program or TRICARE and against any state under its Medicaid program and against any third-party payor programs that settle on a cost or reimbursement reconciliation basis.

2.2.27 All Other Property: To the extent not included in Section 2.1.1, all other assets and property and rights of every kind, character or description owned by the City or MHS which relate to the MHS Operations, whether or not reflected on the Financial Statements, wherever located and whether or not similar to the items specifically set forth in this Section 2.2.

2.2.28 Interests: The interests of the City or MHS in all property of the foregoing types, which relate to the MHS Operations.

The City shall convey (or cause to be conveyed) the Acquired Assets and all parts thereof to the Lessee, free and clear of all claims, assessments, security interests, liens, restrictions, covenants, conditions, easements, mortgages, pledges, conditional sales agreements, rights of first refusal, options, liabilities, charges, exceptions to title and other encumbrances (collectively, "Encumbrances") other than the Permitted Restrictions and the Assumed Liabilities.

2.3 **Excluded Assets**. Notwithstanding anything in this Operating Lease to the contrary, the City shall not convey, and the Lessee shall not acquire, any "Excluded Assets" which shall consist only of the following:

2.3.1 All taxpayer identification numbers granted to the City or MHS.

2.3.2 Any assets owned by vendors of goods or services to the City or MHS for MHS Operations, as set forth on Schedule 2.3.2; provided, however, that the existing City or MHS rights to use such goods and services shall be assigned to the Lessee pursuant to the Assumed Contracts.

2.3.3 The portions of inventory, prepaid expenses and other assets disposed of, expended or cancelled, as the case may be, by the City or MHS prior to the Effective Date in the ordinary course of business in accordance with this Operating Lease.

2.3.4 All rights of the City under this Operating Lease, the Integration Agreement and the other agreements or documents signed and delivered to the City by Lessee or its Affiliates in connection with the Transactions contemplated hereby.

2.3.5 Donor-restricted funds, endowments or trusts if the Transactions would be contrary to the donor's intent, as reasonably determined by the City, as such funds and endowments are set forth on Schedule 2.3.5 (the "Excluded Restricted Funds").

2.3.6 All right, title and interest that the City has to use any names and symbols (including variations thereof) which do not relate to the MHS Operations, including, without limitation, the names "City of Colorado Springs" and any name disclosed on Schedule 2.3.6 attached hereto, and all variants thereof and all goodwill associated therewith and all applications and registrations associated therewith (hereinafter individually and collectively referred to as "Excluded Names").

2.3.7 Any other asset identified on Schedule 2.3.7 attached hereto, which schedule may include assets which (i) constitute Shared Services or (ii) are part of any MHS Ancillary Businesses that the Lessee will not assume.

2.3.8 Any Contracts which the Lessee will not assume as set forth on Schedule 2.3.8 or pursuant to Section 16.11 (such contracts, the "Excluded Contracts").

2.3.9 The MHS Cash Balance (as hereinafter defined) which shall be used in whole or in part by the City to fund the Defeasance Escrow Account (as hereinafter defined), including such portion as would otherwise have been used to defease the Retained Debt.

2.3.10 All cash, depreciation reserves or accounts, debt service reserve funds, cash equivalents and investments owned by or held for the City or MHS which relate to the MHS Operations (whether on hand or in banks, trusts, investments or accounts in the name of or on behalf of the City or MHS) and any funds on deposit with any third party which relate to the MHS Operations, in each case only to the extent not reflected in the calculation of the Final Net Working Capital Amount.

2.3.11 Any real property currently or formerly owned, leased or operated by the City or its Affiliates other than the MHS Facilities.

ARTICLE III
CONSIDERATION AND OTHER MATTERS

In consideration for the City's lease of the MHS Facilities and transfer of the Acquired Assets to the Lessee, and all other promises and responsibilities of the City set forth in this Operating Lease, the Lessee hereby agrees as follows:

3.1 Initial Payment.

3.1.1 The Lessee will pay on the Effective Date, to the City or its designee, an amount equal to Two-Hundred Fifty Nine Million Dollars ($259,000,000) (the "Initial Payment") to such account or accounts as the City shall direct, subject to adjustment as set forth in this Section 3.1.

3.1.2 Not later than fifteen (15) business days prior to the Effective Date, the City shall deliver to the Lessee a statement setting forth the City's good faith estimate of the Net

Working Capital of MHS as of the Effective Date (the "Estimated Net Working Capital Amount"). If the Estimated Net Working Capital Amount is greater than Forty-Two Million Four Hundred Thousand Dollars ($42,400,000) (the "Target Net Working Capital Amount"), then the Lessee shall add to the Initial Payment the amount by which the Estimated Net Working Capital Amount exceeds the Target Net Working Capital Amount. If the Estimated Net Working Capital Amount is less than the Target Net Working Capital Amount, then the Lessee shall subtract from the Initial Payment the amount by which the Target Net Working Capital Amount exceeds the Estimated Net Working Capital Amount. For purposes of the calculations in this Section 3.1, the "Net Working Capital" shall be calculated pursuant to the formula set forth on Schedule 3.1.2. In no event will the calculation of Net Working Capital include assets that are Excluded Assets or liabilities that are Excluded Liabilities.

3.1.3 No later than Two Hundred and Ten (210) days following the Effective Date, the Lessee shall cause its independent auditor, who shall be a certified public accountant with national or regional recognition, to prepare and deliver, at the Lessee's cost and expense, to the City's Representative, a statement setting forth, in reasonable detail, the actual Net Working Capital of MHS as of the Effective Date (the "Proposed Final Amounts"). In connection with the preparation and review of the Proposed Final Amounts, the Parties shall provide each other with reasonable access to all relevant books and records and personnel.

3.1.4 In the event that the City disputes the correctness of the Proposed Final Amounts, then the City's Representative shall provide notice in writing to the Lessee of such objection within sixty (60) days after receipt by the City's Representative of the Proposed Final Amounts and shall set forth, in writing and in reasonable detail, each of the reasons for such objections. If the City's Representative fails to deliver such notice of objections within such sixty (60) day period, then the Proposed Final Amounts shall be deemed to be accepted by the City and shall become final and binding on the City at the expiration of such sixty (60) day period, absent fraud. If the City's Representative gives a written objection notice within the sixty (60) day period, then the City and the Lessee shall attempt in good faith to resolve any dispute concerning the item(s) subject to such notice. If the City and the Lessee are unable to resolve any dispute arising in connection with the calculation of the Proposed Final Amounts within forty-five (45) days after the City's Representative sends its objections to the Lessee, then at the request of either Party, the Parties shall jointly select and engage a nationally known independent accounting firm (which firm shall not be the then regular auditors of either Party) to resolve the matters in dispute (the "Accounting Arbitrator"), and the determination of the Accounting Arbitrator shall be conclusive and binding on the Parties. The Accounting Arbitrator shall deliver to the Parties, as promptly as practicable and in any event within thirty (30) days after such Accounting Arbitrator's appointment, a written report setting forth the resolution of any such disagreement. In deciding any matter, the Accounting Arbitrator shall be bound by the express terms, conditions and covenants set forth in this Operating Lease, including the definition of Net Working Capital. The Accounting Arbitrator shall make its determination based solely on presentations and supporting material provided by the Parties and not pursuant to any independent review. The fees, expenses and costs of the Accounting Arbitrator shall be shared equally by the Parties.

3.1.5 The Net Working Capital of MHS as of the Effective Date, as finally determined pursuant to this Section 3.1, is referred to herein as the "Final Net Working Capital

Amount." No later than five (5) days after the determination of the Final Net Working Capital Amount in accordance with this Section 3.1:

(i) If the Final Net Working Capital Amount is greater than the Estimated Net Working Capital Amount, then the Lessee shall pay in cash to the City or its designee the amount by which the Final Net Working Capital Amount exceeds the Estimated Net Working Capital Amount; and

(ii) If the Final Net Working Capital Amount is less than the Estimated Net Working Capital Amount, then the City shall, or shall cause New Community Health Foundation (to the extent formed pursuant to Section 5.3) to, pay in cash to the Lessee the amount by which the Estimated Net Working Capital Amount exceeds the Final Net Working Capital Amount.

3.1.6 If the Lessee is required to deposit into the Defeasance Escrow Account (as hereinafter defined) pursuant to Section 5.5.2 an amount greater than Twenty-Six Million Four Hundred Thousand Dollars ($26,400,000), then the Lessee shall subtract the deficient amount from the Initial Payment. If the Lessee is required to deposit into such Defeasance Escrow Account an amount less than Twenty-Six Million Four Hundred Thousand Dollars ($26,400,000), then the Lessee shall add the excess amount to the Initial Payment.

3.2 **Flat Monthly Lease Payments.** During the Term, commencing on the first day of the first full calendar month following the Effective Date (with a pro rata monthly payment being paid on the Effective Date for that portion of the month in which the Effective Date occurs that is part of the Term), and on the first day of each full calendar month thereafter until the thirtieth (30th) anniversary of the Effective Date, the Lessee will pay to the City a fixed monthly payment of Four Hundred Sixty-Seven Thousand Six Hundred Seventy-Six Dollars ($467,676), with no monthly adjustments, increases or escalators (the "Monthly Lease Payments"). The Monthly Lease Payments due to the City pursuant to this Section 3.2 shall be prorated for any partial month during the Term based upon the actual number of days in the applicable month during which this Operating Lease is in effect. The Lessee shall pay such amounts to such account or accounts as the City shall direct. The Monthly Lease Payments shall be paid by the Lessee without demand, deduction or offset. The obligations to make the Monthly Lease Payments hereunder shall in no event extend beyond the thirtieth (30th) anniversary of the Effective Date.

3.3 **Margin Sharing Payments**. If in any fiscal year during the Term the Operating EBITDA (as hereinafter defined) margin of MHS exceeds a baseline annual margin of eight percent (8%), the Lessee shall make a payment to the City equal to five percent (5%) of the incremental Operating EBITDA over such eight percent (8%) base margin (the "Margin Sharing Payments"). The obligations to make the Margin Sharing Payments hereunder shall in no event extend beyond the fortieth (40th) anniversary of the Effective Date.

3.3.1 Each Margin Sharing Payment shall be made by the Lessee no later than one hundred fifty (150) days after the close of each fiscal year during the Term. The fiscal year for Lessee shall commence July 1, unless such fiscal year is changed in accordance with Lessee's organizational documents. The Margin Sharing Payments due to the City pursuant to this Section

3.3 shall be prorated for any partial fiscal year of the Term based upon the actual number of days in the applicable year during which this Operating Lease is in effect. The Operating EBITDA shall include the Operating EBITDA from all operations of Children's Hospital Colorado ("Children's Hospital") at the MHS Facilities and at Expansions (as hereinafter defined) of the MHS Facilities. The Margin Sharing Payments shall be paid by the Lessee without demand, deduction or offset, subject to potential set-off by the Lessee as set forth in Section 14.9. For purposes of this Section 3.3, the "Operating EBITDA" of MHS shall consist of the operations at the MHS Facilities and at Expansions of the MHS Facilities of the Lessee, UC Health and their Affiliates and Children's Hospital, to the extent such operations are of the types of services that are at such time provided by a preponderance of Colorado hospitals of similar size and type as the MHS Facilities. Such Operating EBITDA shall be calculated as follows: (i) net patient revenues (including contractual adjustments, allowances and bad debt) and other operating revenues, less (ii) operating expenses (including salaries and wages, benefits, supplies, drugs, bad debt expense, physician fees, contract services, repairs and maintenance, insurance, utilities and other operating expenses), but operating expenses specifically exclude interest expense, Taxes, depreciation and amortization. For the avoidance of doubt, in no event shall the Operating EBITDA include any activities or operations at the MHS Facilities and at Expansions of the MHS Facilities of the Lessee, UC Health and their Affiliates and Children's Hospital that are not of the types of services that are at such time provided by a preponderance of Colorado hospitals of similar size and type as the MHS Facilities. Notwithstanding anything herein to the contrary, the City expressly acknowledges and agrees that all revenue generated after the Effective Date from activities which were conducted by Children's Hospital at any site located within the City Limits (as defined in the Integration Agreement) on or before the Effective Date, as such pre-existing activities and sites may be expanded, added to, modified or relocated from time to time after the Effective Date (other than relocation of such activities and sites to any of the MHS Facilities, which shall be included in the Operating EBITDA), shall not be considered revenue generated at an Expansion of the MHS Facilities and shall be excluded from the Operating EBITDA set forth in this Section 3.3.

3.3.2 During the Term, the Lessee shall submit to the City on or before the one hundred and twentieth (120th) day following each fiscal year during the Term (including the one hundred and twentieth (120th) day following the expiration of the Term or earlier termination of this Operating Lease), a certified statement by Lessee's independent auditor (who shall be regionally or nationally recognized) of the Operating EBITDA for the preceding fiscal year derived from Lessee's or UC Health's audited financial statements, as applicable.

3.4 **PERA**. The City acknowledges and agrees that the Lessee has paid on the Effective Date to the City or its designee an amount relating to the Colorado Public Employees' Retirement Association (the "PERA Contribution"). The PERA Contribution (including earnings thereon) may be used by the City or its designee in any manner that the City or its designee elects, in their sole and absolute discretion, provided that the City shall use reasonable efforts to resolve the PERA Liability in a manner that does not result in any liability or other obligation of the Lessee, UC Health, Children's Hospital or their Affiliates with respect to the PERA Liability. It is expressly acknowledged and agreed that this provision is a fixed contractual obligation between the Parties, and the Lessee, UC Health, Children's Hospital and their Affiliates shall have no direct, indirect, residual or other liability with respect to or related to the PERA Liability, irrespective of whether the City's ultimate PERA liability is less than,

equal to, or greater than the PERA Contribution, and the City hereby unconditionally releases the Lessee, UC Health, Children's Hospital and their Affiliates from any claims related to the PERA Liability.

3.5 **Capital Improvements**. During the Term until the fortieth (40th) anniversary of the Effective Date, the Lessee shall spend an annual average of Twenty-Eight Million Dollars ($28,000,000) (the "Minimum Annual Capital Expenditure Amount") for (i) capital improvements, (ii) expenses that may be depreciated pursuant to GAAP (as hereinafter defined) over a period of longer than one (1) year, or otherwise in accordance with then-existing UC Health policies or Children's Hospital policies, as applicable, consistently applied, and (iii) capitalized program investments and initiatives at the MHS Facilities and Expansions to the MHS Facilities (collectively, "Qualified Capital Improvements"). The Lessee's obligations under this Section 3.5 may be satisfied in part by monies spent by Children's Hospital for the aforesaid capital improvements, expenses, investments and initiatives.

3.5.1 The amount expended on Qualified Capital Improvements shall be calculated based on the amounts expended by the Lessee, by UC Health on the Lessee's behalf, or allocated to the Lessee by UC Health or its Affiliates, or Children's Hospital for Qualified Capital Improvements actually made or accrued in accordance with GAAP, including planned or in process construction and improvements, to the MHS Facilities or Expansions of MHS Facilities (the "Qualified Capital Expenditures").

3.5.2 The determination of whether Qualified Capital Expenditures have been made to satisfy the Minimum Annual Capital Expenditure Amount shall be made on a rolling five (5) year basis (i.e., an average annual amount based on the preceding five (5) years); provided, however, that during the first five (5) years of the Term, such determination will be made based on the period between the day immediately following the Effective Date and ending on the fifth (5th) anniversary of the Effective Date. Notwithstanding the foregoing, if the cumulative amount of Qualified Capital Expenditures during the then-elapsed period of the Term in the aggregate results in an annual average that equals or exceeds the Minimum Annual Capital Expenditure Amount, the Lessee shall be deemed to be in compliance with the provisions of this Section 3.5.2 and the expenditure requirements of Section 3.5 generally.

3.5.3 Such funds for the ongoing replacement, maintenance and upgrading of property, plant and equipment shall be expended by the Lessee, UC Health, Children's Hospital or their Affiliates, as applicable, to keep the assets of MHS at a general level not less than as the MHS Facilities and the Acquired Assets existed as of the Effective Date. An annual comprehensive capital budgeting process will include representation from MHS physicians, nurses, other clinical personnel and administrative leaders, as recommended by the Lessee's Board of Directors and approved by UC Health Board of Directors, or as otherwise set forth in the Lessee's organizational documents.

3.5.4 Any amounts paid with respect to the capitalized interest on the indebtedness of the Lessee, UC Health, Children's Hospital or their Affiliates incurred to finance or refinance Qualified Capital Improvements shall be considered Qualified Capital Expenditures credited against the Minimum Annual Capital Expenditure Amount required to be made pursuant

to this Section 3.5 (but the amount financed shall not be considered Qualified Capital Expenditures credited against the Minimum Annual Capital Expenditure Amount).

3.5.5 During the Term, the Lessee shall submit to the City on or before the one hundred and twentieth (120th) day following each fiscal year during the Term (including the one hundred and twentieth (120th) day following the expiration of the Term or earlier termination of this Operating Lease), a certified statement by Lessee's independent auditor (who shall be regionally or nationally recognized) of the amount of Qualified Capital Expenditures for the preceding fiscal year derived from Lessee's or UC Health's audited financial statements, as applicable.

3.6 **Assumption of Assumed Liabilities**. On and as of the Effective Date, the City shall assign, and the Lessee shall assume and pay or discharge when due, the following claims, obligations and liabilities, whether known or unknown, contingent or otherwise, arising from MHS Operations prior to, on or after the Effective Date, unless otherwise specified below (it being understood that such liabilities may be reduced or eliminated by the Lessee or the City, as applicable, through negotiations with third parties and Governmental Entities, provided that the reduction or elimination of the same is not a condition to Lessee's assumption thereof unless otherwise expressly set forth herein), but excluding any (i) Excluded Liabilities, (ii) liability arising from or relating to a breach of any representation, warranty, covenant or agreement of the City or MHS contained herein to the extent such breach would give rise to an indemnity payment of the City herein (including the indemnity sources set forth in Section 14.9), (iii) liability or obligation to the extent covered or reimbursed by insurance carried by the City and that is not assigned to the Lessee, or (iv) liability barred by the applicable statute of limitations (collectively, the "Assumed Liabilities"):

3.6.1 Except as set forth on Schedule 3.6.1, all liabilities and obligations of MHS and MHC (as hereinafter defined) as shown on the Financial Statements, including any ledger or other supporting documentation attached thereto and delivered to the Lessee that reasonably discloses and supports the amounts and obligations shown on the Financial Statements, or the schedules attached hereto.

3.6.2 All unperformed and unfulfilled obligations that are required to be performed and fulfilled by the City or MHS under the terms of any Assumed Contract.

3.6.3 All accounts payable and accrued current liabilities (including, without limitation, accruals for property leases, vehicle leases, equipment leases, utilities, payroll and other employment-related expenses) existing as of the Effective Date that pertain to MHS Operations, to the extent such accounts payable and accrued liabilities are set forth or described on Schedule 3.6.3, which schedule shall be updated as of the Effective Date.

3.6.4 All obligations and liabilities as of the Effective Date in respect of accrued wages or accrued paid time off benefits of individuals who are employed by the City or MHS on the Effective Date for MHS Operations, including individuals who are employed by the City or MHS on the Effective Date for MHS Operations and are members of the medical staff of MHS or legal professionals who are employed by the City or MHS on the Execution Date exclusively for MHS Operations (collectively, the "MHS Employees"), and who are hired by the Lessee as

of the Effective Date, to the extent such obligations and liabilities are set forth on Schedule 3.6.4, which schedule shall be updated as of the Effective Date.

3.6.5 Subject to proration as set forth in Section 6.11, all obligations and liabilities as of and after the Effective Date in respect of Taxes of the City or MHS with respect to MHS Operations. For purposes of this Operating Lease, "Taxes" means all federal, state and local or special entity taxes, including, without limitation, income, payroll, employment, withholding, social security, information, excise, sales, real and personal property, use and occupancy, business and occupancy, gross receipts, mercantile, real estate, ad valorem, goods and services, value added, stamp, transfer, fuel, excess profits, alternative, environmental, license, estimated, severance, charges, fee, duties and franchise or other taxes, in each case, including any interest, penalties or additional to tax attribute thereto or attributed to any nonpayment thereof.

3.6.6 All obligations and liabilities as of the Effective Date in respect of long term sick leave benefits (whether accrued or unaccrued) of MHS Employees who are hired by the Lessee as of the Effective Date and related Taxes, to the extent such obligations and liabilities are set forth on Schedule 3.6.6, which schedule shall be updated as of the Effective Date.

3.6.7 All obligations and liabilities as of the Effective Date in respect of MHS Plans (as defined below) for MHS Employees who are hired by the Lessee as of the Effective Date and related Taxes (but excluding the PERA Liability), to the extent such obligations and liabilities are set forth on Schedule 3.6.7, which schedule shall be updated as of the Effective Date.

3.6.8 All obligations and liabilities as of the Effective Date in respect of MHS Operations arising under the terms of the Government Programs or third party payor programs (collectively, "Payor Programs"), and any liability arising pursuant to any Payor Programs as a result of the consummation of any of the Transactions, but only to the extent that such liabilities are set forth or described on Schedule 3.6.8, which schedule shall be updated as of the Effective Date, and specifically excluding the Excluded Liabilities, including, without limitation, the Excluded Liabilities described in Section 3.7.6 and Section 3.7.9.

3.6.9 All liabilities and obligations of any kind, whether known or unknown, contingent or otherwise, to the extent arising from (i) the Lessee's operation of the MHS Facilities and the Acquired Assets after the Effective Date, or (ii) acts or omissions of the Lessee or its Affiliates after the Effective Date.

3.6.10 Any liability or obligation under Environmental Law (as hereinafter defined) to the extent arising out of (i) facts, circumstances or conditions on, in, under or from the MHS Facilities or related to the Lessee's operations, in each case only to the extent such facts, circumstances or conditions (A) were initiated after the Effective Date, or (B)(I) were existing, initiated, or occurring prior to the Effective Date and (II) exacerbated by Lessee's intentional acts or intentional omissions; (ii) asbestos-containing materials in the MHS Facilities that were managed in compliance with Environmental Law prior to the Effective Date; or (iii)

other hazardous materials or conditions identified on Schedule 3.6.10, which schedule shall be updated as of the Effective Date.

3.6.11 Any other specifically described obligations and liabilities set forth on Schedule 3.6.11, which schedule shall be updated as of the Effective Date.

3.7 **Excluded Liabilities**. Neither the Lessee nor any of its Affiliates is or shall be obligated pursuant to this Operating Lease to pay or assume any liabilities that are not Assumed Liabilities, including but not limited to the following, whether such liabilities are fixed or contingent, liquidated or unliquidated, currently due or not, recorded or unrecorded, known or unknown (collectively, the "Excluded Liabilities"):

3.7.1 Any liability or obligation arising from or relating to any Excluded Asset, including any Excluded Contracts.

3.7.2 Any obligation or liability to the extent arising from or relating to any act or omission by the City after the Effective Date.

3.7.3 Any obligation or liability with respect to current or former MHS employees under PERA, including any withdrawal or termination liability resulting from the Transactions (the "PERA Liability").

3.7.4 Any liability or obligation, including any obligation under any employment agreements (whether or not Assumed Contracts) or policies, to make any bonus, severance or other payments to any MHS Employee as a result of the consummation of the Transactions, loss of employment with the City or its Affiliates, or any act or omission related to the foregoing to the extent occurring on or prior to the Effective Date.

3.7.5 Any obligation related to the Outstanding MHS Long-Term Debt (as hereinafter defined) of the City to be paid off or defeased as of the Effective Date pursuant to the MHS Long-Term Debt Defeasance or which may otherwise remain outstanding following the Effective Date as a Retained Debt (as hereinafter defined) of the City in accordance with Section 5.5.2, and any other debt secured by the MHS Facilities or the Acquired Assets which is to be satisfied on or prior to the Effective Date by the City as set forth on Schedule 3.7.5, but not including the Assumed Debt (as hereinafter defined).

3.7.6 Any liability, as well as any interest, civil monetary penalties or criminal fines or liabilities resulting therefrom or related thereto, under any law, rule, regulation, interpretation or ordinance with respect to MHS Operations caused by, relating to or arising from the fraud, false claims or criminal acts or omissions of the City or MHS, or any of their employees or agents, to the extent the same occur or relate to circumstances existing prior to the Effective Date, including any liabilities or obligations for fraud, False Claims Act violations, violations of the Stark or anti-kickback laws, or false or non-compliant coding, charging or billing or collections procedures (other than any liability or obligation to the extent caused by acts or omissions of the Lessee or its Affiliates after the Effective Date, provided that the Lessee shall only be responsible for such acts or omissions relating to matters arising from circumstances existing prior to the Effective Date if they are discovered by the Lessee after the

Effective Date using good faith reasonable efforts and thereafter the Lessee continues such wrongful practice or conduct).

3.7.7 Any Encumbrances which are not Permitted Restrictions, and which are not otherwise expressly assumed by the Lessee pursuant to the terms of this Operating Lease.

3.7.8 Any liability or obligation under Environmental Law to the extent arising out of facts, circumstances or conditions on, in, under or from the MHS Facilities or related to the MHS Operations, in each case existing, initiated or occurring prior to the Effective Date, other than liabilities or obligations under Environmental Law to the extent arising out of (i) facts circumstances or conditions (A) initiated prior to the Effective Date and (B) exacerbated by Lessee's intentional acts or intentional omissions; (ii) asbestos-containing materials in the MHS Facilities that were managed in compliance with Environmental Law prior to the Effective Date; or (iii) other hazardous materials or conditions identified on Schedule 3.6.10.

3.7.9 Any civil liability accruing, arising out of, or relating to any claims brought against Lessee and/or its Affiliates regarding any act or omission which relates to the MHS Operations, or of any Person acting as agent of the City or MHS, including their respective directors, officers, employees, agents or representatives, claimed to violate any constitutional provision, statute, ordinance or other law, rule, regulation, interpretation or order of any Governmental Entity or any third party payor contract, in each case to the extent such act or omission occurred prior to the Effective Date and relating to reimbursement to MHS from a program of a Governmental Entity or third party payor (other than any such liability or obligation to the extent caused by acts of omissions of the Lessee or its Affiliates after the Effective Date).

3.7.10 All obligations and liabilities arising under claims or potential claims for medical malpractice or general liability relating to events asserted to have occurred prior to the Effective Date with respect to MHS Operations to the extent not covered by insurance.

3.7.11 Any liability arising out of or relating to a Shared Service to the extent that such Shared Service remains an asset of or service provided by the City.

3.7.12 Any other liability not otherwise addressed herein or set forth on Schedule 3.7.12.

3.8 **City Responsibility**. Notwithstanding anything in this Operating Lease to the contrary, the Parties agree that the City and not the Lessee shall be responsible for any liability or obligation that results from any act or omission of the City (or any of its elected officials, employees, contractors or agents) acting in, or in furtherance of, the City's governmental functions (i) to the extent specifically listed in Section 3.7 or (ii) which do not relate to MHS Operations.

3.9 **Disclaimer of Unstated Warranties**.

3.9.1 Except as set forth in Article X herein, as between the Parties, the City makes no warranty, either express or implied, as to the condition of the MHS Facilities or that they will be suitable for the Lessee's purposes or needs. It is understood and agreed that, except

as set forth in Article X herein, the Lessee shall lease the MHS Facilities as is, where is, and with all faults and noncompliance with laws without warranty or representation, either express or implied, as to (i) habitability or fitness for habitation, or (ii) any other matter whatsoever, it being agreed that the Lessee assumes all such risks. Except to the extent of the provisions of Article X, as between the Parties, all of the MHS Facilities shall be further subject to normal wear and tear on the land, buildings and improvements located thereon.

3.9.2 Except as set forth in Article X herein, as between the Parties, the City makes no warranty, either express or implied, as to the condition of the Acquired Assets or that they will be suitable for the Lessee's purposes or needs. It is understood and agreed that, except as set forth in Article X herein, the Lessee shall acquire the Acquired Assets in their physical condition as is, where is, and with all faults and noncompliance with laws, with no warranty or representation, including, without limitation, the warranties of merchantability or fitness for a particular purpose, with respect to the physical condition of all Acquired Assets, any and all of which warranties (both express and implied) are hereby disclaimed by the City, it being agreed that the Lessee specifically assumes all such risks as part of this Operating Lease.

3.10 **Net Lease.** Except as otherwise provided in Section 14.9 of this Operating Lease, all rent and other amounts payable by the Lessee shall be absolutely net to the City, so that this Operating Lease shall yield net to the City the rent and other amounts payable by the Lessee during the Term of this Lease. Accordingly, except as otherwise expressly provided in this Operating Lease (including, without limitation, the City's responsibility for all Excluded Liabilities and to maintain insurance and other financial arrangements per Section 5.8), all costs, expenses and obligations of every kind or nature whatsoever relating to the MHS Facilities, Expansions of MHS Facilities and any improvements or property thereon or associated therewith, which may arise or become due during the Term, shall be paid by the Lessee. Except as otherwise expressly provided in this Operating Lease, the Lessee shall be responsible for all costs and expenses of the ownership, maintenance, repair and operation of the MHS Facilities, Expansions of MHS Facilities and any improvements or property thereon or associated therewith incurred or relating to the period of time during the Term.

3.11 **Parties' Rights Regarding Reconciliation of Assets and Liabilities**. Except as otherwise provided herein, the City may, in its sole and absolute discretion, dispose of, settle, handle or otherwise take any action (or inaction) with respect to any Excluded Assets and/or Excluded Liabilities so long as the City takes all reasonable action required to avoid any material cost, liability or operational burden upon Lessee or its Affiliates arising from such dispositions or settlements. If for any reason after the Effective Date Lessee or any of its Affiliates receives or becomes subject to an item that relates to an Excluded Asset or Excluded Liability, or if the City receives or becomes subject to an item that relates to an Acquired Asset or Assumed Liability, then the Parties shall promptly confer with one another and agree upon a method of transfer of such payment, asset or right, or assignment and assumption of such liability, as the case may be, in accordance with the provisions hereof that govern the applicable type of asset or liability, such that such assets and liabilities, and the economic benefits and obligations, are allocated to the appropriate Party in accordance with the terms hereof.

ARTICLE IV
COVENANTS OF THE LESSEE

The Lessee hereby agrees and covenants with the City to take the following actions during the Term (or such other period as may be specified below):

4.1 **Legal Compliance of the Lessee**. At all times from and after the Effective Date, the Lessee shall operate the MHS Facilities in full compliance, in all material respects, with applicable statutes, laws, rules and regulations, including Environmental Laws. If the Lessee's transportation, storage, use or disposal of Hazardous Materials (as hereinafter defined) on the MHS Facilities results in the contamination of the soil or surface or ground water, in each case that would reasonably be expected to impair the value of the Real Property, then the Lessee agrees to: (i) notify the City promptly upon discovery of any contamination, and (ii) perform remediation of such contamination to the extent required by applicable Environmental Law. During the Term, the Lessee shall notify the City of Lessee's receipt of any written notice from a Governmental Entity or other Person regarding any material environmental claims relating to the MHS Facilities or the MHS Operations.

4.2 **Reporting Requirements**. From and after the Effective Date, during the Term, the Lessee agrees to provide to the City the following reports and notices:

4.2.1 Annual financial statements of the Lessee (including MHS) within one hundred twenty (120) days after the end of each of the Lessee's fiscal years as a component of or derived from UC Health's annual audited financial statements

4.2.2 The auditor certifications described in Sections 3.3.2 and 3.5.5.

4.2.3 Evidence of insurance renewals as described in Section 8.5.3 within thirty (30) days of a request by the City for proof of such insurance.

4.2.4 The estoppel certificate in the form set forth on Exhibit B within one hundred twenty (120) days after the end of each of the Lessee's fiscal years.

4.3 **Preservation and Access to Records After the Effective Date**. After the Effective Date and for a period up to twenty-five (25) years thereafter, the Lessee shall, in a manner consistent with customary and legally compliant document retention policies or practices, or as required by law, keep and preserve all medical and other records of MHS that constitute part of the Acquired Assets delivered to the Lessee on the Effective Date. For purposes of this Section 4.3, the term "records" includes all documents, electronic records and other compilations of information in any form. The Lessee acknowledges that, as a result of entering into this Operating Lease and operating MHS, it will gain access to patient and other information that is subject to laws and regulations regarding confidentiality. The Lessee agrees to abide by any such laws and regulations regarding confidentiality. The Lessee agrees to maintain the patient records delivered on the Effective Date to the Lessee on and after the Effective Date in accordance with applicable law (including, if applicable, Section 1861(v)(i)(I) of the Social Security Act (42 U.S.C. §1395(v)(I)(i)), the privacy requirements of the Administration Simplification subtitle of HIPAA, and applicable state requirements with respect to medical privacy and requirements of relevant insurance carriers, all in a manner not less

compliant than the maintenance of patient records generated with respect to the MHS Operations immediately prior to the Effective Date.

4.4 **Post Transfer Access to Information and Personnel**. The Parties acknowledge that, subsequent to the Effective Date, the City may need access to information or documents transferred to the Lessee in connection with the Transactions (and which are therefore in the control or possession of the Lessee) for the purposes of audits, compliance with governmental requirements and regulations, and the prosecution or defense of third party claims. Accordingly, the City and the Lessee agree that, until the expiration of the applicable statute of limitations of any such matters, the Lessee will (i) make reasonably available to the City and its agents, independent auditors or counsel, upon reasonable notice and written request of the City, and at the equal expense of the Lessee and the City, such transferred records, and (ii) provide the assistance of the applicable Lessee personnel as necessary to fulfill such legal obligations, subject to and in accordance with Section 5.6 of the Integration Agreement.

4.5 **Operating Covenant**.

4.5.1 During the Term, the MHS Facilities and Expansions of the MHS Facilities shall be used solely for the MHS Operations and for no other purpose, subject to Lessee's sublease and assignment rights set forth in Article VII below. Subject to Article VII, the Lessee may, without further consent of the City, use, assign or sublease to other qualified organizations portions of the MHS Facilities (other than the MHS Hospitals) for any health care related purpose which the Lessee believes is consistent with or contributes to its successful operation of the MHS Facilities, including without limitation: (a) supportive services to UC Health, (b) research, (c) academic functions, and (d) long term-care, sub-acute health care facilities, assistive living or any other service that requires a health care license from the Colorado Department of Public Health and Environment or other applicable health care licensing entities.

4.5.2 Throughout the Term, the Lessee shall continuously operate and maintain the MHS Facilities, including Expansions of the MHS Facilities, at substantially similar quality levels as maintained by UC Health for comparable facilities (the "Operating Standard") and in compliance with the terms of this Operating Lease.

4.5.3 In the event that the Lessee determines definitively, in its sole and absolute discretion, that it will not use the MHS Facilities (or any vacant land that is a portion thereof) during the Term, it shall notify the City of its determination, and the Parties shall negotiate in good faith a mutually acceptable arrangement providing for the release of such portion of the MHS Facilities to the City at no purchase price to the City other than assumption of liabilities thereon and reasonable transfer and transaction costs.

4.5.4 In the event that the Lessee plans to cease or is no longer operating (due to an Event of Non-Viability (as hereinafter defined) or otherwise), for a period exceeding eighteen (18) months, substantially all of one (1) or more of the MHS Facilities that (i) consists of building space of at least fifty thousand (50,000) square feet and (ii) was part of the original MHS Facilities existing as of the Effective Date, then the City may request that the Lessee enter into good faith negotiations to discuss a mutually acceptable arrangement providing for the

release of such MHS Facilities to the City with such conditions and consideration as would result in a fair and equitable resolution in light of all relevant factors.

4.5.5 Nothing in this Section 4.5 shall be construed as prohibiting the Lessee from closing any MHS Facilities due to casualty, repair, reconstruction, remodeling or refixturing so long as the Lessee is proceeding with reasonable diligence to complete the work and reopen for business consistent with this Operating Lease.

4.5.6 Notwithstanding anything in this Section 4.5 to the contrary, the Lessee shall be entitled to cease operating the MHS Facilities, or any portion thereof, upon the occurrence of any event or circumstance which materially and adversely affects the Lessee's ability to conduct the business of such MHS Facilities in compliance with this Operating Lease as a viable business enterprise, taken as a whole, over a multi-year period, due to demographic changes, long-term changes in the local economy or declining demand for medical services or similar factors (an "Event of Non-Viability"). An Event of Non-Viability shall first be determined by the Lessee and UC Health, and second, shall be confirmed by an independent nationally recognized expert in the industry (who shall not have any material relationship with either Party) that has been engaged by the Lessee, at the Lessee's sole and expense, to perform such analysis, a copy of which such confirmation will be provided to the City or a City Representative (as hereinafter defined).

4.5.7 Upon an Event of Non-Viability, Lessee shall be entitled to cease operating the MHS Facilities, or any portion thereof, but the Lessee shall remain liable for all payment obligations with respect to the remaining MHS Facilities and for the payments contemplated in this Section 4.5.7, and any portion of the MHS Facilities that Lessee continues to operate shall be operated in compliance with the operative covenants applicable to such remaining MHS Facilities. Upon the termination of this Operating Lease by the Lessee upon an Event of Non-Viability pursuant to Section 13.3.6, the Lessee shall be obligated to pay to the City, at the Lessee's election, (i) an amount representing the net present value of the remaining Monthly Lease Payments for the balance of the initial Term (not including any Extension Terms) or (ii) the Monthly Lease Payments pursuant to the schedule set forth in Section 3.2. Notwithstanding anything herein to the contrary, such payment(s) by Lessee represents the sole and exclusive remedy of the City for any damages related to a termination of this Operating Lease due to an Event of Non-Viability.

4.5.8 In the event of a termination of this Agreement by the Lessee upon an Event of Non-Viability pursuant to Section 13.3.6, the City shall use reasonable efforts to find a replacement operator of the MHS Facilities for a healthcare use during the remaining period of the initial forty (40) year Term, and shall credit the Lessee with, or return to the Lessee, as applicable, any consideration or payments received by the City or its designees in connection with any replacement use of all or part of the MHS Facilities, whether for a healthcare use or otherwise; provided, however, that the City is not obligated to reimburse the Lessee more than the amount that the Lessee paid to the City pursuant to Section 4.5.7 above.

ARTICLE V
COVENANTS OF THE CITY

The City hereby agrees and covenants with the Lessee to take the following actions at such time or times as are specified below:

5.1 **Quiet Enjoyment**. During the Term, the City shall take any and all action necessary or appropriate to enable the Lessee to take and enjoy peaceful, quiet and undisputed possession of the Real Property pursuant to this Operating Lease, subject to the terms of the Permitted Restrictions.

5.2 **Non-Imposition and City Condemnation**.

5.2.1 Not in derogation of its sovereign governmental authority, but as a contractual obligation which is material to the willingness of the Lessee to enter into this Operating Lease, the City covenants and agrees that at no time during the Term or during the period of five (5) years after expiration or earlier termination of the Term (the "No Imposition Period") will it create and impose a provider tax, other Tax, user fee, charge, zoning or development restriction, license, permit, or other approval requirement, or other legislative or regulatory or administrative burden or imposition upon the Lessee or its Affiliates (or, during or for a period of five (5) years after the term of the Children's Sublease (as hereinafter defined), Children's Hospital or its Affiliates), as operator of the MHS Facilities or otherwise, or upon UC Health or its Affiliates on any basis other than pursuant to valid legislation or regulations that are applicable to a class of similarly situated entities, and not targeted at or having an adverse effect only or substantially only upon Lessee, the Health System or its Affiliates (each action failing such test, a "Prohibited Imposition"). Additionally, following the No Imposition Period, the City shall not create or impose a Prohibited Imposition that would be retroactively applied to the No Imposition Period.

5.2.2 The City further covenants and agrees that at no time during the No Imposition Period shall the City exercise any rights of condemnation or powers of eminent domain with respect to the MHS Operations, MHS Facilities, the Acquired Assets, any Expansion of MHS Facilities or any Competing Business Ventures (as defined in the Integration Agreement), or any other assets or properties of the Lessee, UC Health and any UC Health Affiliates (as hereinafter defined) or of Children's Hospital and its Affiliates used in relation to the performance of this Operating Lease, and will not take any action to promote or support such an exercise by any other Governmental Entity.

5.2.3 If the City violates any of the covenants in Sections 5.2.1 and 5.2.2 above, it shall be liable to the Lessee without limitation for all remedies available at law or equity, following the applicable cure period and subject to final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, and it hereby waives any applicable immunity as to such a claim.

5.2.4 This Section 5.2 shall survive any termination of this Operating Lease.

5.3 **New Community Health Foundation**. The City, or an enterprise of the City that may receive the payments made by Lessee as required hereunder (the "MHS Enterprise"), may

create a new 501(c)(3) foundation (the "New Community Health Foundation") as a charitable Colorado nonprofit corporation and public charity which shall exist in good standing prior to the Effective Date, and if the City or the MHS Enterprise choose to form the New Community Health Foundation, the City or the MHS Enterprise, as applicable, shall promptly prepare and file with the Internal Revenue Service a Form 1023 application for tax-exempt status on behalf of the New Community Health Foundation. The City or the MHS Enterprise, as applicable, shall cause the New Community Health Foundation to execute the Foundation Guaranty (as hereinafter defined) to be delivered pursuant to Section 12.3.7; provided that in the event the City or the MHS Enterprise, as applicable, funds the Escrow Account (as hereinafter defined) in accordance with this Section 5.3, the requirement to execute and deliver the Foundation Guaranty at Closing shall be deemed to be an obligation of the MHS Enterprise and shall also require the execution and delivery by the City or the MHS Enterprise, as applicable, of an escrow agreement containing terms consistent with this Operating Lease and the related transaction documents in a form acceptable to the Parties (the "Escrow Agreement"). At Closing, the New Community Health Foundation shall retain in a segregated account or fund at least Fifty Million Dollars ($50,000,000) in unencumbered and readily available funds (including, without limitation, cash, cash equivalents or marketable securities) solely for securing the New Community Health Foundation's obligations under the Foundation Guaranty until the third (3rd) anniversary of the Effective Date, and at least Twenty-five Million Dollars ($25,000,000) of such funds until the fifth (5th) anniversary of the Effective Date, unless in each case such amounts have been distributed to the Lessee in satisfaction of the City's indemnity obligations under this Agreement. In the event such funds are not sufficient to pay the required indemnity obligations of the City hereunder, and/or if the Lessee shall be entitled to recover for an indemnity claim thereafter, the Lessee shall be entitled to recover the indemnity amount from the available New Community Health Foundation funds and the additional sources identified in Section 14.9. In the event that the City's or the MHS Enterprise's creation of the New Community Health Foundation prior to the Effective Date becomes impracticable or impossible, the City or the MHS Enterprise, as applicable, may instead elect to fund on the Effective Date an escrow account meeting the requirements of, and having the obligations of the New Community Health Foundation under this Section 5.3, for the purposes of fulfilling the City's or MHS Enterprise's, as applicable, indemnity obligations under this Operating Lease, all of the foregoing in a manner reasonably acceptable to the Lessee (the "Escrow Account"); provided that such Escrow Account shall be held by a jointly selected escrow agent pursuant to the Escrow Agreement. The Lessee is expressly permitted to assert its indemnity claims against the New Community Health Foundation or the Escrow Account, as applicable, for the benefit of Children's Hospital pursuant to this Section 5.3 for (i) damages incurred by Children's Hospital to the extent such costs would have been indemnified by the City pursuant to Section 14.4 of this Operating Lease if incurred directly by the Lessee, New Memorial, UC Health and their Affiliates and (ii) Excluded Liabilities, to the extent such Excluded Liabilities relate to the operations of Children's Hospital at the MHS Facilities pursuant to the terms of the Children's Sublease. For the avoidance of doubt, (a) nothing herein shall limit the Lessee's ability to assert its claims against the City, the MHS Enterprise, or the New Community Health Foundation, as applicable, at its election, and (b) nothing herein, including the formation or existence of MHS Enterprise, shall in any way limit, reduce or alter the City's obligations, representations and covenants hereunder or in the Integration Agreement, and all such provisions shall be deemed to be binding on the MHS Enterprise to the extent applicable.

5.4 **Excluded Restricted Funds**. As of the Effective Date, and subject to all necessary court and other governmental approvals, the City shall cooperate with MHS and the New Community Health Foundation to take all such actions as are reasonably necessary to transfer (if such transfer can be effected without significant cost to either the City or New Community Health Foundation) the Excluded Restricted Funds to New Community Health Foundation and to ensure that the Excluded Restricted Funds are being spent in accordance with each donor's intent during the Term; provided that in the event the City elects to fund the Escrow Account in lieu of forming the New Community Health Foundation pursuant to Section 5.3 above, the foregoing provisions of this Section 5.4 regarding transfer of the Excluded Restricted Funds to the New Community Health Foundation shall not apply, but the City shall have the obligation to ensure that the Excluded Restricted Funds are being spent in accordance with each donor's intent during the Term. During the Term, the City or the New Community Health Foundation, if applicable, shall consult with the Lessee regarding the expenditures of such Excluded Restricted Funds. Notwithstanding the foregoing, the City or New Community Health Foundation, if applicable, and the Lessee may agree to transfer any such Excluded Restricted Funds to the Lessee or its designee for use at MHS in accordance with applicable legal requirements, and in such event the Parties shall cooperate in effecting such transfer.

5.5 **Actions Relating to Outstanding MHS Long-Term Debt.**

5.5.1 Outstanding MHS Long-Term Debt. The City is currently obligated with respect to the City of Colorado Springs, Colorado Hospital Revenue Bonds, Series 2000, the City of Colorado Springs, Colorado Hospital Revenue Bonds, Series 2002, the City of Colorado Springs, Colorado Hospital Revenue and Refunding Bonds, Series 2004B, the City of Colorado Springs, Colorado Hospital Revenue and Refunding Bonds, Series 2009 and the City of Colorado Springs, Colorado Compass Note, Series 2009A (the "Compass Note") (collectively, the "Outstanding MHS Long-Term Debt"). As of the date hereof, the aggregate principal amount of the Outstanding MHS Long-Term Debt is as set forth on Schedule 3.7.5, and will be updated as of the Closing Date. The first optional redemption dates, interest rates and all penalties, premiums and other payments which will become due in connection with the defeasance and redemption of the Outstanding MHS Long-Term Debt are set forth on Schedule 5.5 hereto.

5.5.2 Defeasance and Redemption of Outstanding MHS Long-Term Debt. On or prior to the Effective Date, the City or the MHS Enterprise shall take all such actions as may be reasonably necessary (i) to defease and redeem all of the Outstanding MHS Long-Term Debt, (ii) to pay all penalties, premiums and other payments which will become due, and costs and expenses incurred by the City or the MHS Enterprise and the Lessee, in connection with the defeasance and redemption in subparagraph (i), including the interest rate exchange agreement termination payment due with respect to the Compass Note (which amount is set forth on Schedule 5.5, and will be updated as of the Closing Date), and (iii) to release the City and the MHS Enterprise from any and all liabilities and obligations with respect to the Outstanding MHS Long-Term Debt. Subparagraphs (i), (ii) and (iii) shall be referred to herein as the "MHS Long-Term Debt Defeasance." To provide funds for the MHS Long-Term Debt Defeasance under this Section 5.5.2, the City or the MHS Enterprise shall deposit on the Effective Date to the escrow account established for defeasance and redemption of the Outstanding MHS Long-Term Debt (the "Defeasance Escrow Account"), the cash and unrestricted investments of MHS existing as

of the Effective Date as is necessary to pay off such portion of the Outstanding MHS Long-Term debt as is subject to defeasance and redemption hereunder (the "MHS Cash Balance"). The MHS Cash Balance as of the date hereof is as set forth on Schedule 5.5, and will be updated as of the Closing Date. If the MHS Cash Balance is less than the MHS Long-Term Debt Defeasance, then the Lessee shall deliver to the City or the MHS Enterprise, for deposit to the Defeasance Escrow Account and to make other payments, an amount which, together with the MHS Cash Balance deposited to the Defeasance Escrow Account by the City or the MHS Enterprise and the funds on deposit in the debt service reserve funds securing the Outstanding MHS Long-Term Debt which funds shall be deposited to the Defeasance Escrow Account, will be sufficient to make all payments necessary for the MHS Long-Term Debt Defeasance. Amounts to be deposited to the Defeasance Escrow Account shall be calculated based on a verification computation performed by an independent verification agent selected jointly by the City and the Lessee (the "Verification Agent"). Notwithstanding the foregoing, the City and the MHS Enterprise have the right not to redeem or defease any portion of the Outstanding MHS Long-Term Debt as it may be refinanced or restructured by the City or the MHS Enterprise (the "Retained Debt") so long as (a) the City demonstrates that (1) such Retained Debt shall not encumber the MHS Operations or any portion thereof in any manner which impairs the rights granted to Lessee under this Operating Lease or Lessee's interest in the MHS Operations, (2) such Retained Debt shall not impact the ability of the Lessee to incur and secure any current and future indebtedness or the tax-exempt status of such indebtedness, (3) the City or the MHS Enterprise shall be solely liable for and obligated with respect to such Retained Debt, (4) the Lessee shall have no liability for or obligation with respect to such Retained Debt whatsoever, and (5) such Retained Debt shall not encumber or otherwise involve any action of the City or the MHS Enterprise with respect to the City's or the MHS Enterprise's interest in the MHS Facilities or the Owned Real Property except as permitted by Section 5.9.2, and (b) the Lessee has provided its written consent to such Retained Debt which consent shall be granted in the sole discretion of the Lessee.

5.5.3 Required Documentation. At or prior to the Effective Date, the City and the Lessee shall provide to one another (1) evidence of completion of the MHS Long-Term Debt Defeasance in form, scope and substance reasonably acceptable to the City and the Lessee, including, without limitation, an executed copy of the escrow agreement relating to the Defeasance Escrow Account and a report of the Verification Agent confirming that sufficient deposits have been made to the Defeasance Escrow Account to make all payments when due on the Outstanding MHS Long-Term Debt (the "Defeasance Documents"); and (2) an opinion of the law firm of Kutak Rock LLC, acting as bond counsel, in form, scope and substance reasonably acceptable to the City and the Lessee (the "Bond Opinion") opining that consummation of the transactions herein contemplated will result in the Outstanding MHS Long-Term Debt not being "outstanding" within the meaning of the trust indentures and other financing documents related to the Outstanding MHS Long-Term Debt and other matters reasonably requested by the City.

5.6 Use of Controlled Substance Permits. To the extent permitted by applicable law, the Lessee and Children's Hospital (as applicable) shall have the right, at their sole cost and expense, to operate after the Effective Date under the licenses and registrations of the City or MHS relating to controlled substances and the operations of pharmacies and laboratories in connection with the MHS Operations until the Lessee and Children's Hospital are able to obtain their own such licenses and registrations. In furtherance thereof, the City shall execute and

deliver, or cause MHS to execute and deliver, to the Lessee and Children's Hospital, at or prior to the Effective Date, limited powers of attorney substantially in the form of Exhibit C attached hereto. The Lessee and Children's Hospital shall apply for all such licenses and registrations as soon as reasonably practicable following the date hereof, if not commenced earlier, and shall use commercially reasonable efforts to diligently pursue such applications.

5.7 **MHS Cost Reports**. The City or MHS, as applicable, will timely prepare and submit all cost reports relating to MHS for periods ending on or prior to the Effective Date or required as a result of the consummation of the Transactions, including terminating cost reports for Government Programs (the "MHS Cost Reports"). In accordance with applicable Government Program rules, the Lessee shall retain all rights to claims under open MHS Cost Reports, including the right to appeal any Government Program determinations relating to MHS Cost Reports or Agency Settlements, but shall be responsible for the correction and reporting of any known over-payments resulting from such open reports (the "Agency Settlements"). MHS shall furnish to the Lessee copies of the MHS Cost Reports, correspondence, work papers and other documents relating to MHS Cost Reports and the Agency Settlements.

5.8 **Insurance**. Effective prior to the Effective Date, the City shall obtain and maintain tail insurance, or such other more efficient, cost-effective arrangements maintained or managed by the City, providing financial or insurance coverage levels equal to the current applicable policies insuring the MHS Operations and covering prior acts or occurrences, including, but not limited to, insurance coverage related to professional and general liabilities of the MHS Operations (such as any liabilities arising in connection with physicians employed by the City or MHS for the MHS Operations) and insurance coverage related to liabilities that may arise under errors and omissions or directors and officers insurance policies. The City may, but shall not be obligated to, obtain and carry any other form or forms of insurance as the City may determine in its discretion. Notwithstanding that the City shall not be obligated under this Operating Lease to carry property and casualty insurance on the MHS Facilities, as between the Parties hereto, the City shall retain any such liability for property damage as owner of such MHS Facilities that the City owned as of the Effective Date for events occurring prior to and after the Effective Date. Nothing in this Section 5.8 shall release Lessee from its obligations under this Operating Lease, including Lessee's obligations set forth in Section 8.5.

5.9 **Transfer of City Rights.**

5.9.1 During the Term, in the event that the City receives an offer from a third party to purchase, and/or determines that it is in the best interests of the City to sell, its interest in all or part of the MHS Facilities or the Owned Real Property (which must be subject to this Operating Lease), the Lessee shall have a right of first offer or right of first refusal with respect to such sale, as applicable, and the City shall not accept any offer from any third party or enter into any binding legal agreements with respect to the sale of such interests in the MHS Facilities or the Owned Real Property without first allowing the Lessee to exercise its right under this Section 5.9.1 by providing notice to Lessee (which notice shall include the proposed terms of such sale in the event of a third party offer). In the event that the Lessee receives such notice, it shall have thirty (30) days to elect, by notice to the City ("Lessee's Election Notice"), to exercise its rights under this Section 5.9.1. If the Lessee so elects, then (i) if there is no other third party offer, the City and the Lessee shall negotiate in good faith the terms and conditions of the sale of

the City's interest in the MHS Facilities or the Owned Real Property, as the case may be, in order to conclude an agreement on commercially reasonable and competitive terms which shall be overall no less favorable to them as are available in the market, or (ii) if there is a third party offer, the Lessee shall be entitled to purchase the City's interest on substantially the same terms as the third party would be willing to pay. If Lessee and City do not reach such an agreement within a reasonable amount of time following good faith negotiations (not to exceed ninety (90) days following Lessee's Election Notice), the City may sell, assign and convey its interest to another Person on terms no more favorable than those offered to the Lessee, subject to the restrictions in Section 5.9.2 below.

5.9.2 Any sale or encumbrance of the City's or the MHS Enterprise's interest in all or part of the MHS Facilities (including the City's or the MHS Enterprise's interest in this Operating Lease) or the Owned Real Property during the Term shall be subject to the following requirements and limitations:

(i) the City or the MHS Enterprise may pledge, encumber, transfer or collaterally assign all or any part of the City's interest in the MHS Facilities solely to securitize and finance the Owned Real Property with a financial or lending institution or investment company ("Lender") provided that (A) the City would retain and will exercise its rights and obligations under the Operating Lease and Integration Agreement, (B) such agreement between the City or the MHS Enterprise and the Lender would require the Lender to give its consent to any matter for which the City's consent is required herein if requested by the City and the City will obtain such consent consistent with preceding clause (A), and (C) the City or the MHS Enterprise shall not take any action permitted by this Section 5.9.2(i) until it has notified the Lessee of the proposed action and the Lessee has confirmed in writing to the City that such action would not negatively affect the tax-exempt status of any debt issued or incurred (or to be issued or incurred) by the Lessee or any other Person with respect to the MHS Operations, including debt incurred to finance the Initial Payment;

(ii) except as set forth in Section 5.9.2(i) above, the City or the MHS Enterprise may not voluntarily or by operation of law assign, merge, sell, consolidate, sublet, collaterally assign, or otherwise transfer or encumber all or any part of the City's or the MHS Enterprise's interest in the MHS Facilities or the Acquired Assets without the prior written consent of Lessee, which consent may be granted or withheld in Lessee's sole discretion; and

(iii) in no event shall the City or the MHS Enterprise voluntarily or by operation of law assign, merge, sell, consolidate, sublet, collaterally assign, or otherwise transfer or encumber all or any part of the City's or the MHS Enterprise's interest in the MHS Facilities, the Owned Real Property or this Operating Lease to any hospital or health care company or system (other than Lessee, UC Health and their Affiliates).

5.9.3 If the City or the MHS Enterprise takes any action in violation of Sections 5.9.1 or 5.9.2, the Lessee may pursue all remedies available to it for breach by the City pursuant to the terms of this Operating Lease, provided that the Parties agree that if such violation results in a prohibited assignment or transfer of this Operating Lease to a third party, such assignment

shall be null and void.

5.9.4 The provisions of this Section 5.9 shall survive until such time as this Operating Lease is terminated pursuant to the terms hereof.

5.10 **Shared Services.** From and after the Effective Date, the City shall promptly notify the Lessee reasonably in advance of any renewal, extension or termination of a Contract for Shared Services, and at the election of the Lessee and upon the Lessee's request, the City shall use reasonable efforts to assist the Lessee in terminating its participation in such arrangements or in entering into a new Contract for such Shared Services, as applicable.

5.11 **Cooperation**. During the Term, each Party agrees to consult with the other Party and act reasonably to take such actions, including the assertion of defenses or counterclaims that may be applicable, as reasonably requested by the other Party in order to attempt reduce the amount of losses with respect to such other Party's Assumed Liability or Excluded Liability, as applicable.

ARTICLE VI
COVENANTS OF THE PARTIES PENDING EFFECTIVE DATE

The Parties agree to the following covenants during the period from the date hereof through the Effective Date or the earlier termination of this Operating Lease:

6.1 **Licenses, Approvals and Consents**. The Parties shall work together and diligently proceed to procure and give all necessary agreements, consents and notices of or to any Persons other than the City to any of the demises, leases, transfers, assignments or conveyances of the MHS Facilities, the Acquired Assets or the Assumed Liabilities to the Lessee contemplated by this Operating Lease, including, but not limited to, all Governmental Approvals (or exemptions therefrom) necessary or required to allow the Lessee to perform its obligations under this Operating Lease and those consents or notices required in connection with the Government Programs, third party providers and licensing agencies. The Parties shall reasonably assist and cooperate with one another and their respective representatives and counsel in connection with the Lessee and Children's Hospital (as applicable) obtaining all private or governmental consents, approvals, provider numbers, provider agreements and licenses that the Lessee and Children's Hospital (as applicable) deem necessary or appropriate for the Lessee's and Children's Hospital's operation of MHS on and after the Effective Date, and in the preparation of any document or other material that may be required by any Governmental Entity as a predicate to or as a result of the Transactions. In addition, the Lessee requires that the City request estoppel certificates, as identified on Schedule 6.7.15, from any Person who is party to a Lease with the City or MHS (the "Tenant Estoppels") and estoppel certificates from any Person who is a landlord for any of the Leased Real Property (the "Landlord Estoppels", and collectively with the Tenant Estoppels, the "Estoppels"), and the City shall use commercially reasonable efforts to obtain the Estoppels as provided for in Section 12.3.6.

6.2 **Public Announcements**. The Parties will work together in good faith to release, publish or otherwise make available to the public in any manner whatsoever any information or

announcement regarding the Transactions. Each Party may also provide information and make reasonably necessary filings to a Governmental Entity so as lawfully to effect the Transactions, or as required in connection with applicable laws, subject to the notice requirements in Section 6.3.

6.3 Notification of Certain Matters.

6.3.1 At any time from the Execution Date to the Effective Date, the City shall give written notice to the Lessee as soon as reasonably practicable of (i) the occurrence, or failure to occur, of any event that has caused any representation or warranty of the City contained in this Operating Lease to be untrue in any material respect, (ii) any matter hereafter arising or discovered that, if existing or known at the Execution Date, would have been required to be set forth or described in a City-prepared Schedule to this Operating Lease, and (iii) any failure of the City to comply with or satisfy in a material respect any covenant, condition or agreement to be complied with or satisfied by it under this Operating Lease. After the Execution Date, to the extent such matter is received by or comes to the attention of the Office of the City Attorney, the Council or the Office of the Mayor, the City shall also promptly notify the Lessee in writing of: (a) any material notice or other written communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions, (b) any notice or other communication from any Governmental Entity in connection with the Transactions or that is (or in the City's reasonable judgment may become) material and adverse to the business, condition and operations of the MHS Facilities, MHS Operations and the Acquired Assets, and (c) any actions, suits, claims, investigations or proceedings commenced, or to the City's knowledge threatened against, or relating to or involving or otherwise affecting the City, MHS, the MHS Facilities, the MHS Operations or the Acquired Assets or that relate to the consummation of the Transactions, or any material and adverse developments relating to any actions, suits, claims, investigations or proceedings hereby disclosed by the City. Such notices shall provide a reasonably detailed description of the relevant circumstances.

6.3.2 At any time from the Execution Date to the Effective Date, the Lessee shall give written notice to the City as soon as reasonably practicable of (i) the occurrence, or failure to occur, of any event that has caused any representation or warranty of the Lessee contained in this Operating Lease to be untrue in any material respect, (ii) any matter hereafter arising or discovered that, if existing or known at the Execution Date, would have been required to be set forth or described in a Lessee-prepared Schedule to this Operating Lease, and (iii) any failure of the Lessee to comply with or satisfy in a material respect any covenant, condition or agreement to be complied with or satisfied by it under this Operating Lease. After the Execution Date and prior to the Effective Date, the Lessee shall also promptly notify the City in writing of: (a) any material notice or other written communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions; (b) any material notice or other communication from any Governmental Entity in connection with the Transactions or that is (or in the Lessee's reasonable judgment may become) material and adverse to the business, condition or operations of the MHS Operations; and (c) any actions, suits, claims, investigations or proceedings commenced or, to the Lessee's knowledge threatened against, or relating to the consummation of the Transactions, or any material and adverse developments relating to any actions, suits, claims, investigations or proceedings hereby disclosed by the

Lessee. Such notices shall provide a reasonably detailed description of the relevant circumstances.

6.4 **No-Shop**.

6.4.1 The City covenants and agrees on its own behalf and on behalf of MHS that, from the Execution Date through the Effective Date or any earlier termination of this Operating Lease, it shall not, and shall not permit MHS or any other of the City's enterprises, subsidiaries, Affiliates or employees or any investment banker, attorney, adviser or other representative to, directly or indirectly (a) discuss, negotiate or enter into a transaction substantially similar to the Transactions, (b) offer for sale or solicit offers to buy any assets used in the MHS Operations or any material portion thereof, (c) hold discussions or negotiate with, or provide information to, any other party with a view towards such an offer or solicitation or with a view towards a merger or consolidation, or (d) enter into any Contract with any other party relating to the sale or other disposition of any material property, facilities or any assets used in the MHS Operations. The City shall promptly inform the Lessee of any discussions, solicitations or offers received after the Execution Date through the Effective Date or any earlier termination of this Operating Lease by the City or MHS, its subsidiaries or its Affiliates with respect to the matters set forth in the preceding sentence.

6.4.2 The Lessee covenants and agrees that, from the Execution Date through the Effective Date or any earlier termination of this Operating Lease, it shall not, and shall not permit any of the Lessee's subsidiaries, Affiliates or employees or any investment banker, attorney, adviser or other representative to, directly or indirectly, (a) discuss, negotiate or enter into a transaction substantially similar to the Transactions, (b) offer for sale or solicit offers to buy its properties, facilities or other assets or any material portion thereof, (c) hold discussions or negotiate with, or provide information to, any other party with a view towards such an offer or solicitation or with a view towards a merger or consolidation, or (d) enter into any Contract with any other party relating to the sale or other disposition of any material property, facilities or other assets; provided, however, that the Lessee and its Affiliates (including UC Health and its Members) may engage in discussions with third parties with respect to UC Health transactions so long as such transactions do not preclude the consummation of the Transactions.

6.5 **Satisfaction of Conditions.** Each Party shall use their respective reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the Transactions on the Effective Date, including using reasonable efforts to satisfy or cause to be satisfied all the conditions precedent that are set forth in Section 12.3 and to make the deliveries required in Sections 12.1 and 12.2, as applicable.

6.6 **Access to MHS Facilities.** Prior to the Effective Date, the City shall allow the Lessee, Children's Hospital and their engineers, architects or other employees and agents access to the MHS Facilities at any reasonable time after providing at least twenty-four (24) hours advance notice (which may be oral). Any such entry shall not unreasonably or materially interfere with patients, patient care, employees or any other of MHS's operations. Except as otherwise expressly set forth herein, nothing in this Section 6.6 shall be construed to grant the Lessee or Children's Hospital the authority to engage in the alteration (except in order to conduct physical and environmental tests and inspections thereof, including intrusive sampling, after

discussing with the City the timing and scope of such intrusive sampling), management or operation of the applicable MHS Facilities prior to the Effective Date, to review confidential patient or employee records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by the Lessee or Children's Hospital to any patient of the MHS Facilities, or create any responsibility, duty of or risk of liability of the City. The Lessee and Children's Hospital shall comply with the City's customary operating rules and procedures during such visits of which the Lessee and Children's Hospital, respectively, have obtained notice and shall be responsible for any damage that arises to the MHS Facilities caused by the Lessee's or Children's Hospital's respective entry upon the premises. The Lessee agrees to remain responsible for and further shall indemnify, defend, reimburse and hold harmless the City and the City Indemnitees (as hereinafter defined) from any loss, injury, damage, cause of action, liability, claim, lien, cost or expense, including reasonable attorneys' fees and costs, arising from the exercise by the Lessee or its employees, consultants, agents or representatives of the right of access under this Section 6.6 or out of any of the foregoing. The Lessee's obligations under this section shall not extend to loss, injury, damage, cause of action, liability, claim, lien, cost or expense arising from the identification of pre-existing Hazardous Materials in, on, under or from the MHS Facilities. The indemnity in this Section 6.6 shall survive for a period of two (2) years following the Effective Date.

6.7 **Operations Pending Closing**. From the Execution Date until the Effective Date or the earlier termination of this Operating Lease, the City shall, and shall cause MHS to take, with respect to the business and operations of the MHS Facilities, MHS Operations and the Acquired Assets, the actions listed below, unless the Lessee gives prior written consent to an exception to such requirement; *provided* (i) for purposes of this Section 6.7, the Lessee shall be deemed to have given its consent if the City provides the Lessee with written notice of such matter and the Lessee fails to object to the City taking such action within ten (10) days and (ii) that the City may, without the prior written consent of the Lessee, take such actions as the City reasonably determines necessary to address an emergency, but such emergency action shall not alter the other rights or economic interests of the Parties hereto:

6.7.1 maintain and carry on the business of the MHS Operations in substantially the same manner as it has heretofore and not make any material change in programs, personnel, operations, finances, accounting policies, or the MHS Operations;

6.7.2 maintain and conserve in the ordinary course of business and consistent with customary and prudent hospital practices the MHS Operations and all parts thereof in substantially the same condition as of the Execution Date, ordinary wear and tear excepted, and in accordance with the capital budget approved and in use at the MHS Facilities prior to the Effective Date; provided, however, that in the event than any emergency repair is required to be made to the MHS Facilities, the City shall consult with the Lessee regarding such emergency repairs in order to determine in what manner and at what cost such emergency repair should be made;

6.7.3 duly and timely perform its obligations under Contracts relating to the MHS Operations' business and operations in the ordinary course of business;

6.7.4 keep in full force and effect present insurance policies on the MHS Facilities and the Acquired Assets (unless a policy is canceled or terminated in the ordinary course of business consistent with past practice and concurrently replaced with a policy or arrangement with substantially similar coverage, with no gap in coverage);

6.7.5 maintain and preserve the business organization with respect to the MHS Operations intact, not voluntarily terminate MHS Employees at the MHS Facilities (except for changes in the ordinary course of business, for cause or as otherwise requested by the Lessee) and use reasonable efforts to maintain good relationships with physicians and third parties that do business with the MHS Facilities;

6.7.6 permit and allow reasonable access by the Lessee, Children's Hospital and their Affiliates and contractors (which shall include the right to send written materials) to make offers of post-Effective Date employment to any of the MHS Employees (including access by the Lessee, Children's Hospital and their Affiliates and contractors for the purpose of conducting open enrollment sessions for employee benefit plans and programs) and to establish relationships with physicians, medical staff, suppliers, payors, customers, referral sources and others having business relations with MHS;

6.7.7 obtain, or provide for, at or prior to the Effective Date, the release of all liens and security, in each case only to the extent encumbering the MHS Facilities and Acquired Assets, other than the Permitted Restrictions;

6.7.8 maintain in all material respects the general levels and quality of equipment, supplies and inventory at the MHS Facilities consistent with reasonable and prudent hospital practices;

6.7.9 timely file or cause to be filed all Tax Returns (as hereinafter defined) required to be filed with any Governmental Entity, including any schedule or attachment thereto, and including any amendment thereof relating to the MHS Operations required to be filed with any Governmental Entity as of the Effective Date;

6.7.10 continue to pay accounts payable with respect to the MHS Operations in the ordinary course of business and not otherwise inconsistent with the terms hereof;

6.7.11 maintain books and records in the ordinary course of business and in accordance with Law and substantially in accordance with prior practice;

6.7.12 maintain all approvals, licenses and permits, conditions of participation, accreditations and certifications (and required renewals thereof) relating to the MHS Operations in good standing;

6.7.13 use commercially reasonable efforts to obtain consents to assignment or waivers from all third parties from whom such consent or waiver is required in order to assign the Assumed Contracts and Governmental Approvals (to the extent assignable or transferable) to the Lessee in accordance with the terms of this Operating Lease;

6.7.14 promptly notify the Lessee of (i) any material and adverse change to the condition of the MHS Facilities, the Acquired Assets or the MHS Operations, (ii) the notice of any material governmental investigation relating thereto, or (iii) any other event which is reasonably likely to materially delay the Transactions, or (iv) any other event which may cause a significant financial, regulatory or reputational harm to MHS or the City as it relates to the MHS Operations; and

6.7.15 use commercially reasonable efforts to obtain the Estoppels set forth on Schedule 6.7.15.

6.8 **Negative Covenants Pending Closing**. From the Execution Date to the Effective Date or the earlier termination of this Operating Lease, the City will not, and shall cause MHS not to, with respect to the MHS Operations, take any of the following actions or suffer or permit any of the following to occur without the prior written consent of the Lessee; *provided* (i) for purposes of this Section 6.8, the Lessee shall be deemed to have given its consent if the City provides the Lessee with written notice of such matter and the Lessee fails to object to the City taking such action within ten (10) days and (ii) that the City may, without the prior written consent of the Lessee, take such actions as the City reasonably determines necessary to address an emergency, but such emergency action shall not alter the other rights or economic interests of the Parties hereto:

6.8.1 except as otherwise provided herein or in the ordinary course of business consistent with past practice, enter into, amend, modify or terminate without cause any Contract (including Leases) with physicians, physician groups, professionals, employees, vendors, contractors or otherwise contemplating payments to, or obligations of, any party thereto of more than Twenty-Five Thousand Dollars ($25,000) in a year (collectively, "Material Contracts");

6.8.2 increase compensation or benefits payable or to become payable (including severance and bonus payments) to, or otherwise enter into one or more Contracts, with any MHS Employee or agent or under any personal services Contract;

6.8.3 sell, assign or otherwise transfer or dispose of, or waive or settle any claims regarding, any of the MHS Facilities or any Acquired Asset having a value of in excess of Ten Thousand Dollars ($10,000);

6.8.4 except in the ordinary course of business consistent with past practice, pay or agree to pay any settlement or increased benefits under any benefits plan or to any MHS Employee;

6.8.5 except in conformity with this Operating Lease or in a commercially reasonable manner in the ordinary course of business consistent with past practice, (i) amend, modify or terminate any Material Contracts; (ii) by action or inaction, abandon, terminate, cancel, forfeit, waive or release any material rights of the City or MHS, in whole or in part, with respect to the MHS Facilities or the Acquired Assets or encumber any of them, except for Permitted Restrictions; (iii) take any action, corporate or otherwise, which reasonably could be expected to affect adversely the City's ability to perform in accordance with this Operating Lease; (iv) cancel or permit the cancellation or lapse of insurance coverage on the MHS

Facilities or the Acquired Assets; or (v) settle any dispute or threatened dispute with any Governmental Entity regarding the MHS Facilities or the Acquired Assets;

6.8.6 except for the Permitted Restrictions, create, assume or permit to exist any new Encumbrance upon any of the MHS Facilities or the Acquired Assets with a value greater than Five Thousand Dollars ($5,000);

6.8.7 amend or terminate any employment agreement or enter into any new employment agreement with any of the MHS Employees or new employees;

6.8.8 incur any indebtedness for borrowed money or guarantee the indebtedness of another Person;

6.8.9 make any capital expenditure, commitment or additions to property, plant, equipment, intangible or capital assets or for any other purpose with respect to the MHS Operations that is inconsistent with the terms of Section 6.7.2 of this Operating Lease;

6.8.10 dispose of or grant, license or lease any interest in the Real Property or pledge or subject to lien or other encumbrance any interest in the Real Property;

6.8.11 agree to or permit to be placed on or with respect to the Real Property any restrictions, covenants, conditions or easements;

6.8.12 seek or consent to any change in zoning, platting, replatting, subdivision, air rights, gross size limitation consistent with past practice on or other change affecting the use of the Real Property;

6.8.13 alter the City's legal title to the Real Property;

6.8.14 make or change any material Tax election unless such election is required by law;

6.8.15 make any payments to reduce or discharge any Excluded Liabilities, except in the ordinary course of business consistent with past practice, or as otherwise set forth herein;

6.8.16 knowingly violate any law affecting the Real Property;

6.8.17 take any other action that does, or reasonably could be expected to have a material and adverse effect on the MHS Facilities, the Acquired Assets or the MHS Operations;

6.8.18 take any other action which would render, or which reasonably may be expected to render, any covenant, representation or warranty made by the City under this Operating Lease untrue in any material and adverse manner; or

6.8.19 agree or otherwise commit to take any of the actions described in Sections 6.8.1 through 6.8.18 above.

6.9 WARN Act Notice. At any time prior to the Effective Date, the City shall promptly furnish to the MHS Employees any WARN Act or similar notices (the "WARN Notices") that the Lessee requests the City to furnish, and the City may in its discretion send WARN Notices in the absence of the Lessee's request. The City shall use reasonable efforts to cooperate with the Lessee, (a) in drafting the WARN Notices in accordance with the requirements of the WARN Act or any comparable state or local law, and (b) providing to the MHS Employees all communications the Lessee requests the City to furnish, or that the City deems appropriate to furnish, with or relating to the WARN Notices. The City will be responsible for and shall fully indemnify the Lessee and its Affiliates for all liabilities for any failure by the City to comply with the Lessee's request that the City serve any WARN Act or other lawful notices, or with any requirements of the WARN Act or any comparable state or local law with respect to the termination of the employment of any MHS Employee with the City that occurs prior to or on the Effective Date; provided that the Lessee will be responsible for and shall fully indemnify the City for all liabilities to the extent resulting from the City's transmission to the MHS Employees of language that is requested by the Lessee to be included in the WARN Notices, or in any other communications provided to the MHS Employees relating to the WARN Notices, that is not required by the WARN Act or other law.

6.10 Certain Litigation. The City shall give the Lessee and its Affiliates the option (which does not entail the obligation) to participate in the defense or settlement of any litigation against the City challenging or affecting the completion of the Transactions (but this shall cease if there is a valid termination of this Operating Lease prior to the Effective Date). The City shall not agree to any compromise or settlement of such litigation without the consent of the Lessee.

6.11 Prorations. The Lessee and the City shall prorate as of the Effective Date a good-faith estimate of any costs or payments that relate to both pre-Closing and post-Closing which will become due and payable after the Effective Date with respect to (i) all lawful Taxes (including property Taxes, if any) and governmental use charges on the MHS Facilities or the Acquired Assets, and (ii) all utilities servicing any of the MHS Facilities or the Acquired Assets, including water, sewer, telephone, electricity and gas service. Any above-described obligations which are not known or cannot be reasonably estimated as of the Effective Date shall be similarly apportioned, subject to the above, and paid by the responsible Party as soon as practicable thereafter so that the City shall be responsible for all prorated amounts corresponding to the period prior to the Effective Date and the Lessee shall be responsible for all prorated amounts corresponding to the period subsequent to the Effective Date.

6.12 Lessee Notifications Prior to the Effective Date. The Lessee promptly shall notify the City of (i) any event which is reasonably likely to materially delay the Transactions, or (ii) any other event which may cause significant reputational harm to the Lessee or UC Health.

6.13 Significant Change in MHS Operations. In the event there shall have occurred (i) between June 26, 2012 and September 30, 2012 an accelerated deterioration in the financial performance of the MHS Operations such that the net operating income for such period is more than ten million dollars ($10,000,000) below the level which is currently predicted (such amount being Two Million Two Hundred Fifty Thousand Dollars ($2,250,000), provided that if the Effective Date is deferred beyond September 30, 2012, the foregoing predicted target amount shall be increased proportionally to the additional days elapsed between June 26, 2012 and such

Effective Date; or (ii) between the Execution Date and the Effective Date any other event or circumstance which would decrease the value of the Acquired Assets, and/or MHS Operations as operating businesses, by Ten Million Dollars ($10,000,000) or more, the Lessee may elect by notice to the City not to proceed to a Closing of this Operating Lease and such notice shall constitute a termination of this Operating Lease with the Parties waiving any rights to damages against each other; provided that the Lessee shall not exercise such right if the Parties promptly and mutually agree upon a resolution of such matter that is acceptable to each Party in its respective sole discretion.

6.14 Satisfaction of Pre-Effective Date Covenants. Each Party hereby acknowledges and agrees that in the event that a Party has actual knowledge before Closing of the other Party's default or breach of a covenant under this Article VI, other than Section 6.13, (a) the Lessee's sole recourse with respect to such matter shall be to pursue the remedies set forth in Section 13.5.3(ii) hereof prior to the Closing Date, and (b) the City's sole recourse with respect to such matter shall be to pursue the remedies set forth in Section 13.4.3(ii) prior the Closing Date. Without limiting the generality of the foregoing, if a Party fails to notify, and pursue a claim against, the other Party prior to the Closing Date or within eighteen (18) months thereafter, as to any default or breach of any covenants under this Article VI (other than this Section 6.14) for which such Party had actual knowledge prior to the Closing Date, then the Party covenants to not sue or make a legal claim thereafter against the other Party with respect to any default or breach of such covenants. In the event that a Party has actual knowledge after Closing of the other Party's default or breach of a covenant under this Article VI, then such Party shall be required to give written notice of a claim to the other Party within eighteen (18) months after the Closing Date (the "Pre-Effective Date Covenant Survival Period") and the remedies for such default or breach shall be as set forth above; provided that such Pre-Effective Date Covenant Survival Period shall be tolled for any period of a Party's known, active concealment of its breach of a covenant under this Article VI. Any claim brought during the Pre-Effective Date Covenant Survival Period shall survive until such claim is resolved pursuant to and subject to final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, but any claims not timely brought shall terminate and be of no further effect at the expiration of the Pre-Effective Date Covenant Survival Period. For the avoidance of doubt, nothing in this Section 6.14 shall alter, reduce or eliminate the responsibilities and obligations of the Parties with respect to Assumed Liabilities and Excluded Liabilities, as applicable, or the indemnity obligations of the Parties set forth in Section 14.3 and Section 14.4 of this Operating Lease with respect to City Representation Damages and Lessee Representation Damages (each as hereinafter defined), respectively.

6.15 Binding Pre-Effective Date Agreements. The City and the Lessee each represent and warrant to one another that it currently possesses the lawful capacity, power and authority to (a) enter into this Operating Lease for purposes of binding itself lawfully as of the Execution Date to the terms of this Operating Lease applicable to the time prior to the Effective Date, including this Article VI, and (b) contingent upon and subject to the conditions to Closing (as hereinafter defined) set forth herein (including obtaining the Required Approvals), enter into this Operating Lease for purposes for all the provisions hereof, including those applicable to the time following the Effective Date. The Parties hereby agree that the provisions of this Article VI are intended to induce the Parties to proceed to commit the time and expense to seek the Required Approvals (as hereinafter defined) and effect a Closing of the Transaction. The Parties

shall use their good faith reasonable efforts to effect the Closing of this Transaction by no later than the Outside Closing Date (as hereinafter defined). If this Operating Lease is terminated by either Party pursuant to Article XIII, then the provisions of this Article VI shall terminate and be of no further force or effect, provided that liability for any breach of this Section 6.15 and Section 6.4 shall survive such termination.

6.16 **Actions by the MHS Board of Trustees**. The City covenants and agrees that, from the Execution Date through the Effective Date, and in addition to taking all such actions required of it in order to comply with the terms of this Article VI, it shall take any additional actions necessary for it to cause the Board of Trustees of MHS to act in a manner consistent with the provisions of this Article VI.

ARTICLE VII
ASSIGNMENT, PLEDGING AND SUBLETTING

7.1 **Right to Pledge**.

7.1.1 The Lessee shall have the right to pledge, encumber, borrow against and otherwise financially deal in the revenues of the MHS Facilities, provided that the Lessee fully complies with the remainder of this Section 7.1.

7.1.2 The Lessee shall not cause or permit any Encumbrance of any kind to be attached to or placed upon the Lessee's interest in the MHS Facilities, except for (i) Permitted Restrictions; (ii) Encumbrances that are incurred in the ordinary course of business; (iii) Encumbrances incurred in connection with the MHS Long-Term Debt Defeasance; (iv) Encumbrances to secure the current and any future indebtedness incurred by the Lessee or UC Health and its members or any of them, and (v) such additional material Encumbrances as may be consented to in writing by the City. Notwithstanding the foregoing, the Lessee shall not (i) grant to any secured party rights in the MHS Facilities greater than the rights that Lessee has with respect to such MHS Facilities under this Operating Lease and the Integration Agreement and (ii) incur a leasehold mortgage. For the avoidance of doubt, the Lessee shall be permitted to incur unsecured indebtedness in the ordinary course of business. The City agrees to cooperate reasonably with the Lessee, at the Lessee's sole cost and expense for any third party fees incurred, in connection with any Encumbrance undertaken pursuant to the terms and conditions of this Section 7.1.2, including the signing of such additional documents that reasonably may be required to effect such Encumbrance.

7.1.3 Nothing contained in this Operating Lease shall be construed as a subordination of the City's fee interest in the MHS Facilities or its reversionary interest pursuant to this Operating Lease, and the Lessee shall not take any action to encumber such fee interest *provided* that nothing in this Section 7.1.3 shall have the effect of reducing or eliminating the Lessee's other rights under this Operating Lease.

7.1.4 In the event that this Operating Lease is terminated or expires, the rights of the City shall be subject to such assignments or subleases as have been created in accordance with this Article VII, and the City shall succeed to and be responsible for all rights and obligations of the Lessee under the terms of such assignments or subleases as if the City had

entered into such assignments or subleases with the other parties thereto, subject to compliance with law, any consent rights of third parties and any other applicable provisions of such assignments and subleases.

7.2 **Assignment to New Memorial**. The Lessee shall assign this Operating Lease and transfer the MHS Operations to New Memorial within eighteen (18) months after the Effective Date, after New Memorial is recognized by the Internal Revenue Service as a tax-exempt, public charity within the meaning of Sections 501(c)(3) and 509(a) of the Code (the date of such assignment, the "Transition Date"), and New Memorial shall then become the Lessee hereunder for all purposes and UCHA shall remain as a guarantor of the Lessee's obligations hereunder. New Memorial shall at all times remain a wholly-owned subsidiary of any of UCHA, UC Health or their Affiliates.

7.3 **Right to Assign and Sublet**. Subject to Article XV of this Operating Lease, the Lessee shall have the right to assign or sublet its interest in the MHS Facilities on an ongoing basis without the consent of the City provided that (a) such assignments or subleases are in compliance with any then-existing Leases of the Leased Real Property; (b) such assignments or subleases are consistent with the Lessee's operations of MHS as contemplated herein and the Operating Standard, (c) such assignments or subleases shall not violate any restrictions imposed by any tax exempt financing in which UC Health and/or its Affiliates have granted a leasehold mortgage on the MHS Facilities, (d) the Lessee (or during the term of the Children's Sublease with respect to certain pediatric operations, Children's Hospital) shall at all times remain the licensed operators of the MHS Hospitals, and (e) no such assignments or subleases shall extend beyond the Term. Notwithstanding anything herein to the contrary, the Lessee is expressly permitted during the Term to (i) sublease to Children's Hospital such portion of the MHS Facilities and transfer and convey to Children's Hospital certain of the Acquired Assets as are determined by the Lessee and Children's Hospital to be necessary and useful for Children's Hospital to operate a children's hospital at the MHS Facilities, such arrangement to be set forth in a Sublease Agreement between the Lessee and Children's Hospital (the "Children's Sublease"), and (ii) continue to sublease such portions of the MHS Facilities that are subject to a Lease of the MHS Facilities as of the Effective Date (including any replacements, renewals or extensions thereof).

7.4 **Restrictions on Assignments and Subleases**.

7.4.1 In the event that the Lessee should assign or sublet all or any part of its rights and obligations hereunder, including the sublease to Children's Hospital described in Section 7.3, the Lessee shall continue to be liable to the City for the performance of all obligations and duties which are the responsibility of the Lessee under the terms hereof, and the Lessee shall impose such restrictions and obligations upon such assignee(s) or sublessee(s) as are consistent with the provisions of this Operating Lease.

7.4.2 Except in connection with a transaction permitted under Article XV, the Lessee shall not transfer all or substantially all of the management or operations of either of the MHS Hospitals to anyone, excepting only an entity in which UC Health, UCHA, PVHS or New Memorial has the same or greater level of ownership and control in comparison to every other member of the entity (a "UC Health Affiliate"), and provided further that in no instance shall

such UC Health Affiliate who has such management or operational control apply religious directives to the MHS Operations.

ARTICLE VIII
MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE

8.1 Maintenance, Modifications and Expansion of MHS Facilities.

8.1.1 The Lessee shall integrate the MHS Operations that are not subleased to Children's Hospital into UC Health with the larger programs and management systems of UC Health, and the City shall reasonably cooperate in ensuring that such MHS Operations are integrated into UC Health, in each case consistent with UC Health's overall policies and practices. Accordingly, except as otherwise specifically provided herein, the Lessee and, subject to the Children's Sublease, Children's Hospital, shall have the right to manage, operate, maintain, reconfigure, and renovate the MHS Facilities, and to buy, sell, lease, exchange, dispose of or otherwise deal in equipment therein, and to manage and operate MHS programs and services, consistent with the Operating Standard as the same applies to their respective operations.

8.1.2 The Lessee agrees that during the Term it will, at its own expense, keep the MHS Facilities in good repair and in good operating condition at a general level not less than as such MHS Facilities existed as of the Effective Date, subject to normal wear and tear, and making from time to time necessary repairs thereto (including external and structural repairs) and renewals thereof as determined by the Lessee in a manner consistent with the Operating Standard.

8.1.3 During the Term, but subject to the terms of this Operating Lease, the Lessee may, at its own expense and in its sole discretion, acquire any real property, or rights to use or occupy real property, of a type described in Section 2.1.2, as well as acquire, construct, effect or install any addition, improvement, alteration, on-site replacement, enlargement, expansion, modification, improvement or change in, on or to the MHS Facilities as it deems necessary or appropriate for its purposes, in all cases consistent with the Operating Standard. Each such expansion of the MHS Facilities (including real property acquisitions) that is located on the MHS Facilities or within a ten (10) mile radius of either of the MHS Hospitals (measured from the center of its current campus, or its relocated campus if either MHS Hospital is relocated) and relates to the provision of inpatient, outpatient and supportive services (e.g., medical office buildings, urgent care centers, etc.) that MHS provides as of the Execution Date or would reasonably be expected to expand to provide during the Term shall be referred to as an "Expansion" or "Expansion of the MHS Facilities," and collectively, the "Expansions" or "Expansions of the MHS Facilities" under this Operating Lease. Any Expansions of the MHS Facilities shall be considered part of the MHS Facilities, but not the Excluded Expansions (as hereinafter defined). Notwithstanding the foregoing, any off-campus Expansion of the MHS Facilities may be titled or established in the name of the Lessee, UC Health or one of their Affiliates in the Lessee's sole discretion, but shall be subject to conveyance to, and repurchase by, the City upon termination of this Operating Lease as set forth in Sections 13.5 and 13.6. Nothing in this Section 8.1.3 shall limit the right of the Lessee to acquire, use or dispose of any and all types of personal property necessary or appropriate, in the Lessee's sole discretion, for

purposes of conducting the operations of MHS on and after the Effective Date and titling such personal property in the name of the Lessee, UC Health or their Affiliates, which the Lessee may do, subject to and consistent with the terms and conditions of this Operating Lease. Notwithstanding the foregoing provisions of this Section 8.1.3, in no event shall Expansions of the MHS Facilities include any facilities, properties, activities or operations of (i) the Lessee, UC Health, Children's Hospital or their Affiliates that are not directly related to MHS or not of the type of services that are at such time provided by a preponderance of Colorado hospitals of similar size and type as the MHS Facilities, (ii) any future member or participant in UC Health or Children's Hospital to the extent such facilities or activities existed at the time such Person joined or affiliated with UC Health or Children's Hospital, respectively, or (iii) any activities or sites of Children's Hospital located in the City as of the Effective Date, including all expansions, additions, modifications and/or relocations of such pre-existing activities and sites (collectively, the "Excluded Expansions"). For the avoidance of doubt, nothing in this Section 8.1.3 shall alter, reduce or eliminate the responsibilities and obligations of the Parties with respect to Assumed Liabilities and Excluded Liabilities, as applicable, or the indemnity obligations of the Parties set forth in Section 14.3 and Section 14.4 of this Operating Lease with respect to City Representation Damages and Lessee Representation Damages (each as hereinafter defined), respectively.

8.1.4 The Lessee will not permit any mechanics' lien, security interest or other Encumbrance (other than Permitted Restrictions or those Encumbrances approved in advance by the City) to remain against the MHS Facilities for labor or materials furnished in connection with any Expansion of the MHS Facilities or for labor or materials furnished in connection with any repairs, renewals or replacements made by the Lessee; provided that the Lessee may in good faith contest any mechanics' or other liens filed or established against the MHS Facilities and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom. The City will, at the request of the Lessee, cooperate fully with the Lessee in any such contest.

8.2 Disposition or Transfer of MHS Facilities.

8.2.1 Subject to Section 8.3 and Article XV of this Operating Lease, the Lessee may, at any time after the Effective Date, sell or otherwise dispose of the MHS Facilities to the extent permitted by the documents governing any indebtedness of the Lessee, and have such portion of the MHS Facilities released from this Operating Lease, provided that at least thirty (30) days prior to the effective date of the sale, closure or disposal of any Owned Real Property that was part of the MHS Facilities as of the Effective Date (other than such Owned Real Property that has been purchased by the Lessee pursuant to Section 5.9), the Lessee shall deliver to the City a written request for approval of such transaction describing such Owned Real Property that is subject to sale, closure or disposal, and the Lessee receives such approval from the City prior to the effective date of such sale, closure or disposal, which approval the City may withhold in its sole and absolute discretion. The City agrees that it will reasonably cooperate with the Lessee, including attending a meeting of the UC Health Board or other meeting if so requested by the Lessee, in reviewing the Lessee's proposal to sell or otherwise dispose of the MHS Facilities.

8.2.2 The sale, transfer or disposition of any portion of the MHS Facilities pursuant to the provisions of this Section 8.2 shall not entitle the Lessee to any postponement, abatement, or diminution of the rental or other payments required to be made under this Operating Lease, unless otherwise agreed in writing by the Parties.

8.3 Disposition of Machinery and Equipment.

8.3.1 The Lessee may remove, at its own expense, machinery or equipment within the MHS Facilities that is not essential to the operation of the MHS Facilities; provided that any damage to the MHS Facilities to the extent caused by such removal shall be repaired by the Lessee at its own expense.

8.3.2 The Lessee shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, or undesirable machinery or equipment within the MHS Facilities that is not essential to the operation of the MHS Facilities. If any machinery or equipment that is essential to the operation of the MHS Facilities has become inadequate, obsolete, worn-out, unsuitable, or undesirable, the Lessee may remove such item of machinery or equipment from the MHS Facilities and may sell, trade in, exchange or otherwise dispose of it (as a whole or in part) without any responsibility or accountability to the City therefor, provided that at all times the Lessee shall maintain at the MHS Facilities such machinery and equipment as is reasonably necessary for the operation of the MHS Operations in compliance with this Operating Lease and the Integration Agreement, including, without limitation, the Operating Standard.

8.3.3 The removal from the MHS Facilities of any portion of machinery or equipment pursuant to the provisions of this Section 8.3 shall not entitle the Lessee to any postponement, abatement, or diminution of the rental or other payments required to be made under this Operating Lease.

8.3.4 To the extent any removal pursuant to Section 8.3 causes damage to existing buildings or structures not being removed, restoration and repair of such damage shall be made at the expense of the Lessee. All substituted machinery, equipment or related property installed pursuant to this Section 8.3 shall be free of all liens and encumbrances except to the extent permitted pursuant to Section 7.1. The Lessee will not remove, or permit the removal of, any machinery or equipment from the MHS Facilities except in accordance with this Section 8.3.

8.4 Taxes, Other Governmental Charges and Utility Charges.

8.4.1 From and after the Effective Date, the Lessee will pay promptly, as the same become due, (i) all Taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the MHS Facilities or any interest thereon or any machinery, equipment or other property installed or brought by the Lessee therein or thereon which, if not paid, will become an Encumbrance on the Acquired Assets, the MHS Facilities or the Lessee's revenues from operations of MHS, (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the MHS Facilities and (iii) all assessments and charges lawfully made by any Governmental Entity for public improvements that may be secured by an Encumbrance on the Acquired Assets, the MHS

Facilities or the Lessee's revenues from operations of MHS; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments, the Lessee shall be obligated to pay only such installments as may have become due during the Term.

8.4.2 The Lessee shall timely file (including extensions) any Tax Return for Taxes which are filed after the Effective Date. With respect to a Tax Return that relates both to pre-Closing and post-Closing which is filed after the Effective Date, the Lessee shall prepare such Tax Returns consistent with applicable Tax law and shall provide a copy of such Tax Returns to the City.

8.4.3 The Lessee may, at its expense and in its own name and behalf or in the name and behalf of the City, in good faith contest the validity or application of any charge described in Section 8.4.1, including the existence of any Taxes, liens, assessments and other charges, and in the event of any such contest, the Lessee may permit the Taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom. The City, at the reasonable request of the Lessee, will cooperate fully with the Lessee in any contest described in this Section 8.4.

8.5 Required Insurance.

8.5.1 From and after the Effective Date, the Lessee shall (i) insure the MHS Facilities and the Acquired Assets in an amount which is customary in the case of similarly situated hospital lessees engaged in the same or similar activities and (ii) carry other insurance of a type and in an amount which is customary in the case of similarly situated hospital lessees engaged in the same or similar activities, including, without limitation, general liability insurance, workers' compensation insurance and hospital professional liability insurance. The City acknowledges and agrees that the insurance described in Schedule 10.16 satisfies the Lessee's insurance requirements as of the Effective Date, including, but not limited to, under this Section 8.5. The Lessee may elect, at any time during the Term, to obtain such insurance by means of policies issued by insurance companies or, at the Lessee's election, partially by means of self-insurance in conjunction with other companies through an insurance trust or other arrangement, or wholly by means of self-insurance established and maintained on a sound commercially reasonable basis.

8.5.2 All insurance policies issued by insurance companies pursuant to this Section 8.5 shall be taken out and all insurance required hereunder shall be placed with companies which are rated "A" or better by Best's Insurance Guide (or carry a similar generally accepted rating) and licensed to do business in the State of Colorado, and such insurance policies shall, to the extent commercially customary, name the City and the Lessee as insureds as their respective interests may appear.

8.5.3 The Lessee will deliver to the City (i) upon the commencement of the Term, a certificate of insurance (or certificates of insurance) that identifies (or identify) the insurance that the Lessee maintains pursuant to this Section 8.5, and (ii) promptly upon request of the City, evidence as to the renewal of expired policies and the payment of all premiums then due with respect thereto.

8.5.4 Each Party hereby waives and releases any and all rights to recover against the other Party or against any other subtenant, or the respective officers, directors, partners, members, managers, agents, joint venturers, invitees, representatives and employees of the other Party from any claim (including a claim for negligence) that the waiving Party might otherwise have against the other Party for loss, damage or destruction to the MHS Facilities arising out of or related to the use and occupancy of the MHS Facilities occurring during the Term that is covered by any "all risk" or other property coverage pertaining to the MHS Facilities, to the extent of the limits of such coverage. Each Party shall notify its insurance carrier of this waiver provision and obtain an appropriate waiver of subrogation provision in its policies. The Parties, from time to time and upon the written request of the other Party, will cause their respective insurers to issue appropriate waiver of subrogation rights endorsements for those insurance policies which are referenced in the foregoing waiver.

8.6 **Right of Access to the MHS Facilities**. The Lessee agrees that the City and/or its designee may enter upon the MHS Facilities (the Lessee may require that a representative escort the City or its designee) at any reasonable time after Closing after providing at least twenty-four (24) hours advance notice (which may be oral in the event of an emergency) to the Lessee in order to determine whether the Lessee is in compliance with its obligations pursuant to the terms of this Operating Lease and the Integration Agreement. Any such entry shall not unreasonably or materially interfere with patients, patient care, employees or any other of the Lessee's operations. Nothing in this section shall be construed to grant the City the authority to engage in, including entry upon the MHS Facilities to engage in, the alteration, management or operation of the applicable MHS Facilities, to review confidential patient or employee records, or to engage in any activity that would directly or indirectly create any responsibility or duty of or by the City to any patient of the MHS Facilities, or create any responsibility, duty of or risk of liability of the Lessee that is not expressly granted in this Operating Lease. The City shall comply with the Lessee's customary operating rules and procedures during such visits of which the City has obtained notice and shall be responsible for any damage that arises to the MHS Facilities caused by the City's entry upon the premises. The City agrees to remain responsible for and further shall indemnify, defend, reimburse and hold harmless the Lessee and the Lessee Indemnitees from any loss, injury, damage, cause of action, liability, claim, lien, cost or expense, including reasonable attorneys' fees and costs, arising from the exercise by the Lessee or its employees, consultants, agents or representatives of the right of access under this Section 8.6 or out of any of the foregoing. The indemnity in this Section 8.6 shall survive, with respect to each exercise of access by the City hereunder, for a period of two (2) years after such access.

ARTICLE IX
DAMAGE, DESTRUCTION AND EMINENT DOMAIN

9.1 **Damage and Destruction**.

9.1.1 If the MHS Facilities are destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the casualty insurance policies required to be carried by the Lessee pursuant to Section 8.5 resulting from such destruction or damage is less than Five Hundred Thousand Dollars ($500,000), the proceeds of insurance shall be paid to the Lessee and shall be held or used by the Lessee for such purposes as it deems appropriate, consistent with the terms of this Operating Lease. The Lessee shall not by reason of

the payment with respect to such destruction or damage be entitled to any reimbursement from the City or any postponement, abatement or diminution of the rent and other payments required to be made by the Lessee under this Operating Lease, but this sentence shall not limit the Lessee's rights under Section 14.9 hereof.

9.1.2 If the MHS Facilities are destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the casualty insurance policies required to be carried by the Lessee pursuant to Section 8.5 resulting from such destruction or damage is Five Hundred Thousand Dollars ($500,000) or more, the Lessee shall promptly give written notice thereof to the City and shall comply with the provisions of this Section 9.1.2. All proceeds of insurance resulting from such claims for losses of Five Hundred Thousand Dollars ($500,000) or more shall be paid to the Lessee, whereupon the Lessee will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same value and condition as it existed prior to such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee. In the event such proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Lessee will nonetheless complete the work thereof and will pay any costs thereof in excess of the amount of such proceeds. The Lessee shall not by reason of the payment of such excess costs be entitled to any reimbursement from the City or any postponement, abatement or diminution of the rent and other payments required to be made by the Lessee under this Operating Lease, but this sentence shall not limit the Lessee's rights under Section 14.9 hereof.

9.2 <u>Condemnation</u>.

9.2.1 Unless the option to terminate this Operating Lease pursuant to Section 13.3.6 has been exercised by the Lessee, in the event that title to, or the temporary use of, the MHS Facilities or any part thereof shall be taken under the exercise of the power of eminent domain by any Governmental Entity, the Lessee shall be obligated to continue to make the rent and other payments required to be made by the Lessee under this Operating Lease and shall comply with the provisions of this Section 9.2. In the event the proceeds from any award made in such eminent domain proceedings are less than Five Hundred Thousand Dollars ($500,000), all of such proceeds shall be paid to the Lessee and shall be held or used by the Lessee for such purposes as it deems appropriate, consistent with the terms of this Operating Lease. Unless the option to terminate this Operating Lease pursuant to Section 13.3.6 has been exercised by the Lessee, in the event the proceeds from any award in such eminent domain proceedings are Five Hundred Thousand Dollars ($500,000) or more, all proceeds shall be paid to and held by the Lessee to be applied in one or more of the following ways in such manner as the Lessee elects and deems appropriate:

(i) To the restoration of the MHS Facilities to substantially the same value and condition as they existed prior to such condemnation; or

(ii) To the acquisition, by construction or otherwise, of other improvements suitable for operation as part of a general acute care hospital system with such improvements, together with the remaining MHS Facilities after eminent domain, to be of substantially the same value as the MHS Facilities prior to the taking.

9.2.2 In the event the Lessee elects either of the options described in Section 9.2.1(i) or (ii) and proceeds received from eminent domain are insufficient to restore, acquire or construct improvements of substantially the same value as the MHS Facilities prior to the taking, the Lessee shall nonetheless complete the work thereof and will pay any costs thereof in excess of such proceeds. The Lessee shall not by reason of the payment of such excess costs be entitled to any reimbursement from the City or any postponement, abatement or diminution of the rental and other payments required to be made by the Lessee under this Operating Lease, but this sentence shall not limit the Lessee's rights under Section 14.9 hereof.

9.2.3 The Parties shall cooperate fully with one another in the handling and conduct of any prospective or pending condemnation proceeding with respect to the MHS Facilities or any part thereof and the City will, to the extent it may lawfully do so, permit the Lessee to litigate any such proceeding in the name and on behalf of the City. In no event will either Party voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the MHS Facilities or any part thereof without the written consent of the other Party.

9.2.4 In the event of a termination due to condemnation pursuant to Section 13.3.6, the Parties agree to cooperate in allocating the proceeds of any condemnation award or portion thereof in proportion to each Party's actual damages resulting therefrom (unless such condemnation was initiated by the City in violation of this Operating Lease, in which case the City shall not be entitled to any condemnation award resulting therefrom).

9.3 **Lessee Entitled to Certain Net Proceeds**. The Lessee shall be entitled to the proceeds of any insurance payment or condemnation award or portion thereof attributable to damage or destruction or takings of its own property not included in the MHS Facilities.

9.4 **No Change in Rent; No Liens.** All buildings, improvements and fixtures acquired in the repair, rebuilding or restoration of the MHS Facilities pursuant to Sections 9.1 and 9.2 shall be deemed a part of the MHS Facilities, shall be leased to the Lessee if necessary in order to put it in a position equivalent to its position prior to the damage, destruction or condemnation, and shall be available for use and occupancy by the Lessee without any payments other than the rent and other payments provided for in this Operating Lease, to the same extent as if they were specifically described herein and demised hereby; provided that no buildings, improvements or fixtures shall be acquired subject to any Encumbrance other than Permitted Restrictions or as otherwise permitted pursuant to Section 7.1.

ARTICLE X
REPRESENTATIONS AND WARRANTIES OF THE CITY

To induce the Lessee to proceed with and consummate the Transactions, the City represents and warrants as of the Execution Date and as of the Effective Date, except as otherwise set forth below, as follows, on behalf of itself, MHC and MHS, as applicable:

10.1 **Existence and Capacity**. The City is a home rule city and municipal corporation duly organized and validly existing under the laws of the State of Colorado. MHS is a wholly-owned enterprise of the City. Subject to subsequent approvals described in Section 12.3.1

(Approval by the Colorado Attorney General), Section 12.3.2 (Approval of the Ballot) and Section 12.3.5 (Required Hospital Approvals) (collectively, the "Required Approvals"), the City has the full right, power and authority to execute, deliver and carry out the terms of this Operating Lease, the Integration Agreement and all documents and agreements to which the City is a party necessary to give effect to the Transactions.

10.2 Powers; Consents; Absence of Conflicts with Other Agreements. Subject to the Required Approvals, the execution, delivery and performance by the City of this Operating Lease, the Integration Agreement and all other documents and agreements delivered in connection with the execution of this Operating Lease, the Integration Agreement and other documents and agreements to which the City is a party in connection with the Closing, and the consummation by the City of the Transactions, (a) are within its powers, are not in contravention of law and have been duly authorized by all appropriate action; (b) will neither conflict with, nor result in, any material breach or conflict with any Material Contract, (c) create any prohibited Encumbrance under any Material Contract, indenture, agreement, instrument or understanding to which the City is a party or by which the City is bound; and (d) do not violate any statute, law, rule, regulation, judgment, decree, writ or injunction of any Governmental Entity to which the City, the MHS Facilities or the Acquired Assets may be subject.

10.3 Binding Agreement. Subject to the Required Approvals (which shall in no way limit the City's representations and warranties set forth in Section 6.15 with respect to the covenants and obligations of the City applicable to the period prior to the Effective Date), this Operating Lease and all agreements to which the City becomes a party pursuant hereto are and will constitute the valid and legally binding obligations of the City, and are and will be enforceable against it in accordance with the respective terms hereof or thereof, subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies (excluding sovereign immunity which is waived to the extent set forth in Section 5.2).

10.4 Legal Proceedings.

10.4.1 Except as set forth on Schedule 10.4, (a) there are no claims, actions, suits, proceedings or investigations pending or, to the City's knowledge, threatened against the City or MHS at law or in equity or before or by any Governmental Entity against or related to the City or MHS, including involving any MHS Employee (with respect to his or her duties performed on behalf of the City or MHS), wherever located which, if adversely determined, would materially and adversely affect the condition (financial or otherwise) of the MHS Operations, or that would materially delay or prevent the City's ability to consummate the Transactions, and (b) the City has not received written notice that the City or MHS is in default under any order of a Governmental Entity.

10.4.2 Schedule 10.4 contains an accurate list and summary description of all litigation and proceedings relating to or affecting the MHS Facilities and the Acquired Assets to which the City or MHS is a party (including Governmental Entity and third party payor audits and related proceedings), as well as pending or outstanding settlements and judgments, injunctions, orders, arbitration awards or conciliation agreements under which the City has or

would reasonably be expected to have current or future obligations with respect to the MHS Facilities or the Acquired Assets. Except to the extent set forth on Schedule 10.4, neither the City nor any of the MHS Facilities is in material violation under any law or order of any court or federal, state, municipal or other Governmental Entity wherever located with respect to the MHS Facilities or the Acquired Assets. Except to the extent set forth on Schedule 10.4, there are no audits, compliance reports, notices of violation or information requests pending, or to the knowledge of the City, threatened against or involving any of the following: (i) the City or MHS with respect to the MHS Facilities or the Acquired Assets, or (ii) any MHS Employee (with respect to his or her duties performed on behalf of the City or MHS), at law or in equity, or before or by any Governmental Entity.

10.4.3 Other than as set forth on Schedule 10.4, neither the City nor MHS nor any of its Affiliates is subject to any outstanding judgment, order or decree relating to the MHS Facilities or the Acquired Assets.

10.4.4 The City and MHS have not engaged in any transaction that would reasonably be expected to subject the City or MHS (or any successor in interest), the Lessee, the MHS Facilities or the Acquired Assets to any avoidance action. Without limiting the generality of the foregoing, other than as set forth on Schedule 10.4, the City and MHS have not, with respect to the MHS Operations, (i) received any payments from its or their account debtors outside the ordinary and usual course of business, (ii) acquired or sold any asset other than for reasonably equivalent value (excluding the donation by any third party of any Acquired Asset to the City and/or MHS), or (iii) conducted any business with any debtor-in-possession or bankrupt estate other than in the ordinary and usual course of business.

10.5 No Outstanding Rights. Except as set forth on Schedule 10.5, there are no outstanding rights (including any right of first refusal), options, or Contracts made on behalf of the City or MHS giving any Person any current or future right to require the City or MHS (or any successor in interest), or, after the Effective Date, the Lessee, to sell, lease or transfer to such person or to any third party any interest in any of the MHS Facilities or the Acquired Assets.

10.6 Acquired Assets. The MHS Facilities and the Acquired Assets constitute substantially all of the assets which are (i) held or used by the City primarily for the conduct of the business and operation of the MHS Operations, MHS Facilities and the Acquired Assets, including Shared Services identified on Schedule 2.2, and (ii) reflected on the Balance Sheet (as hereinafter defined), and as of the Effective Date, such assets, together with the assets included in the supplemented financial statements described in Section 2.2, will be sufficient to permit the Lessee to carry on the MHS Operations without material change from the level in effect immediately prior to the Effective Date.

10.7 Financial Information; No Undisclosed Liabilities.

10.7.1 Set forth on Schedule 10.7.1 are the following financial statements and financial information (collectively, the "Historical Financial Information"):

(i) audited combined balance sheet of MHS and Memorial Hospital Corporation dated as of December 31, 2011;

(ii) audited combined income statement of MHS Memorial Hospital Corporation for the twelve (12) month period ended on December 31, 2011; and

(iii) unaudited balance sheet and income statements of MHS and Memorial Hospital Corporation for the period ended April 30, 2012 (the "Balance Sheet Date") (items (i) – (iii) above, collectively, the "Balance Sheet").

10.7.2 The financial statements included in the Historical Financial Information have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated, and MHS has not materially changed any accounting policy or methodology throughout the periods presented, except as set forth in the Historical Financial Information or otherwise specifically noted on Schedule 10.7.1. The balance sheets contained in the Historical Financial Information present fairly in all material respects the financial condition of the MHS Operations as of the dates indicated thereon, and the income statements contained in the Historical Financial Information present fairly in all material respects the results of the MHS Operations. As used herein, "GAAP" means generally accepted accounting principles as they exist on the date of applicability thereof as applied in the United States of America.

10.7.3 Except for (i) the Assumed Liabilities, (ii) liabilities set forth the Historic Financial Information (including any footnotes thereto), (iii) liabilities that are specifically disclosed on Schedule 10.7.3, (iv) liabilities that have arisen after the Balance Sheet Date in the ordinary course of business and that are not (individually or in the aggregate) material to the MHS Operations, (v) the Transactions contemplated hereby and any transaction expenses related thereto, there are no liabilities of any nature of the City or MHS with respect to the MHS Operations required in accordance with GAAP to be disclosed on the Historical Financial Information of MHS or its Affiliates.

10.8 Permits and Approvals; Accreditations.

10.8.1 Set forth on Schedule 10.8 is a true and complete description of all permits and approvals issued or granted by a Governmental Entity and owned or held by or issued to the City or MHS with respect to the MHS Operations, the MHS Facilities or the Acquired Assets ("Permits and Approvals"), and, to the knowledge of the City, such Permits and Approvals constitute all permits and approvals necessary for conducting the MHS Operations as conducted by the City as of the Effective Date. The City or MHS, as applicable, is the duly authorized holder of such Permits and Approvals, all of which are in full force and effect and unimpaired. True and complete copies of all such Permits and Approvals set forth on Schedule 10.8 have been delivered to the Lessee.

10.8.2 Except as set forth on Schedule 10.8, (i) the City and MHS are in material compliance with all Permits and Approvals; (ii) there are no provisions in, or Contracts relating to, any such Permits and Approvals which preclude or materially limit the City or MHS from conducting the business of the MHS Operations or operating the MHS Facilities as such business is currently conducted and as such facilities are currently operated; and (iii) there is not now pending nor, to the knowledge of the City, threatened, any action by or before any Governmental Entity to revoke, cancel, rescind, suspend, restrict, modify or refuse to renew any of the Permits

and Approvals, and all of the Permits and Approvals are effective, unrestricted and in good standing.

10.8.3 The City or MHS, as applicable, hold all accreditations and certifications issued by accrediting bodies that are reasonably necessary or customary to conduct the business of the MHS Operations and to operate the MHS Facilities. The City has not received any notice of any pending or threatened action by any accrediting body to revoke, cancel, rescind, suspend, restrict, modify, or non-renew any such accreditation/certifications, and all such accreditations/certifications are effective, unrestricted and in good standing.

10.8.4 Each of the MHS Facilities is in material compliance with all applicable fire code regulations. The City has identified on Schedule 10.8 the most recent state licensing reports and lists of deficiencies, if any, and the most recent fire marshal surveys and lists of deficiencies, if any, for each of the MHS Facilities.

10.8.5 Set forth on Schedule 10.8 are zoning compliance letters and compliance inspection letters for the MHS Facilities and Acquired Assets (each as may be updated pursuant to Section 12.1.23, collectively, the "Zoning Letters,"

10.9 Intellectual Property.

10.9.1 The City or MHS, as applicable, will, as of the Effective Date, own, license or otherwise possess all necessary rights to use all Intellectual Property Assets.

10.9.2 The City or MHS, as applicable, will, as of the Effective Date, have all rights necessary to assign, transfer and convey all rights of the City and MHS in and to the Intellectual Property Assets to the Lessee or its designee pursuant to this Operating Lease, excepting only those Intellectual Property Assets for which the City cannot, after good faith reasonable efforts, effect such assignment or transfer, in which case the City shall schedule such excluded Intellectual Property Assets on Schedule 10.9 (to be delivered to the Lessee reasonably in advance of the Effective Date), and shall make commercially reasonable efforts to provide the Lessee the benefit of such Intellectual Property Assets to the Lessee during their duration.

10.9.3 Neither the United States government nor any office or agency thereof holds residual rights or any ownership interest in any Intellectual Property Assets.

10.9.4 There is no unauthorized use, disclosure, infringement or misappropriation of any of the Intellectual Property Assets, any trade secret material of the City or MHS, as applicable, or any intellectual property right of any third party to the extent the Intellectual Property Assets are licensed by or through the City or MHS, as applicable, by the City or MHS, including any MHS Employee or any former employee of the City involving any of the MHS Facilities or the Acquired Assets. Other than the fees set forth in any Contract to which the City or MHS is a party or as otherwise set forth on Schedule 10.9, there are no royalties, fees or other payments payable by the City or MHS, to any Person by reason of the ownership, use, sale or disposition of the Intellectual Property Assets.

10.9.5 Except as set forth on Schedule 10.9, the City or MHS, as applicable, is not now, nor will it be as a result of the execution and delivery of this Operating Lease or the

performance of its obligations under this Operating Lease or any other agreement entered into by the City in connection with the Transactions, in material breach of any license, sublicense or other Contract relating to the Intellectual Property Assets.

10.9.6 Except as set forth on Schedule 10.9, the City and MHS do not have any patents, registered trademarks, registered service marks or registered copyrights related to the MHS Operations. The City shall not challenge the Lessee's or its Affiliates' use of, or the validity and enforceability of, any patents, trademarks, service marks or copyrights assigned to the Lessee or its designee hereunder. The City will not adopt any trademarks or service marks that are confusingly similar to the trademarks and service marks assigned hereunder. Except as set forth on Schedule 10.4, the City and MHS have not been served with process in any suit, action or proceeding which involves a claim of infringement of any patents, trademarks, service marks, or copyrights or software licenses or violation of any trade secret or other proprietary right of any third party related to the MHS Operations. The Intellectual Property Assets used in connection with the MHS Operations does not infringe any intellectual property or other proprietary right of any third party or any patents, trademarks, service marks, or copyrights or violate any trade secret or other proprietary right of any third party. The City and MHS have not brought any action, suit or proceeding for infringement of Intellectual Property Assets or breach of any license or Contract involving Intellectual Property Assets related to the MHS Operations against any third party. The City has not received notice of any infringement of the Intellectual Property Assets or breach of any license or Contract involving Intellectual Property Assets by any third party.

10.9.7 All necessary registration, maintenance and renewal fees due as of the Effective Date and that are the responsibility of the City or MHS in connection with the Intellectual Property Assets will be paid as of the Effective Date and all necessary documents and certificates in connection with the Intellectual Property Assets and that are the responsibility of the City or MHS have, for the purposes of maintaining the Intellectual Property Assets, been filed in a timely manner with the relevant Governmental Entities.

10.9.8 The City and MHS have not entered into any written agreement granting to any Person the right to control the prosecution or registration of any of the Intellectual Property Assets.

10.9.9 The City and MHS shall take any and all reasonable actions, and shall cause the MHS Employees, contractors and consultants, as applicable, to take any and all reasonable actions (including executing documents) necessary to effectuate the transfer of the Intellectual Property Assets to the Lessee or its designee, and to allow the Lessee or its designee to prosecute, maintain and defend the Intellectual Property Assets.

10.10 Government Program Participation/Accreditation.

10.10.1 Except as set forth on Schedule 10.10, the MHS Hospitals are eligible to receive payment under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medicaid") and each of the MHS Hospitals is a "provider" with valid and current provider agreements and with one (1) or more provider numbers (a/k/a CMS Certification Numbers) with the federal Medicare program and provider numbers with the

Colorado State Medicaid program. Except as set forth on Schedule 10.10, each of the other health care delivery sites that are part of the MHS Facilities and that have historically received Medicare or Medicaid reimbursement is eligible to receive payment under Medicare and Medicaid with valid and current provider agreements for participation in the federal Medicare program and provider numbers with the Colorado State Medicaid program.

10.10.2 Except as set forth on Schedule 10.10, each of the MHS Hospitals and other health care delivery sites that are part of the MHS Facilities that have historically received payments under TRICARE is a "provider" with valid and current provider agreements and with one (1) or more provider numbers with TRICARE and successor programs (TRICARE, together with the federal Medicare program and the Colorado State Medicaid program are collectively referred to herein as "Government Programs").

10.10.3 Except as set forth on Schedule 10.10, each of the MHS Hospitals and other health care delivery sites that are part of the MHS Facilities, (i) is in compliance in all material respects with the conditions of participation for the Government Programs and (ii) has all approvals or qualifications necessary for reimbursement from Government Programs. Neither the City nor MHS is subject to any corporate integrity agreement or other comparable agreement with any Governmental Entity or any action or order of any Governmental Entity to limit reimbursement payments to MHS in the ordinary course or exclude or suspend it from any Government Program.

10.10.4 The cost reports of the MHS Hospitals and the other MHS Facilities for the Government Programs and for payment or reimbursement of any other agency receivables for the fiscal years through December 31, 2011 required to be filed on or before the date hereof have been properly filed and, to the knowledge of the City, are complete and correct. Except as disclosed on Schedule 10.10, the City and MHS are in compliance with filing requirements with respect to cost reports of the MHS Hospitals and other MHS Facilities and, (i) such reports do not claim, and (ii) none of the MHS Hospitals or the other MHS Facilities has received payment or reimbursement, in excess of the amount provided by law. True and correct copies of all such reports for the five (5) most recent fiscal years of the City, MHS and the MHS Hospitals and the other MHS Facilities have been furnished to the Lessee.

10.10.5 Except as disclosed on Schedule 10.10, there are no claims, actions or appeals pending before any commission, board or agency, including any fiscal intermediary or carrier, Governmental Entity or the Administrator of the Centers for Medicare & Medicaid Services, with respect to any Government Program cost reports or claims filed on behalf of the City or MHS, or their employed physicians, professionals or others, as applicable, with respect to any of the MHS Operations, or any disallowances by any commission, board or agency in connection with any audit of such cost report or claims for payment. Except as disclosed on Schedule 10.10, no validation review or program integrity review related to the MHS Hospitals, any of the other MHS Facilities or any of the Acquired Assets, or the consummation of the Transactions has been conducted by any commission, board, agency or Governmental Entity in connection with the Government Programs, and neither the City nor MHS has received notice that any such review has been scheduled or threatened against the City or MHS with respect to the MHS Operations or the consummation of the Transactions.

10.10.6 All coding and billing practices with respect to the MHS Operations (including physician practices) to all third party payors, including the Government Programs and private insurance companies, have been in compliance in all material respects with all applicable laws, regulations and policies of such third party payors and Government Programs, and neither the City nor MHS have billed or received any material payment or reimbursement in excess of amounts allowed by law or such payors.

10.10.7 The City has provided the Lessee true and complete copies of the most recent Joint Commission accreditation survey report and deficiency list, and plan of correction, if any, and the most recent survey report and deficiency lists from any Governmental Entity, if any, with respect to any MHS Facility (if applicable to such MHS Facility) and in each case such MHS Facility is duly implementing remediation of any such deficiencies.

10.10.8 Neither the City nor MHS, nor any director, officer or employee of the City or MHS, nor any independent contractor of the City or MHS is excluded from participation in any Government Program, nor is any such exclusion threatened in writing.

10.10.9 Except as set forth on Schedule 10.10 or otherwise clearly and specifically identified in a separate written disclosure delivered by the City to the Lessee or its Affiliates, neither the City nor MHS, nor any director, officer or employee of the City or MHS, nor to its knowledge no member of the MHS medical staff, has committed a violation of federal or state laws regulating health care fraud or improper billing, including but not limited to the federal Anti-Kickback Law, 42 U.S.C. §1320a-7b, the Stark Laws, 42 U.S.C. §1395nn, and, the False Claims Act, 31 U.S.C. §3729, et seq.

10.11 Compliance With Laws. Except as set forth on Schedule 10.11, each of the City and MHS is in compliance in all material respects with all applicable statutes, rules, regulations and requirements of Governmental Entities having jurisdiction over each MHS Facility, the Acquired Assets and the MHS Operations. Except as set forth on Schedule 10.11, the City and MHS have been in material compliance in timely filing all forms, applications, reports, statements, data and other information required to be filed with Governmental Entities.

10.12 Assumed Contracts. Each Assumed Contract, including the Leases described on Schedule 2.1.1(ii), (i) is valid and existing as to the City and/or MHS and, to the knowledge of the City, as to the other party to the Assumed Contract and (ii) except as set forth on Schedule 10.12, no material breach or default or alleged material breach or default, or any event or condition which would (with the passage of time, notice or both) constitute a material breach or default under any Assumed Contract by the City or MHS or any other party or obligor with respect thereto, has occurred or exists. Schedule 10.12 identifies those Assumed Contracts, including the Leases (subject to any exclusions or thresholds on Contract values set forth in such Schedule), (i) with change of control provisions that would be triggered by the Transactions, and (ii) that require a third party's consent to assignment in order for the City or MHS to assign such Assumed Contracts to the Lessee in accordance with the terms of this Operating Lease. The City has delivered or made available to the Lessee true and correct copies of all Assumed Contracts and Leases.

10.13 Furniture and Equipment. The City represents and warrants that the furniture and equipment at the MHS Facilities, all of which is listed on Schedule 10.13, in the aggregate are now, and shall be as of the Effective Date, in good, useable condition. No Person other than the City or a Person having any equipment or tangible assets on site pursuant to an Assumed Contract, owns any furniture and equipment or other tangible assets located at the MHS Facilities or held or used in MHS Operations, other than the equipment and tangible assets set forth on Schedule 10.13.

10.14 Real Property.

10.14.1 To the City's Real Property Knowledge (as hereinafter defined), the City and MHS have not created any Encumbrance (other than Permitted Restrictions) which will interfere with the Lessee's use of the MHS Facilities and the Acquired Assets in a manner consistent with the current use of the MHS Facilities and the Acquired Assets. To the City's Real Property Knowledge, the City (or MHS, as applicable) owns fee simple title to each parcel of the Owned Real Property. The City (or MHS, as applicable) will assign a valid and enforceable leasehold interest in the Leased Real Property to the Lessee (or its designee), in each case, free and clear of any Encumbrance, except for the Permitted Restrictions applicable to such Leased Real Property.

10.14.2 Except as otherwise disclosed in Schedule 10.14.2, with respect to each parcel of Owned Real Property: (i) the City has not received written notice that there are any pending or threatened condemnation proceedings, eminent domain proceedings, orders, notice of responsibility, suits or administrative actions relating to the Owned Real Property or other matters materially and adversely affecting the current use, occupancy or value thereof; (ii) other than rights of third parties arising under any Lease or Assumed Contract, there are no Contracts, commitments, obligations, licenses, leases, mortgages, liens, agreements, or instrument to which the City or MHS is a party, including, without limitation, any right of first refusal, redemption right or option purchase, granting to any party or parties the right of use or occupancy of any portion of the parcels of Owned Real Property; (iii) there are no outstanding options or rights of first refusal to which the City or MHS is a party to purchase the parcels of Owned Real Property, or any portion thereof or interest therein; (iv) there are no parties (other than tenants under Leases) in possession of the parcels of Owned Real Property; and (v) the City has not received written notice of any special assessment which may affect any parcel of Owned Real Property.

10.14.3 Except as set forth on Schedule 10.14.3: (i) the City and MHS have not entered into any Leases with respect to the Owned Real Property or the Leased Real Property or the business or operation of the MHS Facilities or the Acquired Assets; (ii) each Lease in respect of the Owned Real Property or the Leased Real Property constitutes a legal, valid and binding obligation of the City or MHS, is in full force and effect, has not been amended or modified in any respect, and the City and MHS are not in default or breach thereunder and to the City's knowledge, the other party thereto is not in default or breach thereof; (iii) no event has occurred which, with the passage of time or the giving of notice or both, would cause a breach of or default under any of such Leases by the City or MHS or, to the City's knowledge, by other parties; and (iv) with respect to each parcel of Leased Real Property (A) the City (or MHS, as applicable) has valid leasehold interests in such leased premises, free and clear of any Encumbrances (other than the applicable Permitted Restrictions), and (B) the City and MHS

have not received written notice of (1) any condemnation proceeding with respect to any portion of the Leased Real Property or any access thereto, or (2) any special assessment which may affect any parcel of Leased Real Property. True and complete copies of all Leases and all amendments, modifications and supplements existing as of the date hereof have been delivered or made available to the Lessee and are listed in Schedule 10.14.3 attached hereto. As of the date hereof, fixed rent, overage rent and any additional charges due under such Leases where the City or MHS is the landlord are being billed to the tenants in accordance with the schedule set forth on Schedule 10.14.3. As of the date hereof, except as set forth Schedule 10.14.3 no tenant was in arrears in the payment of any such rent for more than one calendar month, no tenant is entitled to "free" rent or tenant improvement allowances, all work required to be performed by the lessor under each of the Leases has been completed and fully paid for, and all rents and any additional charges due under such Leases are being billed to the tenants in accordance with the schedule set forth Schedule 10.14.3.

10.14.4 To the City's knowledge, except as set forth on Schedule 10.14.4, each of the following systems of the MHS Facilities: plumbing, electrical, mechanical, heating, ventilation and air conditioning, sewage, roofing, foundation, and floors (collectively, the "Buildings and Systems") are now and shall be as of the Effective Date in good working order. Except as set forth on Schedule 10.14.4, there are no outstanding requirements from any Governmental Entity or tenant requiring any repairs or work to be done with respect to the improvements or pertaining to the maintenance of the Buildings and Systems.

10.14.5 All public utilities, including water, sewer, gas, electricity, telephone and other utilities, required for the operation of the MHS Facilities as operated on the Effective Date, or any portion thereof, are either supplied through adjoining public streets or, if they pass through adjoining public land, do so in accordance with valid public or private easements. All of said public utilities are installed and operating and provide adequate service to the MHS Facilities to operate the MHS Facilities consistent with its operations on the Effective Date and any installation and connection charges that are due and payable as of the Effective Date have been paid in full. Except as set forth on Schedule 10.14.5, the City and MHS have not received written notice from any public utility regarding (i) any arrearages, fines or penalties relating to utility services to the MHS Facilities which are due and payable by the City or (ii) change (pending, proposed or actual) in utility service or fees therefor. Parking spaces for visitors are available in parking lots or garages at the MHS Facilities, which parking is sufficient to accommodate and service the present usage of the MHS Facilities. No additional documentation is necessary to grant the City (or Lessee, as of the Effective Date) full, unrestricted access to all roads and access-ways bordering each Owned Real Property, as well as all rights appurtenant to such MHS Facilities in such roads and access-ways. Except for the Assumed Contracts and any information set forth on Schedule 10.14.5, the City and MHS are not parties to any management, franchise, services or other agreements with respect to the operations or management of the MHS Facilities or the Acquired Assets.

10.14.6 No part of the MHS Facilities are subject to any building or use restrictions which substantially restrict or prevent the use of the MHS Facilities as currently operated, and to the knowledge of the City, all uses and structures on the Owned Real Property substantially conform with applicable laws, rules, regulations and ordinances imposed by any Governmental Entity. The MHS Facilities are zoned for their current uses and all required

permits, licenses, and authorizations necessary for the current uses of the MHS Facilities have been obtained and are in full force and effect.

10.15 Personal Property. Schedule 10.15 sets forth a true and complete list of substantially all of the (i) fixed assets owned or leased by the City or MHS which are used in conducting the business of the MHS Operations, and having, in the aggregate with all other similar items, a value in excess of Twenty-Five Thousand Dollars ($25,000), and (ii) all other tangible and intangible personal property, rights and assets owned or leased by, in the possession of or necessary for the conduct of the City or MHS in conducting the business of the MHS Operations and having, in the aggregate with all other similar items, a value in excess of Twenty-Five Thousand Dollars ($25,000), which list indicates the location of such items. The City (or MHS, as applicable) owns and holds good title to all Personal Property and valid title to all intangible personal property assets included in the MHS Facilities and the Acquired Assets free and clear of all Encumbrances, except Permitted Restrictions and rights of owners under leases or licenses of assets leased or licensed to the City or MHS in the ordinary course of business which are listed on Schedule 10.12. The Personal Property in the possession of or used by the City (or MHS, as applicable) in connection with the MHS Operations is, taken as a whole, in generally good working order commensurate with that of comparable hospitals.

10.16 Insurance. Schedule 10.16 sets forth a true and complete list of all insurance policies or self-insurance funds maintained by the City or MHS as of the date hereof covering the ownership and operation of the MHS Facilities, indicating the types of insurance, policy numbers, terms, identity of insurers and amounts and coverage (including applicable deductibles). The City and MHS have made all payments required to maintain such policies in full force and effect. Except as described on Schedule 10.16, all of such policies are in full force and effect with no premium arrearages. Except as described on Schedule 10.16, the City and MHS have received no notice of default under any such policy or notice of any pending or threatened termination or cancellation, coverage limitation or reduction or material premium increase with respect to any such policy.

10.17 Employee Benefit Plans.

10.17.1 Set forth on Schedule 10.17 is a true and complete list of all the following agreements, plans or other Contracts covering any MHS Employee, which are presently in effect or provide for employee benefits or the remuneration of current or former employees or dependents of such employees or pursuant to which the City or MHS may have any contingent liability with respect to any such individual: (i) employee benefit plans within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and (ii) any other employee benefit plan, fund, agreement, program, policy, or arrangement, whether written or unwritten, formal or informal, which the City or MHS currently sponsors, maintains, or contributes to (including, without limitation, the Colorado Public Employees' Retirement Association ("PERA")), or to which it has any outstanding present or future obligations to contribute or other liability, whether voluntary, contingent or otherwise (collectively, the "MHS Plans").

10.17.2 With respect to each MHS Plan, the City has heretofore delivered or made available to the Lessee true and complete copies of the MHS Plan documents and any

amendments thereto (or if the MHS Plan is not written, a true and reasonably complete description thereof). With respect to the City's obligations under PERA, the City has heretofore delivered or made available to the Lessee a true and complete schedule of the contributions the City has made to PERA over the last five (5) years. Each MHS Plan (other than PERA), if any, complies in all material respects with ERISA, the Code and all applicable laws, and each MHS Plan (other than PERA), if any, has been operated in compliance with the terms thereof in all material respects. The City and MHS are currently, and have at all times been, in compliance in all material respects with its obligations under PERA, including all obligations to make timely contributions to PERA.

10.17.3 The MHS Facilities and the Acquired Assets are not, and there is no existing factual basis for them to become, subject to a lien imposed under any applicable law, including without limitation, any laws of the state of Colorado, the Code or under Title I or Title IV of ERISA.

10.17.4 Except as set forth on Schedule 10.17, there are no actions, audits or claims pending or threatened against the City or MHS with respect to the City's or MHS's maintenance of the MHS Plans, if any, other than routine claims for benefits.

10.18 Employees and Employee Relations.

10.18.1 Except as set forth on Schedule 10.18.1, (i) there is no pending or threatened employee strike, work slowdown or stoppage or labor dispute, (ii) no union representation question exists respecting any MHS Employee; (iii) no demand has been made for recognition by a labor organization by or with respect to any MHS Employee; (iv) no union organizing activities by or with respect to any MHS Employee are taking place, (v) no collective bargaining agreement exists or is currently being negotiated by the City, (vi) there is no unfair labor practice charge against the City or MHS pending before the National Labor Relations Board, or any strike, dispute, slowdown, or stoppage pending or threatened against or involving the MHS Facilities and none has occurred. In addition, and except as set forth on Schedule 10.18.1, with respect to the MHS Facilities and the Acquired Assets, (i) the City and MHS are in compliance in all material respects with all laws and Contracts respecting employment and employment practices, labor relations, benefits, terms and conditions of employment, and wages and hours, (ii) the City and MHS are not engaged in any unfair labor practices, (iii) there are no pending or threatened lawsuits, complaints or charges before any Governmental Entity regarding employment discrimination, harassment, or retaliation, safety, or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, workers' compensation claims or the like, (iv) the Lessee will not be subject to any claim or liability for severance pay as a result of the consummation of the Transactions through the Effective Date; and (v) no MHS Employee is bound by any Contract with the City or MHS that (A) purports to limit the ability of such MHS Employee to engage in or continue to perform any activities or duties relating to the business of the MHS Facilities or the Acquired Assets, or (B) adversely affects the ability of the Lessee (or its designee) to employ such MHS Employee at or after the Effective Date.

10.18.2 Except as set forth on Schedule 10.18.2, none of the MHS Employees has been granted the right to continued employment by the City or MHS or to any compensation

following termination of employment with the City or MHS. The City does not have a present intention to terminate the employment or engagement of any group of MHS Employees, other than such terminations of employment or engagement as are necessary to effect the Closing as contemplated in this Operating Lease and the Integration Agreement. Schedule 10.18.2 is a complete and correct list of, and the City has provided to the Lessee true, correct, and complete copies of, all employment or severance or termination agreements and policies, plans, commitments or other contracts, whether written or oral, accruing to the benefit of any MHS Employees or contractors of the City or MHS relating to the MHS Facilities and the Acquired Assets.

10.18.3 Set forth on Schedule 10.18.3 is an accurate, correct and complete list of all MHS Employees, including each person's name, title or position, date of hire, whether such person is actively at work or on a leave of absence, accrued and unused paid vacation and other paid leave, target percent under incentive compensation plans, hourly base rate of pay, and scheduled hours, or, as applicable, salary level, which schedule shall be updated by the City no later than thirty (30) days prior to the Effective Date, as reasonably estimated by the Parties.

10.19 Tax Matters. Except as set forth on Schedule 10.19:

10.19.1 All Tax returns (including any reports, similar statements or any schedules or other attachments thereto), including income tax returns, sales tax returns, ad valorem tax returns, real estate and personal property tax returns, employee payroll tax returns, employee unemployment tax returns and franchise tax returns, for periods prior to and including the Effective Date which are required to be filed by the City or MHS with any Governmental Entity with respect to the MHS Facilities, the Acquired Assets and the MHS Operations (collectively "Tax Returns") have been filed or will be filed within the time (including any valid extensions thereof) and in the manner provided by law, and all Tax Returns are or will be true and correct and accurately reflect the Tax liabilities of the City in all material respects, and all amounts shown due on such Tax Returns have, as of the Execution Date, been and will, as of the Effective Date, be paid prior to the Effective Date;

10.19.2 All Taxes for which the City or MHS may have any liability (whether disputed or not) imposed by any Governmental Entity which have become or are due with respect to the MHS Facilities or the Acquired Assets and any assessments received by the City or MHS, have been or by the Effective Date will be paid regarding any period ended on or prior to the Effective Date or accurately reflected in the Historical Financial Information, whether shown on such Tax Returns or not;

10.19.3 There are no Tax liens on any of the MHS Facilities or the Acquired Assets, and, to the knowledge of the City, there is no basis for the assertion of any such Tax liens;

10.19.4 Proper and accurate amounts have been withheld or collected by the City or MHS for all periods prior to the Effective Date in compliance with the payroll tax and other withholding provisions of all applicable laws, and all of such amounts have been timely, duly and validly remitted to the proper taxing authority, and all IRS Forms W-2 and 1099 (and any

and all state or local analogues) with respect thereto have been timely filed with the proper taxing authority; and

10.19.5 To the knowledge of the City, no audit or other examination of any Tax Return is presently in progress. Neither the City nor MHS has (i) received notice of any pending or threatened claim or pending investigation alleging that the City or MHS has a duty to file Tax Returns and pay Taxes or is otherwise subject to the taxing authority of any jurisdiction in any manner relating to the MHS Facilities or the Acquired Assets outside of the ordinary course of business, or (ii) in connection therewith, received any notice or questionnaire from any jurisdiction which suggests or asserts that the City or MHS may have a duty to file such Tax Returns and pay such Taxes, or otherwise is subject to the taxing authority of such jurisdiction, and the City or MHS have not executed a waiver of any statute of limitations or other extension of the period for the assessment or collection of any Tax.

10.20 Environmental Matters.

10.20.1 For purposes of this Operating Lease:

(i) "Release" means any presence, emission, spill, seepage, leak, escape, leaching, discharge, injection, pumping, pouring, emptying, dumping, disposal, migration, or release of Hazardous Materials from any source into or upon the environment, including the indoor and outdoor air, soil, improvements, surface water, groundwater, the sewer, septic system, storm drain, publicly owned treatment works, or waste treatment, storage, or disposal systems.

(ii) "Environmental Laws" means any all foreign, federal, state and local statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, common law rulings, awards (including, without limitation, awards of any arbitrator), judgments and decrees (including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act), relating to the remediation, generation, production, installation, use, storage, treatment, transportation, Release, threatened Release, or disposal of Hazardous Materials, or noise control, or the protection of human health, safety, natural resources, animal health or welfare, or the environment.

(iii) "Hazardous Materials" means any flammable items, explosives, radioactive materials, oil, and hazardous or toxic substances, material or waste or any materials harmful to human health or the environment, including any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable Federal, State or Local laws or regulations.

10.20.2 Except as set forth on Schedule 10.20.2:

(i) The City (or MHS, as applicable), its operation of the MHS Facilities, and its ownership or leasing of the Owned Real Property or the Leased Real Property are and, within the five (5) years preceding the Execution Date, have been in compliance in all material respects with all applicable Environmental Laws;

(ii) The City and MHS have not received any written notice from a Governmental Entity or other Person regarding any environmental claim arising out of the ownership or operation of the MHS Facilities or the MHS Operations that currently remains pending and there are no events or conditions with respect to their ownership or operation of the MHS Facilities or the MHS Operations that could reasonably be expected to result in the issuance of such notice to the City or MHS;

(iii) All environmental permits required for operating the MHS Facilities as they are currently being operated by the City (or MHS, as applicable) are currently in full force and effect and the City and MHS are in compliance in all material respects with such environmental permits and there is not now pending nor, to the knowledge of the City, threatened, any action by or before any Governmental Entity to revoke, cancel, rescind, suspend, restrict, modify or refuse to renew any material environmental permit, and all of the material environmental permits are and shall be effective, unrestricted (except as they are restricted on the date hereof) and in good standing now and as of the Effective Date;

(iv) There has been no Release or threatened Release of Hazardous Materials or toxic mold at, on, under or from the MHS Facilities or any offsite property where such Hazardous Materials have been taken for disposal, in each case, that is reasonably likely to result in material liability under Environmental Law or with respect to Hazardous Materials;

(v) None of the following is present at the MHS Facilities: (A) underground improvements, including but not limited to treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Materials during the ownership, tenancy or operation of the MHS Facilities by the City (or to the knowledge of the City, any time prior to the City's ownership, tenancy or operation of the MHS Facilities); (B) any dump or landfill or other unit for the treatment or disposal of Hazardous Materials; (C) filled in land or wetlands; (D) PCBs; (E) toxic mold; or (F) asbestos containing materials.

(vi) The MHS Facilities are not listed on the National Priorities List and the City and MHS have neither received any notice from a Governmental Entity that remediation in any material respect is required at the MHS Facilities because of the existence of Hazardous Materials thereon nor has knowledge of events or conditions with respect to the MHS Facilities that are reasonably likely to result in the issuance of such notice to the City or MHS;

(vii) There has been no exposure of any Person to any Hazardous Materials or toxic mold in connection with the ownership or operation of the MHS Facilities or MHS Operations that would reasonably be expected to form the basis of a material claim for damages or compensation; and

(viii) The City has made available to the Lessee copies of all assessment reports, audits, studies, and correspondence relating to environmental claims, environmental permits, hazardous materials or remediation or the City's (or MHS's, as applicable)

compliance with environmental laws that are in the City's or MHS's possession or control and related to the MHS Facilities or the MHS Operations. To the knowledge of the City, any information the City or MHS has furnished to Lessee concerning the environmental condition of any real property, prior uses of the MHS Facilities, and the MHS Operations related to compliance with Environmental Laws is accurate and complete in all material respects.

10.20.3 A list of all environmental permits material for the operation of the MHS Facilities and the Acquired Assets as they are currently being operated by the City is set forth on Schedule 10.20.3. To the knowledge of the City, all of the environmental permits listed on Schedule 10.20.3 are, except as set forth on Schedule 10.20.3, transferable and none require consent, notification, or other action to remain in full force and effect following consummation of the Transactions.

10.21 Immigration Act. The City is in compliance with the terms and provisions of the Immigration Act with respect to the operation of the MHS Facilities and the Acquired Assets. For each MHS Employee who furnishes services at any of the MHS Facilities and the Acquired Assets for whom compliance with the Immigration Act and all other applicable immigration laws by the City is required, the City has completed, retained and updated, as required by law, a complete and true copy of each such MHS Employee's Form I9 (Employment Eligibility Verification Form) and all other records or documents prepared, procured or retained by the City pursuant to the Immigration Act to the extent the City is required to do so under the Immigration Act. The City has not received any written notice of any actual or potential violation of any provision of the Immigration Act (it being acknowledged that receipt of Social Security Administration "no match letters" does not constitute notice of any actual or potential violation of any United States law) and there are no, and have not been within the past two (2) years any, citations, investigations, administrative proceedings or formal complaints of violations of the immigration laws imposed, pending or threatened before the United States Department of Homeland Security (including the United States Citizenship and Immigration Services, United States Immigration and Customs Enforcement, or United States Customs and Border Protection), United States Department of Labor or before any other Governmental Entity against or involving the MHS Employees.

10.22 WARN Act. Schedule 10.22 lists the full name, job title, job site and unit, date of Employment Loss, and type of Employment Loss (termination, layoff or reduction in work hours) of each MHS Employee who furnished services at any of the MHS Facilities or the Acquired Assets who has experienced an Employment Loss in the ninety (90) days preceding the Execution Date. Except as set forth on Schedule 10.22, the City does not presently intend to take any action that would result in an Employment Loss by any MHS Employee who furnishes services at any of the MHS Facilities or the Acquired Assets between the Execution Date and the Effective Date. Schedule 10.22 also provides, for each MHS Employee identified thereon, the number of MHS Employees as of the date of the Employment Loss at such MHS Employee's job site and unit and at his/her MHS Facility. "Employment Loss" for this purpose shall mean (i) an employment termination, other than a discharge for cause, voluntary departure, or retirement, (ii) a layoff exceeding six (6) months, or (iii) a reduction in hours of work of more than fifty percent (50%).

10.23 OSHA.

10.23.1 Each of the City and MHS is in compliance in all material respects with all Laws applicable to the City and MHS relating to employee health and safety with respect to the MHS Facilities and the Acquired Assets.

10.23.2 Neither the City nor MHS has not received any written notice from any Governmental Entity or any other Person, or otherwise knows or has reason to believe, that employee safety or health conditions at the MHS Facilities or the Acquired Assets violate any applicable Law or otherwise will be made the basis of any claim, proceeding, or investigation, based on OSHA violations or otherwise related to employee health and safety.

10.24 Inventory. Substantially all of the Inventory existing on the Execution Date will exist on the Effective Date, except for Inventory exhausted, replaced or added in the ordinary course of business between the Execution Date and the Effective Date in accordance with prior practice, and the total value thereof shall be approximately the same as that which was consumed. All of the Inventory on hand on the Execution Date and to be on hand on the Effective Date consists and will consist of items of a quality usable or saleable in the ordinary and usual course of business. The quantities of all Inventory are reasonable and justified under the normal operations of the MHS Operations and are generally consistent with the average level of inventory of the MHS Operations over the twelve (12) months preceding the Execution Date.

10.25 Absence of Changes. Except as set forth in Schedule 10.25, between December 31, 2011 and the date hereof, there has not been any transaction or occurrence in which the City or MHS, in connection with the MHS Operations has:

10.25.1 suffered any damage, destruction or loss materially affecting any of the MHS Facilities or the Acquired Assets;

10.25.2 materially written down or written up the value of any Inventory (including write-downs by reason of shrinkage or markdowns);

10.25.3 disposed of, modified, or permitted to lapse, any material right to the use of any Intellectual Property Assets;

10.25.4 made any capital expenditure or commitment for additions to property, plant, equipment, intangible or capital assets or for any other purpose, other than in the ordinary course of business consistent with past practice;

10.25.5 sold, transferred or otherwise disposed of any of the MHS Facilities or the Acquired Assets other than in the ordinary course of business substantially consistent with prior practice;

10.25.6 been threatened in writing with, or incurred any material liability or waived any material claim regarding the MHS Operations;

10.25.7 granted or incurred any obligation for any increase in the compensation of any MHS Employee (including any increase pursuant to any bonus, pension, profit-sharing,

retirement, severance or other plan or commitment) other than in the ordinary course of business substantially consistent with prior practice;

10.25.8 made any change in any method of accounting or accounting principle, practice, or policy;

10.25.9 suspended operation of, or closed any departments (or material service), clinics or health services or educational programs, or otherwise terminated or took action to terminate such operations;

10.25.10 filed for bankruptcy;

10.25.11 taken any other action except in the ordinary course of business;

10.25.12 entered into any new Material Contract, or materially amended, renewed or permitted to renew for a period longer than one (1) year, or extended or terminated an existing Material Contract;

10.25.13 taken any other action contrary to the specific terms of this Operating Lease; or

10.25.14 agreed, so as to legally bind the Lessee or affect the MHS Operations, whether in writing or otherwise, to take any of the actions set forth in this Section 10.25 and not otherwise permitted by this Operating Lease.

10.26 **Assumed Debt**. Schedule 10.26 sets forth all of the debt of MHS to be assumed by the Lessee as of the Effective Date (including current outstanding balances, repayment schedules, reserves and escrows) as of the date hereof, which Schedule shall be updated as of the Effective Date and delivered to the Lessee (such debt, the "Assumed Debt"). The information contained in Schedule 10.26 is complete and accurate in all material respects, and the copies of the Assumed Debt documents delivered to the Lessee are true, correct and complete copies of all Assumed Debt documents. Except as set forth in Schedule 10.26, neither the City nor MHS has delivered or received any written notice of any uncured default or breach under any Assumed Debt, and to the City's knowledge, no event has occurred which, with the giving of notice or the passing of time or both, would constitute a default under any Assumed Debt. The City is in material compliance with all of their covenants under the Assumed Debt and is not in default with respect to any payments due as of the Effective Date. The City has disclosed to the Lessee all material correspondence from lenders relating to the Assumed Debt. Under no circumstances shall the Outstanding MHS Long-Term Debt which remains outstanding as Retained Debt (as permitted under Section 5.5.2) be considered to be Assumed Debt for purposes of this Section 10.26.

10.27 **Accounts Receivable and Accounts Payable**.

10.27.1 Except as set forth on Schedule 10.27, the amount of all Accounts Receivable due or recorded in the books and records of account of the City and MHS, as applicable, as of the Effective Date, are reasonably believed by the City to be good and collectible in an aggregate amount equal to the amount shown for Accounts Receivable on

Schedule 10.27. Except to the extent of any allowance for bad debt or doubtful receivables as reflected in the Historical Financial Information, no Accounts Receivable or other debts are or will, at the Effective Date, be subject to any valid counter-claim or set-off.

10.27.2 Except as set forth on Schedule 10.27, the amount of all accounts payable to be paid as recorded in the books and records of account of the City and MHS, as applicable, as of the Effective Date, have arisen in bona fide arm's-length transactions in the ordinary course of business, consistent with past practice, in an aggregate amount equal to the amount shown for accounts payable on Schedule 10.27.

10.28 City Ownership of Interest in MHC. Memorial Hospital Corporation ("MHC") is a Colorado nonprofit corporation which has no members. The affairs of MHC are managed by a Board of Directors, which is appointed and may be removed by the Board of Trustees of MHS. As of the Execution Date, the sole activity of MHC is that it holds a forty percent (40%) membership interest in Briargate Endoscopy Center, LLC, a Colorado limited liability company ("Briargate"). MHC's interest in Briargate is free and clear of any Encumbrances, and has been duly authorized, validly issued, fully paid, and is nonassessable. MHS has previously made available to Lessee true and complete copies of the articles of incorporation or articles or organization (or equivalent document) and bylaws, operating agreement or other governance documents of each of MHC and Briargate, in each case as currently in effect.

10.29 Transaction Expenses; Advisor Fees. Set forth on Schedule 10.29 is the City's good faith estimate of the City's transaction expenses, by category and advisor/vendor, attributable to this Operating Lease, the Integration Agreement and the Transactions incurred or expected to be incurred through the Effective Date (including at Closing), after due inquiry of each of its legal, accounting or other advisors/vendors. No legal, accounting or other advisor or broker to the City is entitled to any premium, bonus, or other payment in connection with the Transactions that is not reflected in such estimate.

10.30 Statements True and Correct. This Operating Lease and the disclosure schedules attached hereto (the "Schedules") prepared or provided by the City do not include, as of the date hereof and as updated as of the Effective Date, any untrue statement of material fact or omit to state any material fact necessary to make the statements made in this Operating Lease with respect to the City, MHS, the MHS Operations, the MHS Facilities and the Acquired Assets not misleading. All documents and/or instruments referenced in the Schedules as having been provided by the City to the Lessee have been delivered and are accurate and complete in all material respects, except to the extent such document includes projections, which projects are estimates made in good faith.

10.31 Limitations.

10.31.1 If (i) the Lessee, UC Health or any Affiliate of Lessee or UC Health has as of the Execution Date, or (ii) Lessee, UC Health or any Affiliate of Lessee or UC Health acquires from the Execution Date through the Effective Date, actual knowledge that the City's representations in this Operating Lease or any other documents delivered by the City in connection with the Transactions are inaccurate, untrue or incorrect in any way, then such representations and warranties shall be deemed modified to reflect such actual knowledge. The

Lessee shall be deemed to actually know a representation or warranty is untrue, inaccurate or incorrect if this Operating Lease, the Schedules hereto or any written notice from the City to the Lessee contains information which is on its face inconsistent with such representation or warranty, and it is reasonably apparent that such inconsistency has the effect of making the particular representation or warranty untrue, inaccurate or incorrect. To the extent that any of the City's representations and warranties is modified pursuant to this Section 10.31.1, the City shall have no liability with respect to such modified matters, except to the extent such liability is an Excluded Liability or is a basis for indemnification by the City hereunder other than for a breach of a representation or warranty in Article X.

10.31.2 The Lessee acknowledges and agrees that the City representations as set forth in this Agreement are, by their nature, made as of the Execution Date on the basis of facts, circumstances, and, where specified, the City's knowledge as of such date. To the extent that any such facts, circumstances or such knowledge change after the Execution Date, the City shall provide written notice of such changes to Lessee, which shall include the obligation to update the City's disclosure schedules as of the Effective Date, such updated schedules to be delivered to the Lessee no later than five (5) business days before the Effective Date.

ARTICLE XI
REPRESENTATIONS AND WARRANTIES OF THE LESSEE

To induce the City to proceed with and consummate the Transactions, the Lessee represents and warrants (and UC Health represents and warrants with respect to UC Health and New Memorial represents and warrants with respect to New Memorial) as of the Execution Date and as of the Effective Date, except as otherwise set forth below, as follows:

11.1 **Existence and Capacity**. The Lessee is a nonprofit corporation duly organized and validly existing in good standing under the laws of the state of Colorado, and is currently recognized by the Internal Revenue Service as a tax-exempt, public charity within the meaning of Sections 501(c)(3) and 509(a) of the Code. UC Health is a nonprofit corporation duly organized and validly existing in good standing under the laws of the state of Colorado. New Memorial is a nonprofit corporation duly organized and validly existing in good standing under the laws of the state of Colorado. UC Health has applied with the Internal Revenue Service to be recognized as a tax-exempt, public charity under Sections 501(c)(3) and 509(a) of the Code. Subject to the Required Approvals, (a) the Lessee has the full right, power and authority to execute, deliver and carry out the terms of this Operating Lease, the Integration Agreement and all other documents and agreements necessary to give effect to the Transactions at Closing, (b) UC Health has the full right, power and authority to execute, deliver and carry out the terms of all documents and agreements to which UC Health is a party necessary to give effect to the Transactions at Closing (including, without limitation, the Integration Agreement), and (c) New Memorial has the full right, power and authority to execute, deliver and carry out the terms of this Operating Lease with respect to its obligations prior to the Transition Date.

11.2 **Powers; Consents; Absence of Conflicts with Other Agreements**. Except with respect to the Required Approvals:

11.2.1 the execution, delivery and performance by the Lessee and New Memorial of this Operating Lease and all other agreements delivered in connection with the execution of this Operating Lease and the Closing to which the Lessee is a party, and the consummation by the Lessee of the Transactions, (a) are within its powers, are not in contravention of law or of the terms of its organizational documents, and have been duly authorized by all appropriate action; (b) will neither conflict with, nor result in any breach or contravention of, or the creation of any prohibited Encumbrance under, any material indenture, agreement, lease, instrument or understanding to which it is a party or by which it is bound; and (c) will not violate any statute, law, rule, regulation, judgment, decree, writ or injunction of any Governmental Entity to which it may be subject; and

11.2.2 the execution, delivery and performance by UC Health of all documents and agreements delivered in connection with the Closing to which UC Health is a party (including, without limitation, the Integration Agreement), and the consummation by UC Health of the Transactions, (a) are within its powers, are not in contravention of law or of the terms of its organizational documents, and have been duly authorized by all appropriate action; (b) will neither conflict with, nor result in any breach or contravention of, or the creation of any prohibited Encumbrance under, any material indenture, agreement, lease, instrument or understanding to which it is a party or by which it is bound; and (c) will not violate any statute, law, rule, regulation, judgment, decree, writ or injunction of any Governmental Entity to which it may be subject.

11.3 **Binding Agreement**. This Operating Lease and all agreements to which the Lessee and New Memorial will become a party pursuant to this Operating Lease are and will constitute the valid and legally binding obligations of the Lessee and New Memorial, and are and will be enforceable against them in accordance with the respective terms hereof or thereof, subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies. All agreements to which UC Health will become a party (including, without limitation, the Integration Agreement), are and will constitute the valid and legally binding obligations of UC Health, and are and will be enforceable against it in accordance with the respective terms hereof or thereof, subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

11.4 **Legal Proceedings**. Except as set forth on Schedule 11.4, (a) there are no claims, actions, suits, proceedings or investigations pending or to the Lessees' knowledge, threatened against or related to the Lessee at law or in equity or before or by any Governmental Entity wherever located, which, if adversely determined, would materially and adversely affect the condition (financial or otherwise) of the operations of the Lessee or of UC Health, taken as a whole, or that would materially delay or prevent the Lessee's or UC Health's ability to consummate the Transactions, and (b) neither Lessee nor UC Health has received written notice that it is in default under any order of any Governmental Entity.

11.5 **Financial Statements; Absence of Certain Changes or Events**.

11.5.1 The Lessee has delivered to the City (a) the audited basic financial statements of UCHA for the fiscal years ended June 30, 2011 and 2010 (the "UCHA Financial Statements") and (b) the audited consolidated financial statements of the Lessee and its Affiliates specified therein for the fiscal years ended December 31, 2011 and 2010 (the "PVHS Financial Statements").

11.5.2 The PVHS Financial Statements are complete, true and correct in all material respects, present fairly and accurately the financial position of the Lessee, the results of its operations at the dates and for the periods indicated in such PVHS Financial Statements and have been prepared in conformity with GAAP.

11.5.3 The Lessee has delivered to the City a certificate of the UCHA Chief Financial Officer certifying that the UCHA Financial Statements are complete, true and correct in all material respects, present fairly and accurately the financial position of UCHA, the results of its operations at the dates and for the periods indicated in such UCHA Financial Statements and have been prepared in conformity with GAAP.

11.5.4 Since the close of the applicable UCHA Financial Statements or PVHS Financial Statements, there has not been any change that would materially delay or prevent the Lessee or UC Health from consummating the Transactions.

11.6 Limitations.

11.6.1 If (i) the City or MHS or any of their Affiliates has as of the Execution Date, or (ii) the City or MHS or any of their Affiliates acquires from the Execution Date through the Effective Date, actual knowledge that the Lessee's, New Memorial's or UC Health's representations in this Operating Lease or any other documents delivered by the Lessee in connection with the Transactions are inaccurate, untrue or incorrect in any way, then such representations and warranties shall be deemed modified to reflect such actual knowledge. The City shall be deemed to actually know a representation or warranty is untrue, inaccurate or incorrect if this Operating Lease, the schedules hereto or any written notice from the Lessee to the City contains information which is on its face inconsistent with such representation or warranty, and it is reasonably apparent that such inconsistency has the effect of making the particular representation or warranty untrue, inaccurate or incorrect. To the extent that any of the Lessee's, New Memorial's or UC Health's representations and warranties is modified pursuant to this Section 11.6.1, the Lessee New Memorial or UC Health shall have no liability with respect to such modified matters, except to the extent such liability is an Assumed Liability.

11.6.2 The City acknowledges and agrees that the Lessee, New Memorial and UC Health's representations as set forth in this Agreement are, by their nature, made as of the Execution Date on the basis of facts, circumstances, and, where specified, the Lessee's, New Memorial's or UC Health's knowledge as of such date. To the extent that any such facts, circumstances or such knowledge change after the Execution Date, the Lessee shall provide written notice of such changes to the City, which shall include the obligation to update the Lessee's disclosure schedules as of the Effective Date, such updated schedules to be delivered to the City no later than five (5) business days before the Effective Date.

ARTICLE XII
DELIVERIES AND CONDITIONS TO CLOSING

12.1 **Actions of the City at Closing**. On the Effective Date and unless otherwise waived in writing by the Lessee, the City and/or MHS, as applicable, shall deliver to the Lessee at Closing all of the following:

12.1.1 One (1) or more certificates signed by a duly authorized officer of the City in substantially the form attached hereto as Exhibit D, certifying that (i) the representations and warranties of the City contained in this Operating Lease are true and correct as of the Execution Date (taking into account any qualifiers therein) and shall be true and correct as of the Effective Date (taking into account any qualifiers therein) and (ii) each and all of the terms, covenants and conditions of this Operating Lease to be complied with or performed by the City (as of the Execution Date, as applicable, and on and as of the Effective Date, as applicable) pursuant to the terms hereof shall have been duly complied with and performed.

12.1.2 Evidence of the approval of the Transactions by the Colorado Attorney General as described in Section 12.3.1.

12.1.3 Evidence of the approval of the Ballot (as hereinafter defined) by the citizens of the City of Colorado Springs as described in Section 12.3.2.

12.1.4 Evidence of establishment of the Defeasance Escrow Account funded with the full MHS Cash Balance as set forth in Section 5.5.2, except as otherwise agreed by the Parties in the event of any Retained Debt as permitted in Section 5.5.

12.1.5 To the extent not already delivered to the Lessee or made available to the Lessee through possession of the MHS Facilities, original (or copies to the extent originals are not available) approvals, permits or accreditations that are necessary for the Lessee to operate the MHS Facilities and the Acquired Assets after the Effective Date in the manner immediately before the Effective Date (other than those approvals, permits and accreditations which shall be obtained by the Lessee directly as of the Effective Date).

12.1.6 To the extent not already delivered to the Lessee or made available to the Lessee through possession of the MHS Facilities, copies of all Documents, Assumed Contracts, Leases, Governmental Approvals, Warranties, Intellectual Property Assets and Plans and Specifications as required under this Operating Lease;

12.1.7 All non-cash lease security and other deposits and/or escrows thereunder, including, but not limited to, any letters of credit and any instruments of assignment or other documentation reasonably required to transfer such non-cash security deposits to the Lessee;

12.1.8 MHS Employee account balances, if any, for those MHS Employees who are hired by the Lessee as of the Effective Date.

12.1.9 To the extent not already delivered to the Lessee or made available to the Lessee through possession of the MHS Facilities or otherwise, all passwords, source codes,

access codes, keys and similar items necessary for the Lessee effectively to access and use the MHS Facilities and MHS Operations immediately upon the Effective Date.

12.1.10 The Limited Powers of Attorney required by Section 5.6.

12.1.11 Assignments in the form of Exhibit E attached hereto, fully executed by the City, MHS and other applicable Persons in recordable form, assigning to the Lessee all of the City's right, title and interest in and to the Leases and the Leased Real Property, including the City's interest in any deposits, prepaid rents or charges, in each case subject only to Permitted Restrictions (the "Leased Real Property Assignments").

12.1.12 A Bill of Sale in the form of Exhibit F attached hereto (the "Bill of Sale"), fully executed by the City and other applicable Persons, conveying to the Lessee good and marketable title to all tangible assets, and valid title to all intangible assets, that are a part of the Acquired Assets that are owned by the City or MHS, free and clear of all Encumbrances other than the Assumed Liabilities and the Permitted Restrictions.

12.1.13 An Assumed Contracts Assignment in the form of Exhibit G attached hereto (the "Assumed Contract Assignment"), fully executed by the City and other applicable Persons, transferring and conveying all of the City's or such Persons' interests in the Assumed Contracts (other than the Leases assigned pursuant to the Leased Real Property Assignments), including the City's or such Persons' interest in any deposits or prepayments.

12.1.14 Copies of ordinances duly adopted by the Council authorizing and approving the performance of the Transactions (subject to approval of the Ballot by the citizens of the City of Colorado Springs), on behalf of and certified as true and of full force as of the Effective Date by the appropriate officer of the City.

12.1.15 Certificates of incumbency for the respective officers or employees of the City executing this Operating Lease and any other agreements or instruments contemplated herein or making certifications for the City as required herein.

12.1.16 Evidence of the tail insurance arrangements described in Section 5.8.

12.1.17 A guaranty by the New Community Health Foundation or the MHS Enterprise, as applicable, of the City's obligations under this Operating Lease and the Integration Agreement, in the form attached hereto as Exhibit H (the "Foundation Guaranty"), and, if the New Community Health Foundation is not formed as of the Effective Date, an executed Escrow Agreement, fully executed by the City or the MHS Enterprise, as applicable, and evidence of the formation of the Escrow Account.

12.1.18 Notices executed by the City to tenants listed on Schedule 12.1.18 advising them of the transfer and to whom future rent payments are to be forwarded in the form attached hereto as Exhibit I.

12.1.19 The Defeasance Documents and Bond Opinion required by Section 5.5.3.

12.1.20 Copies of instruments, in a form reasonably acceptable to the Lessee, authorizing and approving the performance of the Transactions, on behalf of and certified as true and of full force as of the Effective Date by each applicable Person.

12.1.21 (i) Evidence of the formation by the City of the New Community Health Foundation, with full rights, power and authority to fulfill its obligations hereunder and to execute, deliver and carry out the terms of the Foundation Guaranty, which Foundation Guaranty shall be delivered by the MHS Enterprise in the event the City has not formed the New Community Health Foundation as of the Effective Date, or (ii) evidence of the establishment and funding of the Escrow Account by the City or the MHS Enterprise, as applicable, for the purposes of securing the City's obligations herein.

12.1.22 The Zoning Letters, updated to be effective as of a date that is within fifteen (15) days of the date of Effective Date.

12.1.23 Such other executed instruments and other documents as the Lessee reasonably deems necessary to effect the Transactions, including any and all other appropriate or customary instruments and documents which may be required by a title insurance company engaged by the Lessee to issue policies of title insurance insuring the City's title (if so requested by the City, and shall be at the City's sole cost and expense) and the Lessee's leasehold interest in the MHS Facilities (if so requested by the Lessee, and which shall be at the Lessee's sole cost and expense), including any affidavits.

12.2 **Actions by the Lessee at Closing**. On the Effective Date and unless otherwise waived in writing by the City, the Lessee shall deliver to the City at Closing all of the following:

12.2.1 One (1) or more certificates signed by a duly authorized officer of the Lessee in substantially the form attached hereto as Exhibit J, certifying that (i) the representations and warranties of the Lessee contained in this Operating Lease are true and correct as of the Execution Date (taking into account any qualifiers therein) and shall be true and correct as of the Effective Date (taking into account any qualifiers therein) and (ii) each and all of the terms, covenants and conditions of this Operating Lease to be complied with or performed by the Lessee (as of the Execution Date, as applicable, and on and as of the Effective Date, as applicable) pursuant to the terms hereof shall have been duly complied with and performed.

12.2.2 The Initial Payment required to be paid on the Effective Date, as adjusted, as set forth in Section 3.1.

12.2.3 If the MHS Cash Balance is less than the MHS Long-Term Debt Defeasance, the amount required to fully fund the balance of the Defeasance Escrow Account as set forth in Section 5.5.2, or such other amount mutually agreed to by the Parties in in the event of any Retained Debt as permitted in Section 5.5.2.

12.2.4 The amount necessary to reimburse the City for its costs and expenses incurred in connection with the Transactions in accordance with the terms of the Standstill and Cost Reimbursement Agreement (as hereinafter defined).

12.2.5 Leased Real Property Assignments assigning to the Lessee all of the City's right, title and interest in and to the Leased Real Property, including the City's interest in any deposits, prepaid rents or charges, in each case subject only to Permitted Restrictions.

12.2.6 An Assumed Contracts Assignment, fully executed by the Lessee, assuming all of the City's rights and interests in the Assumed Contracts (other than those assigned pursuant to the Leased Real Property Assignments).

12.2.7 Copies of resolutions duly adopted by the Lessee's Board of Directors, authorizing and approving the performance of the Transactions, certified as true and of full force as of the Effective Date by a duly authorized officer of the Lessee.

12.2.8 Copies or resolutions adopted by UC Health's Board of Directors consenting to the Transactions.

12.2.9 Certificates of incumbency for the respective officers or representatives of the Lessee executing this Operating Lease and any other agreements or instruments contemplated herein or making certifications for the Lessee as required herein.

12.2.10 Certificate of existence and good standing of the Lessee from the State of Colorado dated no more than thirty (30) days prior to the Effective Date.

12.2.11 The certificate of insurance (or certificates of insurance) required by Section 8.5.3.

12.2.12 A guaranty, fully executed by UCHA, guaranteeing the performance of the Lessee's obligations under this Operating Lease and the Integration Agreement, in the form attached hereto as Exhibit K (the "UCHA Guaranty").

12.3 **Conditions Precedent to Consummation of the Transaction**. The obligations of the Parties under this Operating Lease are subject to the fulfillment, on or prior to the Effective Date, of the following conditions precedent unless (but only to the extent) waived in writing in whole or in part by the Party that is to receive the benefit of the condition precedent:

12.3.1 The Attorney General of the State of Colorado (the "Colorado Attorney General") shall have approved the Transactions.

12.3.2 The citizens of the City shall have approved the ballot approving the Transactions (the "Ballot").

12.3.3 No action or proceeding before any Governmental Entity or any court or legal tribunal shall be pending that will restrain or prohibit the Transactions, and no Governmental Entity shall have taken any other action which is likely to prevent or restrain the Transactions, as reasonably determined by a national law firm serving as counsel to a Party, unless the Parties otherwise agree in writing to waive this condition.

12.3.4 Neither Party shall (i) be in receivership or dissolution; (ii) have made any assignment for the benefit of creditors; (iii) have admitted in writing its inability to pay its debts

as they mature; (iv) have been adjudicated as bankrupt; or (v) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization, or an arrangement with creditors under the federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against either Party.

12.3.5 The Parties shall have complied with, obtained all material consents, authorizations, orders or approvals required by, and otherwise satisfied any terms, conditions or obligations required under all applicable rules and regulations in connection with the Transactions and the transfer of the operation of the MHS Operations (including, without limitation, transfer of the Governmental Approvals, to the extent assignable or transferrable, that are necessary to operate each of the MHS Hospitals) to the Lessee (the "Required Hospital Approvals"), as such Required Hospital Approvals are set forth on Schedule 12.3.5, provided the Lessee has made good faith and diligent efforts to obtain the Required Hospital Approvals with the City's good faith cooperation.

12.3.6 The City shall have obtained (i) Tenant Estoppels dated no earlier than forty-five (45) days prior to the Effective Date from tenants with respect to Leases covering in the aggregate no less than seventy-five percent (75%) of the rented space of each MHS Facility subject to Leases (hereinafter, "Subject Tenants"), and (ii) Landlord Estoppels dated no earlier than forty-five (45) days prior to the Effective Date from landlords with respect to Leases covering in the aggregate with respect to no less than seventy-five percent (75%) of the area leased by MHS or the City for MHS Operations (hereinafter, "Subject Landlords"); provided, to the extent that the City shall have received Tenant Estoppels or Landlord Estoppels from Subject Tenants and Subject Landlords covering less than seventy-five percent (75%) of the rented space subject to Leases, respectively, the City may provide a Tenant Estoppel or Landlord Estoppel, as applicable, to enable satisfaction of this condition, provided that the City shall remain responsible for and further shall fully indemnify and hold harmless Lessee from any claims demands or actions from any of the Subject Tenants and/or Subject Landlords until such time as a Tenant Estoppel or Landlord Estoppel, as applicable, is obtained from such Subject Tenant or Subject Landlord, as applicable, and such indemnity obligations shall not count toward the indemnity cap of the City pursuant to Section 14.8.2 and shall not be subject to the Basket Amount pursuant to Section 14.8.1. The City shall provide the Lessee with copies of each executed Tenant Estoppel and Landlord Estoppel promptly upon receipt, but no later than three (3) business days prior to the Effective Date, and originals thereof at the Effective Date. Any Estoppel delivered pursuant to this Section 12.3.6 shall count toward satisfying the conditions contained herein only if such Estoppel does not (a) in the case of a Tenant Estoppel, (i) indicate any material defaults under the applicable tenant Lease of which the Lessee did not have knowledge prior to the execution of this Operating Lease, (ii) identify any condition which is materially adverse to the Lessee as successor landlord, or (iii) identify any matters materially inconsistent with the applicable Lease; or (b) in the case of a Landlord Estoppel, (i) indicate any material defaults under the applicable lease of which the Lessee did not have knowledge prior to the execution of this Operating Lease, (ii) identify any condition which is materially adverse to the Lessee as successor tenant, or (iii) identify any matters materially inconsistent with the applicable Lease. If the Lessee fails to furnish the City with a written notice of disapproval within three (3) business days from the date of the Lessee's receipt of an Estoppel, such Estoppel shall be deemed approved by the Lessee provided, the Lessee may disapprove an Estoppel only if it does not satisfy the requirements of the immediately preceding sentence.

12.3.7 (i) The City or the MHS Enterprise, as applicable, shall have duly formed the New Community Health Foundation with full rights, power and authority to fulfill its obligations hereunder and to execute, deliver and carry out the terms of the Foundation Guaranty, which Foundation Guaranty shall be delivered by the MHS Enterprise in the event the City or MHS Enterprise, as applicable, has not formed the New Community Health Foundation as of the Effective Date, or (ii) the City or the MHS Enterprise, as applicable, shall have created and funded the Escrow Account for the purposes of securing the City's obligations herein pursuant to the Escrow Agreement.

12.3.8 In the event of a significant financial deterioration or adverse impact on MHS Operations as set forth in Section 6.13, the Parties shall have reached an acceptable mutual resolution.

12.3.9 Certain regulatory and real property matters that have been discussed by the Parties under the name "MHS Pre-Closing Actions and Disclosures" shall have been resolved in a manner satisfactory to the Lessee, including the resolution of certain matters described on Schedule 12.3.9.

ARTICLE XIII
TERM; DEFAULT AND TERMINATION

13.1 Duration of Term.

13.1.1 The closing of the lease of the MHS Facilities and the purchase of the Acquired Assets and the other Transactions (the "Closing") shall become effective as of 12:01 a.m., Mountain time on the day immediately following the date on which all of the conditions set forth in Article XII have been satisfied or waived in writing or at such other date and/or at such location as the Parties hereto may mutually designate in writing (the "Effective Date"). The term of this Operating Lease shall commence at 12:01 a.m. Mountain time on the Effective Date and, subject to the provisions of this Operating Lease (including the termination provisions of this Article XIII), shall expire at 11:59 p.m., Mountain time, on the day before the fortieth (40th) anniversary of the Effective Date (the "Term"), subject to extension as provided in Section 13.1.2 below.

13.1.2 Commencing on or about the ninth (9th) anniversary of the Effective Date, the Parties shall discuss and negotiate in good faith whether to extend the then existing Term for an additional one (1) year term to be automatically added to the Term on each anniversary of the Effective Date, commencing on the tenth (10th) anniversary of the Effective Date (the "Extension Term"), and if so agreed in year nine (9), then each such extension shall become part of the Term. The Term will only be extended for an Extension Term if the Parties agree in writing to extend the then existing Term for the Extension Term. There shall be no obligation of either Party to extend the Term for the Extension Term, and in the event the Parties fail to so extend the Term, then the Term shall expire pursuant to Section 13.1.1. If the Parties fail to agree to extend the Term for the Extension Term, or if the City elects to terminate the Extension Term in accordance with Section 13.1.4, the Lessee's capital investment obligations set forth in Section 3.5 shall be reduced over time on an equitable basis by the amount of additional cost the Lessee

and its Affiliates are reasonably expected to incur due to the declining Term and the consequent need to separate out bond financing vehicles funding improvements at the MHS Facilities from all other UC Health improvements and the likely increased rates applicable to shorter term financings.

13.1.3 If the Parties agree to the Extension Term, then commencing on the fortieth (40th) anniversary of the Effective Date, all then-outstanding payment and spending obligations payable by the Lessee under the Lease shall cease and shall be replaced for the remainder of the Term with an annual payment reflecting fair market ground lease rent as determined by an independent nationally recognized expert in the industry jointly selected and engaged by the Parties (who shall not have any material relationship with either Party) at least twelve (12) months in advance of the fortieth (40th) anniversary of the Effective Date. In such event, the Lessee shall continue to make capital expenditures during the Extension Term with respect to the MHS Facilities in an amount sufficient to maintain such facilities at a level consistent with prudent hospital management practices for operators of hospitals in like circumstances, as determined by the Lessee in its reasonable discretion, which shall not require the level of expenditures required of the Lessee during the initial term pursuant to Section 3.5.

13.1.4 The City may elect to terminate the Extension Term in its sole discretion, and in such event, the Extension Term shall terminate on the thirty-first (31st) anniversary of the commencement of the next annual term of this Operating Lease following the City's notice of its election to terminate the Extension Term.

13.1.5 Except as set forth in this Article XIII, this Operating Lease may not be terminated by either Party prior to the end of the Term without the written consent of the other Party.

13.2 **Delivery and Acceptance of Possession.** On the Effective Date, the City shall deliver to the Lessee possession of the MHS Facilities, the Acquired Assets and the Assumed Liabilities, and the Lessee agrees to accept possession of the MHS Facilities, the Acquired Assets and the Assumed Liabilities upon the Effective Date. The City shall promptly inform the Lessee upon the City's receipt of any funds after the Effective Date relating to the MHS Facilities, the Acquired Assets and the Assumed Liabilities, and all such amounts shall (net of any reasonable expenses to collect the same) be promptly remitted to the Lessee into an account designated by the Lessee.

13.3 **Options to Terminate Lease in Certain Events.**

13.3.1 Outside Closing Date. This Operating Lease shall terminate in the event the Closing has not occurred by March 31, 2013, or such later date as mutually agreed upon by the Parties (the "Outside Closing Date"), on the day following the Outside Closing Date, provided, however, that any Party not intending to agree to mutually extend the Outside Closing Date must provide at least thirty (30) days prior written notice to the other Parties that it shall not agree to extend the Outside Closing Date, and in the absence of such written notice the Outside Closing Date shall be automatically extended until such time as the Parties have received at least thirty (30) days prior written notice from one or more Parties that the Party giving notice shall not agree to extend the Outside Closing Date.

13.3.2 Failure of Citizens to Approve Ballot. This Operating Lease will automatically terminate if (i) the citizens of the City reject the Ballot after holding a general election, and (ii) within sixty (60) days thereafter, the Parties have not in writing agreed on modifications to the Transactions that they believe would obtain voter approval, including agreement to seek such approval.

13.3.3 Failure of Attorney General to Approve the Transaction. Either Party may terminate this Operating Lease by providing the other Party with written notice stating the effective date of termination if the Colorado Attorney General provides final notice of the non-approval of the Transactions; provided, however, prior to terminating this Operating Lease pursuant to this Section 13.3.3, the Parties shall work in good faith and take all commercially reasonable actions to work with each other and the Colorado Attorney General to obtain such approval.

13.3.4 Failure to Obtain Required Hospital Approvals. Either Party may terminate this Operating Lease by providing the other Party with written notice stating the effective date of termination if the applicable Governmental Entity provides final notice of its intent to not grant the Lessee (or any of its Affiliates) any of the Required Hospital Approvals in connection with the Transactions; provided, however, that prior to terminating this Operating Lease pursuant to this Section 13.3.4, the Parties shall use commercially reasonable efforts to work with each other and the Governmental Entity to obtain all such Required Hospital Approvals.

13.3.5 Mutual Agreement. The Parties may terminate this Operating Lease at any time by mutual written agreement of the Parties, in their respective sole and absolute discretion.

13.3.6 Other Lessee Termination Rights. The Lessee may, in addition to any other rights and remedies of the Lessee available under law or equity, terminate this Operating Lease by providing the City with written notice of termination to the City stating the effective date of termination upon the occurrence of the following:

(i) an uncured Event of Major City Default (as hereinafter defined);

(ii) an Event of Non-Viability; or

(iii) a material portion of the MHS Facilities shall have been taken under the exercise of the power of eminent domain by any Governmental Entity (other than the City) such that the Lessee cannot, within six (6) months of such taking, restore, acquire or construct improvements, using commercially reasonable diligence efforts, to a condition that permits the Lessee to operate the MHS Facilities in accordance with this Operating Lease and the Integration Agreement and sound financial and hospital management standards, as the Lessee shall determine in its sole reasonable discretion.

13.3.7 Other City Termination Rights. The City may, in addition to any other rights and remedies of the City available under law or equity, terminate this Operating Lease by providing Lessee with written notice of termination to the Lessee stating the effective date of termination upon an uncured Event of Major Lessee Default (as hereinafter defined).

13.3.8 Failure to Agree on Schedules. A Party may terminate this Agreement upon ten (10) days prior written notice to the other Parties if the Parties have failed on or before July 31, 2012 to agree upon the Schedules required hereunder, and the terminating Party reasonably believes that the matters on which the Parties disagree would impose a cost, liability, operating risk, functional impediment or other harm to the terminating Party that is not in fact already allocated to the terminating Party under the specific terms hereof, and that such harm would exceed Five Million Dollars ($5,000,000), *provided* that such notice of termination shall be given no later than August 5, 2012. In the event that a Party continues to dispute the matters serving as a basis for another Party's termination under this Section 13.3.8, then during the ten (10) day period following receipt of written notice of termination by such other Party, the Parties shall meet and negotiate in good faith to resolve such dispute and to agree upon the form of the Schedules required hereunder. If the Parties are unable to reach agreement with such ten (10) day period, the Party's exercise of its termination right under this Section 13.3.8 shall become effective at the end of such ten (10) day period.

13.4 Events of Lessee Default; Remedies upon Default.

13.4.1 Event of Major Lessee Default. Each of the following shall be an "Event of Major Lessee Default" under this Operating Lease:

(i) Failure to Make Required Payments. Failure by the Lessee to make any payments required under this Operating Lease, including, without limitation, Sections 3.1, 3.2, 3.3, 3.4 and 3.5, when due, provided that the Lessee shall have sixty (60) days to pay all accrued payments hereunder after written notice is delivered of such non-payment by the City (or, if such payments are the subject of an arbitration proceeding under Section 13.5 or a dispute hereunder, in which case the payments are not deemed to be due until thirty (30) days following a final resolution of such proceedings), and such payment shall cure any default pursuant to this Section 13.4.1.

(ii) Bankruptcy. The Lessee admits insolvency or bankruptcy or its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for any portion of the MHS Facilities, the Acquired Assets or the MHS Operations, including any material Expansions of MHS Facilities, or if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Lessee (other than bankruptcy proceedings instituted by the Lessee against third parties), and if instituted against the Lessee are allowed against the Lessee or are consented to or are not dismissed, stayed or otherwise nullified within ninety (90) days after such institution.

(iii) Material Breach of Specific Provisions of Integration Agreement. After the Effective Date, the Lessee materially breaches the covenants, conditions or agreements on its part to be observed or performed under any one or more subsections of Section 4.1 of the Integration Agreement, which breach remains uncured for a period of ninety (90) days after written notice from the City specifying such failure and requesting that it be remedied; provided, however, that if the nature of the failure is such that more

than ninety (90) days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the Lessee shall immediately after written notice commence and, with diligence thereafter, cure such failure. Notwithstanding the foregoing, any termination arising from a material breach of Section 4.1.4(a) of the Integration Agreement shall be subject to the dispute resolution process and conditions to termination set forth in Section 4.1.4(b) of the Integration Agreement.

(iv) Loss of Licensure. After the Effective Date, the Lessee fails to maintain the licensure of each of the MHS Hospitals (or any relocations thereof, if then applicable) that it is obligated to operate hereunder and under the Integration Agreement by the Colorado Department of Public Health and Environment, which breach remains uncured for a period of ninety (90) days after written notice from the City specifying such failure and requesting that it be remedied; provided, however, that if the nature of the failure is such that more than ninety (90) days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the Lessee shall immediately after written notice commence and, with diligence thereafter, cure such failure.

13.4.2 Event of Non-Major Lessee Default. Except as otherwise provided in Section 13.4.1 above or elsewhere in this Operating Lease and the Integration Agreement, if the Lessee fails to materially perform, comply with, or observe any agreement or obligation of the Lessee under this Operating Lease and/or the Integration Agreement that is other than an Event of Major Lessee Default, and such failure continues for a period of more than ninety (90) days after the City has delivered to the Lessee written notice thereof, the Lessee shall be in "Non-Major Lessee Default" and the City shall have the remedies set forth in Section 13.4.3(ii) below (such a default, an "Event of Non-Major Lessee Default"); provided, however, that if the nature of the failure is such that more than ninety (90) days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion.

13.4.3 Remedies for Lessee Default.

(i) Major Lessee Default. If there shall occur an Event of Major Lessee Default, the City shall have and may exercise all rights and remedies available to the City at law or in equity or under any statute or ordinance. Without limiting the generality of the preceding, whenever any Event of Major Lessee Default shall have occurred and is continuing, the City may, following the applicable cure period and subject to final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, (i) terminate this Operating Lease upon written notice after expiration of any applicable cure period, and/or (ii) take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations, agreements, or covenants of the Lessee under this Operating Lease; provided, however, that prior to the

exercise by the City of any right of termination of this Operating Lease under this Section 13.4.3(i), the Lessee may, at any time, pay all accrued payments hereunder (with interest and attorneys' fees) and fully cure all defaults relating to failure to pay, and in such event, the Lessee shall be fully reinstated to its position hereunder as if such event of default had never occurred.

(ii) Non-Major Lessee Default. If there shall occur an Event of Non-Major Lessee Default, the City shall have and may exercise all rights and remedies available to the City at law or in equity or under any statute or ordinance (other than terminating this Operating Lease). Without limiting the generality of the preceding, whenever any Non-Major Lessee Default shall have occurred and is continuing, the City may, following the applicable cure period and subject to the final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations, agreements, or covenants of the Lessee under this Operating Lease.

13.5 Events of City Default; Remedies upon Default.

13.5.1 Event of Major City Default. It shall be an "Event of Major City Default" under this Operating Lease if the City shall have materially breached its covenants in Section 5.2 (Non-Imposition and City Condemnation) or Section 5.9 (Transfer of City Rights), which breach remains uncured for a period of ninety (90) days after written notice from the Lessee specifying such failure and requesting that it be remedied; provided, however, that if the nature of the failure is such that more than ninety (90) days are reasonably required for its cure, then the City shall not be deemed to be in default if the City commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the City shall immediately after written notice commence and with diligence thereafter to cure such failure.

13.5.2 Event of Non-Major City Default. Except as otherwise provided in Section 13.5.1 above or elsewhere in this Operating Lease and the Integration Agreement, if the City fails to materially perform, comply with, or observe any other agreement or obligation of the City under this Operating Lease and/or the Integration Agreement and such failure continues for a period of more than ninety (90) days after the Lessee has delivered to the City written notice thereof, the City shall be in "Non-Major City Default" and the Lessee shall have the remedies set forth in Section 13.5.3(ii) below (such a default, an "Event of Non-Major City Default"); provided, however, that if the nature of the failure is such that more than ninety (90) days are reasonably required for its cure, then the City shall not be deemed to be in default if the City commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion.

13.5.3 Remedies for City Default.

(i) Major City Default. If there shall occur an Event of Major City Default, the Lessee shall have and may exercise all rights and remedies available to the Lessee at law or in equity or under any statute or ordinance. Without limiting the generality of the preceding, whenever any such event shall have occurred and is continuing, the Lessee

may, following the applicable cure period and subject to final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, (i) terminate this Operating Lease upon written notice after expiration of any applicable cure period, and/or (ii) take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations, agreements, or covenants of the City under this Operating Lease, including setting off against its payment obligations hereunder as set forth in Section 14.9; provided, however, that prior to the exercise by the Lessee of any right of termination of this Operating Lease under this Section 13.5.3(i), the City may, at any time, pay all accrued payments hereunder (with interest and reasonable attorneys' fees) and fully cure all defaults relating to failure to pay, and in such event, the City shall be fully reinstated to its position hereunder as if such event of default had never occurred.

(ii) Non-Major City Default. If there shall occur an Event of Non-Major City Default, the Lessee shall have and may exercise all rights and remedies available to the Lessee at law or in equity or under any statute or ordinance (other than terminating this Operating Lease). Without limiting the generality of the preceding, whenever any Non-Major City Default shall have occurred and is continuing, the Lessee may, following the applicable cure period and subject to the final resolution of the dispute resolution process under Section 16.19 of this Operating Lease, take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations, agreements, or covenants of the City under this Operating Lease, including setting off against its payment obligations hereunder as set forth in Section 14.9.

13.6 Notice and Surrender of Assets Upon Termination.

13.6.1 To exercise the termination option exercisable by a Party pursuant to Section 13.3.6 or Section 13.3.7 above, the terminating Party shall, within six (6) months following the event authorizing the exercise of such option, give written notice to the other Parties specifying therein the effective date for such termination, which date shall be not be less than six (6) months from the date such notice is mailed. If the Party receiving such notice disputes the basis on which the termination option is being exercised and such basis has not already been submitted to the dispute resolution process under Section 16.19, then such Party shall immediately commence the dispute resolution process under Section 16.19.

13.6.2 Upon the expiration or termination of this Operating Lease for any reason (other than terminations prior to the Effective Date), following the exhaustion and final resolution of the dispute resolution process set forth in Section 16.19 (if applicable), the Lessee shall, effective on the date of termination, and subject to the Lessee's receipt of the payment described in Section 13.7, take the following actions;

(i) Surrender or convey, as applicable, to the City the following: (1) the MHS Facilities, and (2) Expansions of the MHS Facilities.

(ii) Transfer to the City, pursuant to one or more conveyance agreements with then-customary terms reasonably and mutually agreed upon by the Parties, all assets of the types of the Acquired Assets described in Section 2.2 that are related to or associated

with the MHS Operations conducted by the Lessee immediately preceding such transfer, but only to the extent such assets are located in the MHS Facilities and Expansions of the MHS Facilities, and all owned or leased personal and intangible property located in or directly part of the MHS Facilities and Expansions of the MHS Facilities; and

(iii) Assign to the City, pursuant to one or more assignment agreements with then-customary terms reasonably and mutually agreed upon by the Parties, all claims and liabilities of any kind, whether known or unknown, contingent or otherwise, arising from the MHS Operations, the MHS Facilities, Expansions of the MHS Facilities, including the assets transferred pursuant to Section 13.6.2(ii), prior to, on or after the effective date of termination, including all liabilities of the types of Assumed Liabilities described in Section 3.6 and any outstanding long-term indebtedness relating to such assets transferred pursuant to Section 13.6.2(i) and (ii), provided that, if the terms of any such outstanding long-term indebtedness prohibit the assumption thereof by the City in a manner acceptable to the Lessee, the Lessee shall not assign such long-term indebtedness at the time of expiration or termination of this Operating Lease.

13.6.3 Upon the expiration or termination of this Operating Lease, the Parties shall collaborate and shall promptly do each and every act and thing as may be reasonably necessary to consummate the transactions described in Section 13.6.2 and the Lessee shall use commercially reasonable efforts to assist the City in effecting an orderly transfer to the City of the facilities, assets and liabilities described in Section 13.6.2. Without limiting the generality of the foregoing, (i) the Lessee shall execute such customary deeds, bills of sale and other conveyance documents as are reasonably requested by the City with respect to the conveyance of the MHS Facilities and Expansions of the MHS Facilities, and (ii) the Parties shall enter into an asset purchase conveyance agreement and assignment and assumption agreements with terms, representations, conditions, covenants and provisions in a form that is customary and reasonable at such time for a transaction of like nature related to the conveyance of the assets and liabilities described in Section 13.6.2, provided that in the event of a termination of this Operating Lease on or before the fifth (5th) anniversary of the Effective Date, the asset purchase conveyance agreement and assignment and assumption agreements shall contain terms, representations, conditions, covenants and provisions substantially the same as to the terms of this Operating Lease and the assignment and assumption agreements delivered at Closing.

13.6.4 Upon the effective date of such expiration or termination, the City shall (i) accept all MHS Facilities and Expansions of the MHS Facilities and other conveyed assets and (ii) assume all liabilities to the extent assigned as described in Section 13.6.2(iii), and, as between the Parties, the City shall possess the full right and authority to assume the operations of MHS, to collect as its own revenue all revenues from the operations of MHS and to establish, maintain and enforce a schedule of rates and charges.

13.7 <u>FMV Price of MHS Operations Upon Expiration or Termination</u>.

13.7.1 <u>FMV Price</u>. As a condition to the transfer or conveyance from the Lessee to the City of the assets described in Section 13.6.2 following the expiration or termination of this Operating Lease, the City shall pay to the Lessee an amount representing (A) the FMV Price (defined in and determined in accordance with Section 13.7.2) of the MHS Operations as

operating businesses at the time of such valuation taken as a whole, including, without limitation, the value of the following: (i) the MHS Facilities and the Expansions of the MHS Facilities, (ii) all owned or leased tangible personal property located in or directly part of the MHS Facilities and Expansions of the MHS Facilities, (iii) intellectual property, (iv) accounts receivables, (v) inventory, and (vi) other value of the business of the MHS Operations (collectively, the "Termination Conveyance Assets"); and (B) decreased by the amount of any long-term indebtedness assumed by the City in accordance with Section 13.6.2(iii). Notwithstanding the foregoing, if this Operating Lease is terminated and it is determined that the Party causing the events which led to such termination acted in bad faith and in a manner specifically designed to cause such termination, then, if such "bad faith" Party is the City it will pay one hundred ten percent (110%) of the FMV Price; if such "bad faith" Party is the Lessee, it will accept ninety percent (90%) of the FMV Price as the amount due pursuant to this Section 13.7.1, in each case adjusted to reflect the amount of any long-term indebtedness assumed by the City or retained by the Lessee (or any UC Health Affiliate), as applicable. For the avoidance of doubt, in no event shall the purchase price for the Termination Conveyance Assets payable by the City (taking into account the value of the purchase price plus the value of the liabilities assumed by the City as to the Termination Conveyance Assets) exceed the FMV Price, except in the event that (i) the termination of this Operating Lease resulted from the City's election not to renew or extend the Term (or any Extension Term) of this Operating Lease or (ii) the City was determined to be the Party causing the events which led to the termination of this Operating Lease by acting in bad faith and in a manner specifically designed to cause such termination.

13.7.2 Valuation. The Parties shall jointly select and engage (at the Lessee's expense for a termination pursuant to Section 13.3.7 or at the City's expense for a termination pursuant to Section 13.3.6) an independent nationally recognized valuation expert (who shall not have any material relationship with either Party) to determine the aggregate fair market value of each of the Termination Conveyance Assets as of the expected date of such transfer, such valuation to take into account, among the relevant factors, the highest and best use of the Termination Conveyance Assets at such time (the "FMV Price"), which FMV Price shall not take into account the indebtedness referred to in 13.7.1(B) (to avoid double counting of such indebtedness). If the Parties cannot agree on such expert, each shall select a qualified expert and such experts shall name a third qualified expert, who shall perform the valuation.

13.7.3 Financing of FMV Price. Notwithstanding the foregoing, the Lessee agrees that the FMV Price (as it may be adjusted as provided in Section 13.7.1) may be paid pursuant to a reasonably secured note delivered by the City to the Lessee (the "Note"). The Note shall require the City to repay to the Lessee in one balloon payment of interest and principal due on or before thirty-six (36) months after the date of the Note, and interest shall accrue on the unpaid portion of the price at any time at a rate equal to average interest of UC Health's most recent three (3) borrowings.

13.8 Transition Service. Upon any proper termination or expiration of this Operating Lease and payment of the repurchase price pursuant to Section 13.7, the Parties shall negotiate in good faith an arrangement for the Lessee or UC Health to provide the City with such transition services as are reasonably required for the City to be able to conduct the MHS Operations, such services to be provided to the extent reasonably feasible for Lessee or UC Health, and at rates that are commercially competitive or lower, for a period commencing on the effective date of

any termination or expiration of this Operating Lease and terminating no more than twelve (12) months thereafter.

ARTICLE XIV
SURVIVAL; RISK OF LOSS AND INDEMNIFICATION

14.1 Survival of Representations, Warranties and Covenants.

14.1.1 City's Representations and Warranties. Survival of the City's representations and warranties shall be as follows:

(i) the representations and warranties contained in Sections 10.4 (Legal Proceedings), 10.5 (No Outstanding Rights), 10.8 (Permits and Approvals; Accreditation), 10.9 (Intellectual Property), 10.10 (Government Program Participation/Accreditation), 10.17 (Employee Benefit Plans), 10.18 (Employees and Employee Relations), 10.19 (Tax Matters), and 10.23 (OSHA) and 10.30 (Statements True and Correct) (collectively, the "City's Primary Representations") and any certificate, list, schedule or other instrument furnished by the City in connection with the City's Primary Representations, shall survive the Closing and will continue in full force and effect until the expiration of the applicable statute of limitations, taking into account any tolling thereof by operation of law or agreement; the representations and warranties contained in Section 10.11 (Compliance with Laws) will continue in full force and effect for each law or regulation being represented and warranted until the expiration of the applicable statute of limitations for such law or regulation, taking into account any tolling thereof by operation of law or agreement.

(ii) the representations and warranties contained in Sections 10.1 (Existence and Capacity), 10.2 (Powers; Consents; Absence of Conflicts with Other Agreements), 10.3 (Binding Agreement), 10.7 (Financial Information; No Undisclosed Liabilities) and 10.28 (City's Ownership and Interest in MHC) (collectively, the "City's Fundamental Representations") and any certificate, list, schedule or other instrument furnished by the City in connection with the City's Fundamental Representations, shall survive indefinitely; and

(iii) each remaining representation and warranty contained in Article X (collectively, the "City's General Representations") and any certificate, list, schedule or other instrument furnished by the City in connection with the City's General Representations shall survive the Closing and will continue in full force and effect for twenty-four (24) months thereafter.

14.1.2 Lessee's Representations and Warranties. Survival of the Lessee's, New Memorial's and UC Health's representations and warranties shall be as follows:

(i) the representations and warranties contained in Section 11.4 (Legal Proceedings) (the "Lessee's Primary Representation") and any certificate, list, schedule or other instrument furnished by the Lessee in connection with the Lessee's Primary Representation shall survive the Closing and will continue in full force and effect until

the expiration of the applicable statute of limitations, taking into account any tolling thereof by operation of law or agreement; and

(ii) the other the representations and warranties contained in Sections 11.1 (Existence and Capacity), 11.2 (Powers; Consents; Absence of Conflicts with Other Agreements), 11.3 (Binding Agreement) and 11.5 (Financial Statements; Absence of Certain Changes or Events) (collectively, the "Lessee's Fundamental Representations") and any certificate, list, schedule or other instrument furnished by the Lessee in connection with the Lessee's Fundamental Representations, shall survive indefinitely.

14.2 Risk of Loss. The Lessee shall bear the risk of loss of the Acquired Assets by casualty or condemnation on and after the Effective Date, and shall be entitled to any and all insurance proceeds or condemnation awards collectible by reason of any such casualty or condemnation, subject to Section 9.2.4.

14.3 Indemnification by the Lessee. To the extent and subject to the procedures set forth herein, the Lessee shall remain responsible for and further shall indemnify and hold harmless the City, MHS and their respective officers, council members, employees, agents, attorneys and representatives (collectively, the "City Indemnitees") against and in respect of (a) any monetary damage, loss, cost, expense or liability (including reasonable attorneys' fees) resulting to a City Indemnitee from any false, misleading or inaccurate representation set forth in Article XI, any breach of representation or warranty set forth in Article XI or from any misrepresentation in or any omission from any certificate, list, schedule or other instrument furnished by the Lessee at Closing in connection with this Operating Lease (collectively, "City Representation Damages"), or (b) any Acquired Asset or Assumed Liability. For the avoidance of doubt, the Lessee shall remain responsible for and further shall fully indemnify the City for any claims, costs or damages relating to environmental liabilities that are Assumed Liabilities as provided in Section 3.6.10.

14.4 Indemnification by the City. To the extent and subject to the procedures set forth herein, the City shall remain responsible for and further shall indemnify and hold harmless the Lessee, New Memorial, UC Health and their Affiliates and their respective officers, directors, employees, agents, attorneys and representatives (collectively, the "Lessee Indemnitees") against and in respect of (a) any monetary damage, loss, cost, expense or liability (including reasonable attorneys' fees) resulting to a Lessee Indemnitee from any false, misleading or inaccurate representation set forth in Article X, any breach of representation or warranty set forth in Article X or from any misrepresentation in or any omission from any certificate, list, schedule or other instrument furnished by the City at Closing in connection with this Operating Lease (collectively, "Lessee Representation Damages"); or (b) any Excluded Asset or Excluded Liability. For the avoidance of doubt, the City shall remain responsible for and further shall fully indemnify the Lessee, New Memorial, UC Health and their Affiliates for any claims, costs or damages now or in the future arising from or relating to (i) the PERA Liability, and hereby fully releases Lessee and Children's Hospital from any PERA Liabilities, and (ii) any Tenant Estoppels or Landlord Estoppels provided by the City pursuant to the terms of Section 12.3.6. For the avoidance of doubt, the Lessee is expressly permitted to assert its indemnity claims pursuant to this Section 14.4 for the benefit of Children's Hospital for (i) damages incurred by Children's Hospital to the extent such costs would have been indemnified

by the City hereunder if incurred directly by the Lessee, UC Health and their Affiliates pursuant to the terms of, and subject to the limitations set forth in, this Operating Lease, and (ii) Excluded Liabilities to the extent such Excluded Liabilities relate to the operations of Children's Hospital at the MHS Facilities pursuant to the terms of the Children's Sublease.

14.5 Indemnification Procedures.

14.5.1 A City Indemnitee or the Lessee Indemnitee, as applicable, shall give prompt written notice of the commencement of any claim or the receipt of a written threat of any third party claim against such City Indemnitee or the Lessee Indemnitee in respect of which indemnity may be sought under this Article XIV (the "Indemnifying Party"), promptly notifying the Indemnifying Party in writing of the commencement thereof. The failure of a City Indemnitee or the Lessee Indemnitee, as applicable, to so notify the Indemnifying Party of any such claim shall not relieve the Indemnifying Party from any liability which it may have to such City Indemnitee or the Lessee Indemnitee, as applicable, unless, and only to the extent that, such failure materially prejudices the Indemnifying Party's defense of such claim.

14.5.2 In connection with any claim giving rise to indemnification hereunder resulting from or arising out of any claim or legal proceeding by a Person other than a City Indemnitee or the Lessee Indemnitee, as applicable, the Indemnifying Party, at its sole cost and expense, may, upon written notice to the City Indemnitee or the Lessee Indemnitee, as applicable, assume the defense of any such claim or legal proceeding, except for claims or legal proceedings requesting injunctive relief or alleging a criminal offense. If the Indemnifying Party assumes the defense of any such claim or legal proceeding, the Indemnifying Party shall select counsel to conduct the defense of such claims and legal proceedings and, at its sole cost and necessary in the defense or settlement thereof; provided, however, that the Indemnifying Party shall not consent to a settlement of, or the entry of any judgment arise from, any claim or legal proceeding without the prior written consent of the City Indemnitee or the Lessee Indemnitee, as applicable, unless the Indemnifying Party admits in writing its liability to hold the City Indemnitee or the Lessee Indemnitee, as applicable harmless from and against any losses, damages, expenses and liabilities arising out of such settlement. If the Indemnifying Party assumes the defense of any claim or legal proceeding pursuant to this Section 14.5, the City Indemnitee or the Lessee Indemnitee, as applicable, shall be entitled to participate in the defense of any such action with its counsel at its own expense.

14.5.3 If the Indemnifying Party does not assume the defense of any such claim or litigation resulting therefrom in accordance with the terms hereof, the City Indemnitee or the Lessee Indemnitee, as applicable, may defend such claim or litigation in such a manner as it may deem appropriate, including settling such claim or litigation after giving written notice of such proposed settlement to the Lessee on such terms as the City Indemnitee or the Lessee Indemnitee, as applicable, may deem appropriate, and the Indemnifying Party shall pay all costs of defense and settlement so incurred by the City Indemnitee or the Lessee Indemnitee, as applicable. In any action by the City Indemnitee or the Lessee Indemnitee, as applicable, seeking indemnification from the Indemnifying Party in accordance with the provisions of this Article XIV, the Indemnifying Party shall not be entitled to challenge the manner in which the City Indemnitee or the Lessee Indemnitee, as applicable, defended such claim or litigation or the

amount or nature of any such settlement if the Indemnifying Party did not assume the defense of the claim or litigation resulting therefrom in accordance with the terms hereof.

14.5.4 The City Indemnitee or the Lessee Indemnitee, as applicable, shall not settle or compromise any claim by a third party for which the City Indemnitee or the Lessee Indemnitee, as applicable, is entitled to indemnification hereunder without the prior written consent of the Indemnifying Party, unless legal action shall have been instituted against the City Indemnitee or the Lessee Indemnitee, as applicable, and the Indemnifying Party shall not have taken control of such suit within twenty (20) days after notification thereof.

14.5.5 The City Indemnitee or the Lessee Indemnitee, as applicable, shall cooperate with the Indemnifying Party in the defense of any action assumed pursuant to this Section 14.5, including, as requested by the Indemnifying Party, making personal contacts with third party claimants, and promptly making available all records relevant to, and personnel of the City Indemnitee or the Lessee Indemnitee, as applicable, or their Affiliates that are knowledgeable concerning any claim for which indemnification is to be provided hereunder.

14.6 **Survival**. This Article XIV shall survive indefinitely.

14.7 **Mitigation**. The Party entitled to indemnification pursuant to the terms of this Article XIV shall take reasonable steps to mitigate all known liabilities and claims, including availing itself of any lawful defenses, limitations, rights of contribution, claims against third parties and other rights at law, and shall provide such evidence and documentation of the nature and extent of any liability as may be reasonably requested by the Indemnifying Party. Each Party shall act in a commercially reasonable manner in addressing any liabilities that may provide the basis for an indemnifiable claim (that is, each Party shall respond to such liability substantially in the same manner that it would respond to such liability in the absence of the indemnification provided for in this Operating Lease). Any request for indemnification of specific costs shall include invoices and supporting documents containing reasonably detailed information about the costs and/or damages for which indemnification is being sought.

14.8 **Limitation on Damages**.

14.8.1 No Party shall be liable for any indemnification hereunder unless the aggregate of all amounts for which indemnity would be payable (or have been paid) by such Party exceeds Five Hundred Thousand Dollars ($500,000) (the "Basket Amount"), but if the Basket Amount has been achieved, such Party shall be responsible for the amount of indemnifiable losses in excess thereof (subject to Section 14.8.2); provided, however, that the Basket Amount threshold on (a) the liability of the City provided for in this paragraph shall not apply (and instead first dollar indemnity shall apply) to indemnification for any Excluded Liability (including the PERA Liability and any Tenant Estoppels or Landlord Estoppels provided by the City pursuant to the terms of Section 12.3.6), and (b) the liability of the Lessee provided for in this paragraph shall not apply (and instead first dollar indemnity shall apply) to indemnification for any Assumed Liability.

14.8.2 The maximum liability of the City hereunder with respect to the indemnification obligations set forth in Section 14.4 will not exceed Fifty Million Dollars

($50,000,000), and the maximum liability of the Lessee hereunder with respect to the indemnification obligations set forth in Section 14.3 will not exceed Thirty Million Dollars ($30,000,000).

14.8.3 Notwithstanding anything to the contrary elsewhere in this Operating Lease, no liability cap shall apply to the Lessee's and the City's indemnity obligations with respect to Assumed Liabilities and Excluded Liabilities (including the PERA Liability), respectively.

14.8.4 Notwithstanding anything to the contrary elsewhere in this Operating Lease, a Party shall be liable for money damages pursuant to this Article XIV only to the extent that the aggregate amount of such damages exceeds the amount of insurance proceeds, if any, actually received by a Lessee Indemnitee or City Indemnitee, as applicable, in respect of such damages. In the event that (i) a Party pays (directly or through offset of any amounts as permitted hereunder) to any Lessee Indemnitee or City Indemnitee, as applicable, monetary damages pursuant to this Article XIV in full or partial satisfaction of the indemnification claim in respect of particular damages, and (ii) such Lessee Indemnitee or City Indemnitee, as applicable, later receives insurance proceeds in respect of such damages, such Lessee Indemnitee or City Indemnitee, as applicable, shall promptly pay to the City or the Lessee, as applicable, an amount equal to the amount (if any) by which the sum of the insurance proceeds so received in respect of such damages plus the amounts paid by the City or the Lessee, as applicable (directly or through offset of any amounts as permitted hereunder) to the Lessee Indemnitee or City Indemnitee, as applicable, pursuant to this Article XIV in respect of such damages exceeds the amount of such damages.

14.8.5 Notwithstanding anything to the contrary elsewhere in this Operating Lease, no Party to this Operating Lease (or any of its Affiliates) shall, in any event, be liable to the other Party (or any of its Affiliates) (a) to an extent or in a manner that is contrary to law, or (b) for special, consequential, punitive or exemplary damages, costs, expenses, charges or claims, pursuant to this Article XIV except to the extent that indemnifiable losses resulting from a third party claim include special, consequential, punitive, or exemplary damages, costs, expenses, charges or claims of the third party and then, only to the extent of such indemnifiable losses, subject however, to all of the other limitations set forth in this Operating Lease.

14.9 **Priority of Collection and Set-offs**. The indemnity obligations of the City pursuant to Section 14.4 shall be satisfied from the following sources in the following order, provided that the Lessee shall be entitled to recover funds directly from the City in the event the sources of funds below are not sufficient to fulfill the City's indemnity obligations hereunder:

(i) New Community Health Foundation or the MHS Enterprise, pursuant to the terms and conditions of Section 5.3 and the Foundation Guaranty, or the Escrow Account, as applicable; then

(ii) City General Reserve Fund or other available City accounts or revenues; then

(iii) Deductions from one or more Margin Sharing Payments payable pursuant to Section 3.3.

14.10 Indemnification as Sole Remedy. If the Closing has occurred, then with respect to the City Representation Damages and the Lessee Representation Damages, as the case may be, the sole and exclusive remedy of the Lessee and the City, respectively, shall be the indemnifications provided for under, and subject to the limitations set forth in, this Article XIV.

ARTICLE XV
RESTRICTION ON SALES

15.1 Subsequent Lessee Transactions.

15.1.1 Except for the transactions described in Section 15.1.2, on and after the Effective Date, if any of the following actions will result in the Lessee's or its successor entity's inability to materially fulfill the Lessee's obligations under this Operating Lease, the Lessee may not take such action without the prior approval of the City, which approval may be granted or withheld in the City's sole and absolute discretion:

(i) A sale, lease, sublease, assignment, transfer or other disposition of all or substantially all of the assets of the Lessee in one or more transactions or a series of related transactions;

(ii) A closure or change in the acute care hospital status of any of the MHS Hospitals; or

(iii) A merger, consolidation or direct or indirect change in control (including in connection with the issuance or sale of membership interests) pursuant to which a Person other than UC Health becomes the sole member of, or holds more than a majority of the membership interests in, the Lessee (subject to assignments otherwise permitted hereunder).

15.1.2 Notwithstanding anything in this Operating Lease to the contrary, the following transactions shall not be subject to the approval requirements of the Council set forth in Section 15.1.1 or any vote or approval of the registered electors of the City: (1) any transaction involving the admission of new members or other participants in UC Health, (2) any internal restructuring or reorganization of UC Health, (3) any transaction in which UCHA is a principal participant, and the surviving entity that owns or controls the Lessee remains a non-profit, academically-affiliated entity, or (4) any assignment of this Operating Lease (including transfer of Acquired Assets and MHS Operations) to New Memorial or any subsequent assignment and transfer to UC Health or its members or Affiliates, or (5) any sublease or assignment of a portion of the Lessee's interest in the MHS Facilities as permitted under Section 7.3.

15.1.3 In the event that the Lessee should assign or sublet all or any part of its rights and obligations hereunder, including the Children's Sublease described in Section 7.3, the Lessee shall continue to be liable to the City for the performance of all obligations and duties which are the responsibility of the Lessee under the terms hereof.

15.2 **Remedies for Breach**. If the Lessee takes any action set forth in Section 15.1 in violation of the terms of this Article XV, the City may pursue all remedies available to it for breach by the Lessee pursuant to the terms of this Operating Lease, provided that the Parties agree that if such violation results in a prohibited assignment or transfer of this Operating Lease to a third party, such assignment shall be null and void.

15.3 **Survival**. The provisions of this Article XV shall survive until such time as this Operating Lease is terminated pursuant to the terms hereof.

ARTICLE XVI
MISCELLANEOUS

16.1 **Parties, Assigns and Affiliates**.

16.1.1 All of the terms and provisions of this Operating Lease shall be binding upon and inure to the benefit of and be enforceable by the Parties and their respective successors and, subject to Articles V, VII and XV of this Operating Lease, permitted assigns who shall be subject to the terms and provisions of this Operating Lease to the extent provided in this Operating Lease. With respect to the MHS Facilities, each provision of this Operating Lease shall be a covenant running with the land and shall extend to and shall bind and inure to the benefit of the Parties and their respective legal representatives, successors in interest and assigns.

16.1.2 Notwithstanding the foregoing, and subject expressly to the Lessee's rights in Article VII, no Party may assign this Operating Lease or any of such Person's rights, interests or obligations hereunder without the prior written consent of the other Party, provided that (i) the Lessee may assign its rights, interests and obligations under the Lease to UC Health or to a wholly-owned Affiliate, or in connection with an assignment of this Operating Lease to New Memorial as contemplated herein and in the Integration Agreement (ii) the Lessee may assign and sublet its interests in accordance with Section 4.5.1 and Article VII, and (iii) the City may transfer all or any portion of the MHS Facilities in accordance with Section 5.9, and this Operating Lease shall be assigned in connection with such transfer, provided that the transferee assumes the City's rights and obligations under this Operating Lease.

16.1.3 As used in this Operating Lease and the Integration Agreement, the term "Affiliate" means as to the Party in question, any Person that directly or indirectly Controls, is controlled by, or is under common control with, the Party in question and any successors or assigns of such Persons and with respect to such Party; *provided, however*, for purposes of this definition (i) neither Colorado Access, Children's Hospital nor the University of Colorado shall be deemed to be an "Affiliate" of the Lessee, New Memorial, UC Health or UCHA, (ii) Memorial Health System Foundation shall not be deemed to be an "Affiliate" of the City, (iii) the City shall not be deemed an "Affiliate" of the Lessee, UC Health or any of their Affiliates by virtue of any rights granted to the City under this Operating Lease, the Integration Agreement or any other agreement entered into by the City in connection with the Transactions, (iv) MHC shall be deemed to be an Affiliate of MHS and the City, and all enterprises of the City, including the MHS Enterprise, and New Community Health Foundation (if formed pursuant to Section 5.3) shall be deemed to be Affiliates of the City, and (v) UC Health, PVHS, UCHA and New Memorial shall each be deemed to be Affiliates of each other. For purposes of this definition,

"Control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used herein, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, (i) through the ownership of voting securities, partnership interests or other equity interests, and/or (ii) with respect to a nonprofit corporation, (a) holding more than a fifty percent (50%) membership interest in such Person or (b) having the right (pursuant to the Person's organizational documents), directly or indirectly, to (x) appoint more than fifty percent (50%) of the Person's governing body, or (y) remove more than fifty percent (50%) of the members of the Person's governing body.

16.2 Authorization of the Lessee to Act as if it were Fee Owner. The City hereby authorizes the Lessee, at the sole discretion of the Lessee, to act as if the Lessee were the owner of the fee simple title to the Owned Real Property for the purpose of obtaining any and all zoning or building or similar permits, consents or approvals, tax divisions and certifications of tax exempt status, negotiating agreements with public and private utilities, and any and all other documents or approvals required by or from any Governmental Entity exercising jurisdiction over all or part of such Owned Real Property as the Lessee, in its sole discretion, shall from time to time deem necessary or appropriate in order to carry out the purposes of MHS. Nothing in this Section 16.2 shall be deemed or construed as in any way limiting or amending obligations of the City under Section 16.10 to cooperate with the Lessee in order to enable the Lessee to exercise its rights hereunder. The City, in its capacity as Lessor hereunder (but not in its regulatory capacity, police capacity or other governmental capacity), covenants and agrees with the Lessee, upon reasonable request from the Lessee or Children's Hospital (during the term of the Children's Sublease), from time to time, to cooperate as permitted by law in connection with the potential redevelopment of the Real Property by the Lessee or Children's Hospital, as applicable, and to take such other actions as may be reasonably necessary or appropriate in connection with the Lessee's or Children's Hospital's redevelopment of the Real Property; provided that such redevelopment shall be in compliance with the terms of this Operating Lease and the Children's Sublease.

16.3 Governing Law; Venue.

16.3.1 This Operating Lease has been executed and will be consummated in the State of Colorado. Accordingly, this Operating Lease 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.

16.3.2 The Parties agree that any suit, action or proceeding with respect to this Operating Lease 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 Operating Lease, 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 the laying of the venue of any such suit, action or proceeding brought in an inconvenient forum.

16.4 **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, Suite 1690
St. Louis, Missouri 63105

If to the Lessee, 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 copies to:

Wallis S. Stromberg
Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, Colorado 80202

and

University of Colorado Hospital Authority
Attention: John Harney
President and Chief Executive Officer
12401 E. 17th Avenue, Mail Stop F448
Leprino Building, Suite 1044
Anschutz Medical Campus

Aurora, Colorado 80045

and

University of Colorado Hospital Authority
Attention: Carla LaRosa
Associate General Counsel
12401 E. 17th Avenue, Mail Stop F415
Leprino Building, Suite 1066
Anschutz Medical Campus
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 if personally delivered or sent by courier (or delivery is refused). 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.

16.5 **Entire Agreement**. This Operating Lease (including the Schedules and Exhibits attached hereto), together with the Standstill and Cost Reimbursement Agreement dated January 19, 2012 by and among the City, UC Health and UCHA (the "Standstill and Cost Reimbursement Agreement"), the Integration Agreement and the Non-Disclosure Agreement between the City, UC Health and UCHA dated January 19, 2012, and all other agreements and documents executed in connection with this Operating Lease, 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.

16.6 **Amendments**. No amendment, alteration or modification of this Operating Lease 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.

16.7 **Counterparts; Electronic Transmission**. This Operating Lease 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 Operating Lease.

16.8 Representations as to Knowledge. In each and every case in this Operating Lease where a statement is made to the "knowledge" or "belief" of a Party or words of similar import is made, such knowledge or belief shall be deemed to mean (a) with respect to the City, the knowledge or belief in good faith of the members of the Council, the Person(s) responsible for the property or facilities management and real estate of MHS, and those individuals set forth on Schedule 16.8 attached hereto, or (b) with respect to the Lessee, the Board of Directors of the Lessee and the Board of Directors of UC Health and those individuals set forth on Schedule 16.8. The term "Real Property Knowledge" as used in Section 10.14 also includes the knowledge or belief in good faith of the MHS facility manager or managers. The Parties acknowledge that the individuals named above are named solely for the purpose of defining the scope of knowledge or belief ascribed to a Party and not for the purpose of imposing any liability on such individuals.

16.9 Headings; Terms. The section headings contained in this Operating Lease are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Operating Lease. 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 Operating Lease unless indicated otherwise.

16.10 Further Assurances. At or after the Effective Date, the Parties, at the reasonable request of a Party and without further consideration (except to the extent set forth in the Standstill and Cost Reimbursement Agreement), shall promptly do each and every act and thing as may be necessary or reasonably desirable to consummate the Transactions and to effect an orderly transfer to the Lessee of the MHS Facilities, the Acquired Assets and Assumed Liabilities, 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 carry out or evidence the terms of this Operating Lease, in addition to those otherwise required by this Operating Lease, in form and substance reasonably satisfactory to the requesting Party; (b) furnishing information and copies of documents, books and records; (c) filing reports, returns, applications, filings and other documents and instruments with any person; (d) assisting in responding to any inquiry of any person with respect to the sale of products or provision of services prior to the Effective Date; (e) 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; (f) cooperating with each other and making available to the other, as reasonably requested by the other Party, all information, records or documents relating to Tax liabilities or potential Tax liabilities of the applicable Party with respect to MHS Operations for all periods and preserving all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof; (g) 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 and (h) filing, within three (3) months of the Effective Date, with the Internal Revenue Service of the Form 1023 application for New Memorial to be qualified as an exempt organization described in Section 501(c)(3) of the Code. The City acknowledges that on

and after the Effective Date, the Lessee and/or any of UC Health, UCHA or their Affiliates (including UC Health Affiliates) may enter into one or more financings (including acquisition financings) in connection with the Transactions or the obligations of the UC Health Parties hereunder, subject to and in accordance with the terms of this Operating Lease, and the City agrees to promptly provide any landlord estoppels or other similar documentation requested by any lenders in connection with such financings.

16.11 Consented Assignment. Notwithstanding anything contained herein to the contrary, this Operating Lease shall not constitute an agreement to assign any claim, right, Contract, license, lease, commitment, sales order or purchase order if an attempted assignment thereof without the consent of the other party thereto would constitute a breach thereof or in any material way adversely affect the rights of the City or MHS thereunder, unless such consent is obtained. Each Party shall use its commercially reasonable efforts to obtain any third party consent to the Transactions or to any assignment of Assumed Contracts to the Lessee to which such consent is required. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially and adversely affect the rights thereunder of the City or MHS so that the Lessee would not in fact receive all such rights, such contract shall be an Excluded Contract, and the City and the Lessee shall cooperate in good faith to establish a reasonable arrangement designed to provide the Lessee with the benefits under any such claim, right, Contract, license, lease, commitment, sales order or purchase order. Notwithstanding the foregoing, other than obtaining the consents and approvals required by Section 12.3, obtaining the third party consents described in this Section 16.11 shall not be a condition precedent to any Party's obligation to close the transactions contemplated by this Operating Lease.

16.12 Waiver. No waiver by any Party of any default, misrepresentation or breach of any warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder 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.

16.13 Severability. The invalidity or unenforceability of any term or provision of this Operating Lease 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.

16.14 Remedies Cumulative; Equitable Relief. Except as otherwise stated herein, all remedies of a Party under this Operating Lease are cumulative with each other and with any other remedies available at law, in equity or by contract. Any decision to pursue one remedy will not prevent a Party from pursuing any other remedy at the same or any subsequent time. Notwithstanding the provisions of Section 16.19, a Party shall be entitled to seek at any time temporary and permanent injunctive or other equitable relief before a court of competent jurisdiction in the event that another Party's actions are reasonably likely to cause irreparable material harm to such Party's business and operations, or the health and safety of MHS patients or employees.

16.15 Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Operating Lease are incorporated herein by reference and made a part hereof. Each Party agrees to act in good faith to assure that its Schedules are comprehensive, accurate and complete. Each Schedule annexed hereto on the date hereof shall be updated as necessary so that such Schedules are complete and accurate as of the Effective Date. To the extent any Schedules are not so updated, they shall be deemed to contain the information as attached to this Operating Lease on the Execution Date.

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

16.17 No Third Party Beneficiaries. This Operating Lease is for the benefit of the Parties only; this Operating Lease is not for the benefit of, nor shall it be construed to be for the benefit of or enforceable by or to create a basis for a claim by, any third parties, directly, as citizens, as purported third party beneficiaries, or otherwise.

16.18 Recording of County Interests. On or promptly following the Effective Date, the Parties shall execute and deliver to the El Paso County Clerk and Recorder a copy of a this Operating Lease for recordation against each MHS Facility to evidence the terms of this Operating Lease. Promptly following each event that changes the MHS Facilities from those in existence as of the Effective Date, the Parties shall also execute and deliver, to the appropriate governmental agency, a memorandum or other document mutually and reasonably acceptable to the Parties that releases an MHS Facility from the terms of this Operating Lease or applies the terms of this Operating Lease to a new or changed MHS Facility, as the case may be.

16.19 Dispute Resolution. If a Party believes there is a material dispute arising from or relating to any breach of, or violation or failure to adhere to the terms of, this Operating Lease (a "Dispute"):

(a) Such Party may send the other Party a notice of such Dispute and the Parties shall first act in good faith and use their good faith efforts to reconcile the Dispute, including by referring the matter for discussion and resolution by those persons with management authority and/or primary responsibility over the area and matters that are the subject of such Dispute.

(b) If the Parties are unable, after exercising their good faith efforts to resolve the Dispute within a reasonable period of time, not to exceed thirty (30) days from the date of receipt of the notice of such Dispute from another Party, the Dispute shall be submitted for resolution by a committee comprised of two (2) representatives selected by the City and two (2) representatives selected by UC Health ("Dispute Resolution Committee").

(c) If the Dispute Resolution Committee cannot devise a resolution mutually satisfactory to the Parties within thirty (30) days after being appointed, then either Party shall have the right, in its sole and absolute discretion, to submit the Dispute to a court of competent jurisdiction in accordance with Section 16.3, provided however, that any Party who fails within one (1) year after the Dispute Resolution Committee is appointed to submit such Dispute to a court of competent jurisdiction shall be deemed to have covenanted not to sue with respect to such Dispute.

16.20 Set-offs by the Lessee. Prior to the Lessee's exercise of its rights under Section 14.9 of this Operating Lease to abate, offset or reduce any amounts payable by the Lessee hereunder (including such rights arising in connection with the City's indemnity obligations hereunder or due to City breach), Lessee shall provide written notice to the City Representative of the Lessee's intent to offset such amounts. If the City objects to or disputes such set-offs, then the Parties shall submit the issue to an accelerated arbitration process under the authority of a mutually agreed organization, and Lessee's right to such set-offs shall be subject to a final arbitral award or determination permitting such abatement, offset or reduction following such arbitration process. If the City Representative fails to deliver an objection to the Lessee's proposed set-offs within fifteen (15) days following receipt of Lessee's notice of same, the proposed set-off shall be deemed to be accepted by the City, and the Lessee may exercise its rights under this Operating Lease with respect to such set-offs, reductions or abatements, as applicable.

16.21 Representatives. Wherever the City's or Lessee's approval, consent, agreement or any other action is called for under this Operating Lease, including in connection with circumstances that may give rise to a Dispute, such approval, consent, agreement or any other action will be exercised or communicated by the applicable Representative(s) of the City or Lessee, as such Representatives are identified on Schedule 16.21. The designation of a Party's Representative may be changed by such Party by delivery of written notice of such change to the other Parties pursuant to the notice provisions of this Operating Lease.

IN WITNESS WHEREOF, the Parties hereto have executed or caused the execution of this Operating Lease as of the date 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:_____
Its:_____
Date: _____

STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this __ day of _____, 2012 by _____as _____of CITY OF COLORADO SPRINGS, a home rule city and municipal corporation duly organized and existing under the laws of the State of Colorado.

Witness my hand and official seal.

My Commission expires: _____

_____
Notary Public

[SEAL]

[Signature Page to Health System Operating Lease Agreement]

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:_____
Its:_____
Date: _____

STATE OF COLORADO)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this __ day of _____, 2012 by _____as _____of CITY OF COLORADO SPRINGS, a home rule city and municipal corporation duly organized and existing under the laws of the State of Colorado.

Witness my hand and official seal.

My Commission expires: _____

_____
Notary Public

[SEAL]

APPROVED AS TO FORM:

By:_____
Name: Christopher J. Melcher
Title: City Attorney
Date: _____

[Signature Page to Health System Operating Lease Agreement]

LESSEE:

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

By:_____
Name: Rulon Stacey
Its: President and Chief Executive Officer
Date: _____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this __ day of _____, 2012 by Rulon Stacey as President and Chief Executive Officer of POUDRE VALLEY HEALTH CARE, INC., a Colorado nonprofit corporation.

Witness my hand and official seal.

My Commission expires: _____

_____
Notary Public

[SEAL]

[Signature Page to Health System Operating Lease Agreement]

NEW MEMORIAL:

UCH-MHS, a Colorado nonprofit corporation, for the purposes of UCH-MHS's representations and warranties made in Section 11.1 and Section 7.2 (until the Transition Date), and for all purposes of this Operating Lease as the "Lessee" following the Transition Date.

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

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this __ day of _____, 2012 by Bruce Schroffel as President and Chief Executive Officer of MHS, a Colorado nonprofit corporation.

Witness my hand and official seal.

My Commission expires: _____

_____
Notary Public

[SEAL]

[Signature Page to Health System Operating Lease Agreement]

UC HEALTH:

THE UNIVERSITY OF COLORADO HEALTH, a Colorado non-profit corporation, for the limited purposes of UC Health's representations made in Article XI of this Agreement

By:_____
Name: Bruce Schroffel
Its: Chief Executive Officer
Date: _____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this __ day of _____, 2012 by Bruce Schroffel as Chief Executive Officer of THE UNIVERSITY OF COLORADO HEALTH, a Colorado non-profit corporation.

Witness my hand and official seal.

My Commission expires: _____

_____
Notary Public

[SEAL]

[Signature Page to Health System Operating Lease Agreement]

Schedule 1.1

Index of Defined Terms

Defined Term	Section Where Defined
Accounting Arbitrator	3.1.4
Accounts Receivable	2.2.9
Acquired Assets	2.2
Affiliate	16.1.3
Agency Settlements	5.7
Assignment Agreement	12.1.14
Assumed Contracts	2.2.4
Assumed Contracts Assignment	12.1.13
Assumed Debt	10.26
Assumed Liabilities	3.6
Balance Sheet	10.7.7(iii)
Balance Sheet Date	10.7.7(iii)
Ballot	12.3.2
Basket Amount	14.8.1
Bill of Sale	12.1.12
Bond Opinion	5.5.3
Briargate	10.28
Buildings and Systems	10.14.4
Charter	Recital D
Children's Hospital	3.3.1
Children's Sublease	7.3
City	Preamble
City Indemnitees	14.3
City Representation Damages	14.3
City's Fundamental Representations	14.1.1(ii)
City's General Representations	14.1.1(iii)
City's Primary Representations	14.1.1(i)
Closing	13.1.1
Colorado Attorney General	12.3.1
Contracts	2.2.4
Control	16.1.3
Council	Recital B
Defeasance Documents	5.5.3
Defeasance Escrow Account	5.5.2
Dispute	16.19

Dispute Resolution Committee 16.19
Documents 2.2.13
Effective Date 13.1.1
Employment Loss 10.22
Encumbrances 2.2
Environmental Laws ..... 10.20.1(ii)
ERISA 10.17.1
Escrow Account 5.3
Escrow Agreement 5.3
Estimated Net Working Capital Amount 3.1.2
Estoppels 6.1
Event of Major City Default 13.5.1
Event of Major Lessee Default 13.4.1
Event of Non-Major City Default 13.5.2
Event of Non-Major Lessee Default 13.4.2
Event of Non-Viability 4.5.6
Excluded Assets 2.3
Excluded Contracts 2.3.8
Excluded Expansions 8.1.3
Excluded Liabilities 3.7
Excluded Names 2.3.6
Excluded Restricted Funds 2.3.5
Execution Date ..... Preamble
Expansion 8.1.3
Expansion of the MHS Facilities 8.1.3
Expansions 8.1.3
Expansions of the MHS Facilities 8.1.3
Extension Term 13.1.2
Final Net Working Capital Amount 3.1.5
Financial Statements 2.2
FMV Price 13.7.2
Foundation Guaranty 12.1.18
GAAP 10.7.2
Governmental Approvals 2.2.5
Governmental Entity 2.2.7
Government Programs 10.10.2
Hazardous Materials ..... 10.20.1(iii)
Historical Financial Information 10.7.1
Indemnifying Party 14.5.1
Initial Payment 3.1.1
Intellectual Property Assets 2.2.3

Integration Agreement ..... Recital H
Inventory 2.2.12
Landlord Estoppels 6.1
Leases 2.2.1
Leased Real Property ..... 2.1.1(ii)
Leased Real Property Assignments 12.1.11
Lender ..... 5.9.2(i)
Lessee ..... Preamble
Lessee's Election Notice 5.9.1
Lessee Indemnitees 14.4
Lessee's Fundamental Representations ..... 14.1.2(ii)
Lessee's Primary Representation ..... 14.1.2(i)
Lessee Representation Damages 14.4
Margin Sharing Payments 3.3
Material Contracts 6.8.1
Medicaid 10.10.1
Medicare 10.10.1
Minimum Annual Capital Expenditure Amount 3.5
MHC 10.28
MHS ..... Recital A
MHS Ancillary Businesses ..... Recital A
MHS Cash Balance 5.5.2
MHS Cost Reports 5.7
MHS Employees 3.6.4
MHS Enterprise 5.3
MHS Facilities 2.1.1
MHS Facility 2.1.1
MHS Hospital ..... Recital A
MHS Hospitals ..... Recital A
MHS Long-Term Debt Defeasance 5.5.2
MHS Operations ..... Recital A
MHS Plans 10.17.1
Monthly Lease Payments 3.2
Net Working Capital 3.1.2
New Memorial ..... Preamble
New Community Health Foundation 5.3
No Imposition Period 5.2.1
Note 13.7.3
Operating EBITDA 3.3.1
Operating Lease ..... Preamble
Outside Closing Date 13.3.1

Outstanding MHS Long-Term Debt 5.5.1
Owned Real Property ..... 2.1.1(i)
Operating Standard 4.5.2
Parties ..... Preamble
Party ..... Preamble
Payor Programs 3.6.8
PERA 10.17.1
PERA Contribution 3.4
PERA Liability 3.7.3
Permits and Approvals 10.8.1
Permitted Restrictions 2.1.2
Person 2.2.7
Personal Property 2.2.2
Pre-Effective Date Covenant Survival Period 6.14
Prohibited Imposition 5.2.1
Proposed Final Amounts 3.1.3
PVHS ..... Preamble
PVHS Financial Statements 11.5.1
Qualified Capital Expenditure 3.5.1
Qualified Capital Improvements 3.5
Real Property ..... 2.1.1(ii)
Real Property Knowledge 16.8
Release ..... 10.20.1(i)
Required Approvals 10.1
Required Hospital Approvals 12.3.5
Retained Debt 5.5.2
Schedules 10.30
Shared Services 2.2
Standstill and Cost Reimbursement Agreement 16.5
Subject Landlords 12.3.6
Subject Tenants 12.3.6
Target Net Working Capital Amount 3.1.2
Tax Returns 10.19.1
Taxes 3.6.5
Tenant Estoppels 6.1
Term 13.1.1
Termination Conveyance Assets 13.7
Transactions ..... After Recital K
Transition Date 7.2
Verification Agent 5.5.2
UC Health ..... Preamble

UC Health Affiliate 7.4.2
UCHA ..... Recital C
UCHA Financial Statements 11.5.1
UCHA Guaranty 12.2.12
Warranties 2.2.25
WARN Notices 6.9
Zoning Letters 10.8.5

Index of Schedules

Schedule Number	Schedule Title
1.1	Index of Defined Terms, Schedules and Exhibits
2.1.1(i)	Owned Real Property
2.1.1(ii)	Leased Real Property
2.1.2(ii)	Tax Liens and Other Permitted Restrictions
2.1.2(vi)	Description of ALTA Surveys for the Owned Real Property
2.1.2(viii)	Lien Encumbrances
2.1.2(ix)	B-2 Exceptions to Title
2.2	Shared Assets and Services
2.2.1	Leases
2.2.3	Intellectual Property Assets
2.2.4	Assumed Contracts
2.2.5	Governmental Approvals
2.2.6	Donations
2.2.7	Trust Rights
2.2.10	Certain Payments
2.2.14	Names
2.2.15	Business Interests
2.2.19	Insurance
2.3.2	Assets Owned by Vendors
2.3.5	Excluded Restricted Funds
2.3.6	Excluded Names
2.3.7	Excluded Assets
2.3.8	Excluded Contracts
3.1.2	Net Working Capital Calculation
3.6.1	Excluded Liabilities
3.6.3	Assumed Accounts Payable and Accrued Liabilities
3.6.4	Obligations with Respect to MHS Employees
3.6.6	MHS Employee Sick Benefits and Taxes
3.6.7	Obligations with Respect to MHS Plans
3.6.8	Obligations and Liabilities Related to Third Party Payors
3.6.10	Assumed Environmental Liabilities
3.6.11	Other Assumed Liabilities
3.7.5	Debt to be Satisfied Prior to the Effective Date
3.7.12	Other Excluded Liabilities
5.5	First Optional Redemption Dates
6.7.15	Estoppels
10.4	Legal Proceedings

10.5 ..... Outstanding Rights
10.7.1 ..... Historical Financial Information
10.7.3 ..... Liabilities
10.8 ..... Permits and Approvals
10.9 ..... Restrictions on Intellectual Property Assets
10.10 ..... Exceptions to Government Program Participation and Accreditation
10.11 ..... Regulatory Compliance
10.12 ..... Breaches Under Assumed Contracts; Restrictions on Assumed Contracts
10.13 ..... Furniture and Equipment
10.14.2 ..... Restrictions on Owned Real Property
10.14.3 ..... Third Party Leases; Rental Roll
10.14.4 ..... Building and Systems Maintenance
10.14.5 ..... Public Utility Notices; Management and Other Agreements
10.15 ..... Personal Property
10.16 ..... Insurance
10.17 ..... Employee Benefit Plans
10.18.1 ..... Labor Matters; Employee Relations
10.18.2 ..... Employment, Severance and Termination Agreements
10.18.3 ..... MHS Employees
10.19 ..... Tax Matters
10.20.2 ..... Environmental Matters
10.20.3 ..... Material Environmental Permits
10.22 ..... WARN Act
10.25 ..... Absence of Changes
10.26 ..... Assumed Debt
10.27 ..... Accounts Receivable and Accounts Payable
10.29 ..... City Advisor Fees
11.4 ..... Legal Proceedings Against the Lessee
12.1.18 ..... Notices to City Tenants
12.3.5 ..... Required Hospital Approvals
12.3.9 ..... MHS Pre-Closing Actions and Disclosures
16.8 ..... Individuals with Knowledge of City Representations and Real Property
16.21 ..... Representatives

Index of Exhibits

Exhibit Reference	Exhibit Title
A	Form of Integration Agreement
B	Form of Estoppel Certificate
C	Form of Limited Power of Attorney
D	Form of City's Officer's Certificate
E	Leased Real Property Assignments
F	Form of Bill of Sale
G	Form of Assumed Contracts Assignment
H	Form of Foundation Guaranty
I	Form of Notice to City Tenants
J	Form of Lessee's Officer's Certificate
K	UCHA Guaranty