May __, 2013

The University of Arkansas for Medical Sciences

Dear _____:

This Letter of Intent sets forth the non-binding (except as to Sections 8 through 16 which are binding) agreement in principle by and among St. Vincent Infirmary Medical Center d/b/a St. Vincent Health System, an Arkansas nonprofit corporation ("**SVHS**"), Catholic Health Initiatives, a Colorado nonprofit corporation ("**CHI**"), and The University of Arkansas for Medical Sciences, a component of the University of Arkansas ("**UAMS**"), regarding the terms and conditions of CHI or one of its affiliates providing certain services to UAMS pursuant to an agreement by and among CHI or one of its affiliates and UAMS (the "**Proposed Transaction**"). SVHS, CHI, and UAMS may be referred to in this Letter of Intent individually as a "**Party**" and collectively as the "**Parties**."

1. Background.

As one of the oldest and largest health systems serving central Arkansas, SVHS is a complete provider of cost-efficient, quality health care and, based on its mission, vision, core values, goals, and needs assessment, provides a comprehensive network of healthcare services to Little Rock, Sherwood and Morrilton and their surrounding communities. SVHS began its healing ministry to Arkansas in 1888 with the driving principle based on the same goal as that of the founding Sisters of Charity – to achieve excellence in all phases of health care with attention given to the divine mission of healing and that healing ministry continues through services offered to its patients

UAMS is a premier clinically integrated health network that is boldly transforming the State of Arkansas by educating the best and brightest health care professionals, expanding research and translating it to the bedside, and attracting world-class doctors, nurses and health care associates, and that proudly serves the State of Arkansans and a broader community with exceptional facilities, specialized services, performance, models of care, technology, and innovations in education, research, and quality. UAMS's rich heritage dating back to the 1880s demonstrates its commitment to providing exceptional value (quality, service, safety, and cost) to its patients, reducing the incidence of disease, eliminating inequities in health and health care, collaborating with partners and stakeholders, and serving as a major economic engine for the State of Arkansas.

The Parties share a special and common commitment to patient care, biomedical research and the education of the next generation of healthcare providers. To that end, while the initial affiliation of SVHS and UAMS will consist of CHI providing certain shared services to UAMS, the Parties intend to fully integrate SVHS's and UAMS's facilities and services into a single network entity (the "**Network Entity**"). With the goal of full integration of SVHS and UAMS into the Network Entity, the Parties have established and agreed to a common vision and value

proposition for the Network Entity to demonstrate the benefits that the Network Entity would offer to the people of the State of Arkansas.

a. Vision

The Network Entity will advance the Parties' shared vision and purpose of improving the health and health care of the people of the State of Arkansas by:

- Providing world-class, value-based care that improves the overall health of the people the Parties serve;
- Improving access to health care programs, services, and providers;
- Educating the best and brightest health care professionals;
- Expanding research and translating it to the bedside; and
- Attracting world class physicians, nurses, and other health care professionals to Arkansas.

b. Value Proposition

The Parties believe that there is tremendous value for the people of the State of Arkansas in a potential affiliation between UAMS and SVHS knowing that they have always been close neighbors, including the following value propositions for the benefit of Arkansas residents:

- Boldly transform health care delivery;
- Respect the legacy and missions of both organizations;
- Strengthen the focus on population health and truly creating healthier communities;
- Impact the "triple aim"
    - Improve health care quality
    - Improve the patient experience
    - Reduce costs;
- Expand and enhance medical education and research;
- Build on existing strengths that complement SVHS and UAMS;
- Develop a platform to engage physicians, hospitals, and other health care providers in meaningful partnerships;
- Advance the economic impact of health care in central Arkansas and throughout the State.

2. <u>Shared Support Services.</u>

In an effort to improve cost effectiveness, the Parties will enter into an agreement pursuant to which CHI or one of its affiliates will provide certain support services (the "**Shared Services**") to UAMS, including the following Shared Services:

a. Group purchasing through CHI's group purchasing organization, HPG;

b. Revenue cycle services provided through CHI's affiliate Conifer Health Solutions; and

c. Patient information services through Epic and the implementation of CHI's information technology platform.

3. **Arkansas Health Network**.

As part of the Proposed Transaction, UAMS will exclusively join the Arkansas Health Network by becoming a participating member.

4. **Definitive Proposals**.

By July 1, 2013, UAMS will submit definitive and collaborative proposals to CHI and SVHS, with guaranteed timelines for implementation, which discuss and outline the development of plans relating to: (1) clinical integration to improve patient care quality and cost-effectiveness, including UAMS exclusively joining the Arkansas Health Network as a participating member, (2) clinical support services to improve service delivery and reduce the costs of care by means of coordinating, collaborating or combining parts of programs, and (3) the development of the Network Entity for, among other reasons, effective payor contracting that is clinically and financially integrated to achieve efficiencies. The Parties desire to fully integrate their respective hospitals and related facilities into the Network Entity as soon as possible following the closing of the Proposed Transaction.

5. **Funding for Activities of the Network Entity**.

Upon the full integration of the hospitals, facilities, and physician clinics of UAMS and SVHS into the Network Entity, CHI will make a significant investment in education, research, and clinical care in the Network Entity by (a) the Parties entering into an Academic Affiliation Agreement under which UAMS will make certain academic programs available to CHI, and CHI providing consistent funding for a defined time period to be mutually agreed upon by the Parties (assuming current state funding levels) after the full integration of UAMS and SVHS into the Network Entity; (b) the Parties entering into a Research Affiliation Agreement under which UAMS will make certain research programs available to CHI, and CHI providing consistent funding for a defined time period to be mutually agreed upon by the Parties after the full integration of UAMS and SVHS into the Network Entity; and (c) CHI providing additional support for clinical care and capital needs based on the EBIDA performance of the Network Entity for a defined time period to be mutually agreed upon by the Parties after the full integration of UAMS and SVHS into the Network Entity.

[Legal Compliance Considerations: UBIT, Antitrust, Rev. Proc. 97-13]

6. **Fees.**

In exchange for CHI providing the Shared Services to UAMS, UAMS will pay CHI fees in an amount to be mutually agreed upon by the Parties, including, without limitation, a management fee that will take into account the revenue enhancement, cost savings, and capital savings that UAMS will derive from CHI providing the Shared Services to UAMS.

7. Definitive Agreement.

The Definitive Agreement for the Proposed Transaction will include, among other things, customary representations and warranties of the parties and customary covenants, conditions and indemnities, mutual access to information, coordination in defense of claims, responsibilities for liability, all as negotiated by the Parties.

8. Access.

UAMS acknowledge that CHI and SVHS have only had limited access to information about the business and prospects of UAMS, its affiliates, and the Proposed Transaction remains subject to completion by CHI and SVHS of due diligence. Nevertheless, the Parties share the goal of completing the Proposed Transaction within 90 days following the execution of this Letter of Intent and are, therefore, committed to commencing, cooperating in and completing the due diligence process within a timeframe that accommodates that goal. Accordingly, promptly following the execution of this Letter of Intent, UAMS will permit CHI, SVHS, and their respective representatives full and complete access to inspect and appraise UAMS's assets and business prospects as they relate to the Proposed Transaction; provided, however, that all such access shall be coordinated with UAMS representatives in such a manner that will not unduly interfere with the normal business operations of UAMS and its affiliates. Such access will include access to UAMS senior executive leadership. Additionally, UAMS will make available all books, agreements, papers, records and other documentation relating to the operation of UAMS and its affiliates as applied to the Proposed Transaction, all of which information shall remain subject to the Confidentiality Agreement among the Parties dated _____ (the "**Confidentiality Agreement**"). Additionally, in exchanging information during the due diligence process, the Parties shall adhere to mutually agreed upon guidelines that comply with applicable antitrust laws and regulations.

9. Term.

The term of this Letter of Intent shall commence on the date first above written and will continue by its terms until superseded by the Definitive Agreements concerning the Proposed Transaction, unless sooner terminated. Any Party may terminate this Letter of Intent and the negotiations with respect to the Proposed Transaction at any time following thirty (30) days prior written notice to the other Parties. This Letter of Intent shall automatically terminate, unless extended in writing among the Parties, if the parties have not entered into a Definitive Agreement on or prior to _____, 2013. If this Letter of Intent is extended beyond _____, 2013, the dates referenced in other sections of this Letter of Intent shall be deemed to be similarly extended. Termination of this Letter of Intent shall not affect the parties' obligations under the Confidentiality Agreement or any other agreement entered into among the Parties.

10. Expenses.

Each Party shall bear its own expenses including any due diligence costs in connection with the transaction contemplated by this Letter of Intent as well as the implementation of this Letter of Intent regardless of whether Definitive Agreement is executed.

11. Public Announcements.

Any and all public announcements concerning the transactions contemplated by this Letter of Intent shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally in this regard, without the prior written approval of the other Parties, which shall not be unreasonably withheld.

12. Counterparts.

This Letter of Intent may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter of Intent and all of which when taken together will be deemed to constitute one and the same agreement. Facsimile or email transmission of a true scanned copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

13. Confidentiality.

All information concerning any Party or its operations which is obtained by any other Party prior to the closing, pursuant to the terms of this Letter of Intent or otherwise, and which is Confidential Information as defined in the Confidentiality Agreement, shall be confidential and shall remain subject to the confidentiality restrictions of the Confidentiality Agreement, which confidentiality provisions shall continue in full force and effect and which provisions are incorporated by reference into this Letter of Intent. If this Letter of Intent is terminated prior to closing for any reason whatsoever, each Party shall treat all Confidential Information in accordance with the terms of the Confidentiality Agreement.

14. Notices.

Any notices delivered under this Letter of Intent shall be deemed delivered when personally delivered, or five days after they are deposited with the United States Postal Service, certified mail, return receipt requested, or upon delivery by reputable overnight carrier with signature upon receipt required, addressed to the parties at their addresses set forth below. Any Party may change the address to which notices are to be sent by mailing written notice thereof to the other Parties as provided in this Letter of Intent.

If to CHI or SVHS:

Mark Parrington, FACHE
Vice President, Strategic Transactions
198 Inverness Drive West
Englewood, Colorado 80112
markparrington@catholichealth.net

Timothy E. Gorman, Esq.
Vice President - Legal Transactions/Senior Counsel
198 Inverness Drive West
Englewood, Colorado 80112
timgorman@catholichealth.net

If to UAMS:

15. Entire Agreement; Amendment; Counterparts.

This Letter of Intent and the Confidentiality Agreement contain the entire understanding between the Parties with respect to the transactions contemplated and described within and there are no representations, warranties, covenants or undertakings other than those expressly set forth in this Letter of Intent. Modification or waiver of any of the binding provisions of this Letter of Intent shall be effective only if made in writing and executed by all of the Parties. This Letter of Intent may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement. Executed versions of this Letter of Intent may be delivered by facsimile or e-mail transmission, either or both of which will constitute delivery of an original.

16. Non-Binding.

Except for the provisions of Sections 8 through 16 hereof, which shall be binding on the Parties, this Letter of Intent is not intended to be a binding agreement and shall not give rise to any obligations among the Parties and no binding contractual agreement shall exist among them unless and until the Parties shall have executed the Definitive Agreement. Any Party may for whatever reason, with or without cause, terminate this Letter of Intent and further negotiations by written notice to the other Party as described in Section 9. In such event, there shall be no liability among the Parties as a result of the execution of this Letter of Intent, any action taken in reliance thereon, or any termination of this Letter of Intent in accordance with the terms herein, except with respect to the provisions of Sections 8 through 16 hereof.

[*The rest of this page is left intentionally blank; signature page to follow.*]

Please indicate your approval of the terms and conditions of this proposal and your intention to enter into these negotiations by executing and returning one fully executed copy hereof to CHI and SVHS. We look forward to a successful and mutually beneficial relationship with respect to the Proposed Transaction and the development of the Network Entity.

Sincerely,

Mark Parrington, FACHE
Vice President, Strategic Transactions
Catholic Health Initiatives

Peter Banko
President and Chief Executive Officer
St. Vincent Infirmary Medical Center d/b/a St. Vincent Health System

Agreed to on behalf of UAMS:

By: _____
Name:_____
Title:_____