

AFFILIATION AGREEMENT

BETWEEN

SETON HEALTHCARE

AND

THE BOARD OF REGENTS OF

THE UNIVERSITY OF TEXAS SYSTEM

AND

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER

AT DALLAS

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EXHIBITS:

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EXHIBIT B	EXISTING SETON/U.S. MILITARY GME PROGRAMS
EXHIBIT C	NON-COMPETITION COVENANT
EXHIBIT D	UTMB MEDICAL STUDENT AGREEMENT
EXHIBIT E	EXISTING SETON UNDERGRADUATE MEDIAL EDUCATION PROGRAMS
EXHIBIT F	EXCLUSIVE ARRANGEMENTS

DRAFT

DEFINITIONS:

The words used in this Agreement should be interpreted according to commonly accepted definitions. When words are identified which require further definition, such definitions are included in this DEFINITIONS section and/or in the pertinent sections of this Agreement.

“ACGME” means Accreditation Council for Graduate Medical Education.

“Agreement” means this Affiliation Agreement and all amendments to this Affiliation Agreement.

“AMEP” means Austin Medical Education Program.

“Board of Regents” means the Board of Regents of The University of Texas System as set forth in Section 65.11 of the Texas Education Code.

“Business Activities” means, individually and collectively, the UTSW/Seton GME Programs and Material Clinical Programs and/or Services engaged in from time-to-time by UTSW, UT Administration, UT System Institutions, Seton, or Seton Affiliates. .

“Center” means the Seton/UT Southwestern Center for Clinical Investigation to be developed pursuant to this Agreement as described in the Guiding Principles and in Section 8.2.

“Clinical Program/Services Plan” has the meaning set forth in Section 7.2.

“Clinical Programs and/or Services” means those clinical programs and services conducted within the Seton Service Area for the purpose of providing hospital and physician diagnostic, therapeutic, wellness, health maintenance, and surgical services to individuals requesting such services on an inpatient, outpatient, or ambulatory care basis.

“Clinical Research Plan” has the meaning set forth in Section 8.1.2.

“Clinical Research Programs” means clinical research activities conducted within the Seton Service Area relating to patient-focused and translational studies in the medical field, which programs may include the preparation and submission of research grant proposals.

“Confidential Information” has the meaning set forth in Section 17.3.

“Contractual Dispute” has the meaning set forth in Section 16.1.

“Development Plans” means the GME Program Plan, Clinical Program/Services Plan, and Clinical Research Plan.

“DIO” has the meaning set forth in Section 6.2.2.

“Effective Date” means November 30, 2009.

“Ethical and Religious Directives” means the Ethical and Religious Directives for Catholic Health Care Services as promulgated by the United States Conference of Catholic Bishops.

“Existing UTSW/UT System Institutions Clinical Programs and/or Services” has the meaning set forth in Section 12.4.1.

“Exclusive Arrangements” shall mean the exclusive arrangements Seton has contractually in place with physicians or physician groups dated prior to the Effective Date and referenced in Exhibit F.

“GME” means graduate medical education.

“GME Program Plan” has the meaning set forth in Section 6.1.2.

“Guiding Principles” has the meaning set forth in the Recitals, Purposes, and Guiding Principles.

“Initial GME Programs” means the GME programs sponsored and operated by UTMB and/or AMEP prior to the Effective Date as identified in Exhibit A, to be transitioned to the Sponsorship of UT Southwestern.

“Initial Term” has the meaning set forth in Section 13.2.

“Institutional Documents” means a Party’s governing documents, including its enabling law (if any), certificate of formation, articles of incorporation, and bylaws, and its policies, procedures, rules, regulations, and medical staff or faculty bylaws, rules, regulations, policies, and procedures, as any of these may be approved, adopted, amended, or modified from time to time and furnished or publicly available to the other Party or Parties.

“IRB” means an Institutional Review Board described in Section 8.1.3.

“Joint Conference Council” has the meaning set forth in Section 4.

“LCME” means the Liaison Committee on Medical Education.

“License Agreement” has the meaning set forth in Section 11.2.

“Material Breach” has the meaning set forth in Section 14.2.

“Material Clinical Program and/or Service” means a Clinical Program and/or Service which is identified or promoted by use of Seton’s, UT Southwestern’s, a UT System Institution’s or the Board of Regent’s name, or for which the Parties are using the affiliation relationship set forth in this Agreement as part of the public relations strategic plan described in Section 11.5.

“Material Governance Deadlock” has the meaning set forth in Section 14.3.

“Material Governance Dispute” has the meaning set forth in Section 14.3.1.

“Material Governance Matters” has the meaning set forth in Section 14.3.1.

“New Material Clinical Program and/or Service” has the meaning set forth in Section 7.1.

“New Seton Service Area GME Program” has the meaning set forth in Section 12.3.3.

“Parties” means Seton, UT Southwestern, and the Board of Regents acting through the UT System Administration.

“Program Directors” has the meaning set forth in Section 6.2.5.

“Regional Dean” has the meaning set forth in Section 6.2.1.

“RRC” means a Residency Review Committee of the ACGME.

“Seton” means Seton Healthcare.

“Seton Affiliate” or “Seton Affiliates” shall (i) include Ascension Health, one or more controlled non-profit health organizations certified by the Texas Medical Board pursuant to the Texas Occupations Code, Section 162.001, and all entities directly or indirectly owned, and/or controlled by Seton and/or operated under direct or indirect common ownership or control with Seton.

“Seton Service Area ” means, for adult services and programs, the eleven counties of Bastrop, Blanco, Burnet, Caldwell, Fayette, Gonzales, Hays, Lee, Llano, Travis, and Williamson, Texas, and shall mean for pediatric services and programs only, in addition to these eleven counties, the counties of Bell, Coryell, Lampasas, and Milam, Texas.

“Seton/UTSW Specialty Groups” has the meaning set forth in Section 3.12.

“SMCA” means Seton Medical Center Austin, currently located at 1201 West 38th Street, Austin, Texas.

“Sponsor,” “Sponsored,” or “Sponsorship” means the (i) designation of an institution as the sponsor of a GME program by the ACGME or other approved GME program accrediting bodies and/or (ii) the affiliation with, participation in, or assumption by an institution of material

responsibility for a GME program, including the provision of resources in support of resident or fellow education.

“Subsequent Term” has the meaning set forth in Section 13.3.

“Third Party Claim” has the meaning set forth in Section 5.6.3(1).

“UMCB” means University Medical Center Brackenridge, currently located at 601 East 15th Street, Austin, Texas.

“University Faculty” means the physicians providing services pursuant to this Agreement who have been approved by Seton and UT Southwestern, and satisfy the requirements set forth in this Agreement.

“University Faculty, Residents, and Fellows” means University Faculty and University Residents and Fellows.

“University Physicians Group” means Seton/UT Southwestern University Physicians Group, a Texas certified non-profit health organization.

“University Residents and/or Fellows” means the residents and fellows who are participants in the UTSW/Seton GME Programs and meet the requirements set forth in this Agreement.

“UT Austin” means The University of Texas at Austin.

“UT Indemnified Parties” has the meaning set forth in Section 5.6.1.

“UT Liabilities” has the meaning set forth in Section 5.6.2.

“UTMB” means The University of Texas Medical Branch at Galveston.

“UTMB Medical Student Agreement” has the meaning set forth in the Guiding Principles and as described in Section 11.6.

“UT Southwestern” or “UTSW” means The University of Texas Southwestern Medical Center at Dallas.

“UTSW/Seton Clinical Programs and/or Services” means those Clinical Programs and/or Services operated by or under the auspices of UT Southwestern and Seton pursuant to this Agreement.

“UTSW/Seton Clinical Research Programs” means those Clinical Research Programs operated by or under the auspices of UT Southwestern and Seton pursuant to this Agreement.

“UTSW/Seton GME Programs” means the GME programs Sponsored by UT Southwestern in affiliation with Seton in the Seton Service Area subsequent to the Effective Date, including the Initial GME Programs and New Seton Service Area GME Programs, as applicable.

“UT System Administration” means the central administration of The University of Texas System as set forth in Section 65.16 of the Texas Education Code.

“UT System Institutions” means the institutions in the system of higher education governed by the Board of Regents of The University of Texas System as set forth in Chapter 65 of the Texas Education Code.

“Wind Down Period” has the meaning set forth in Section 15.1.

AFFILIATION AGREEMENT

This is an affiliation agreement (“Agreement”) by and between Seton Healthcare, The University of Texas Southwestern Medical Center at Dallas, and the Board of Regents of The University of Texas System (Seton, UT Southwestern and, if specially required by the context in which it appears, the Board of Regents are also referred to individually as, “Party,” and collectively as, “Parties”).

1. RECITALS, PURPOSES AND GUIDING PRINCIPLES.

WHEREAS, UT Southwestern is (i) an academic sponsor of GME programs separately accredited either by the ACGME or by other approved GME program accrediting bodies for the educating and training of residents and fellows, (ii) conducts clinical and medical related research, and (iii) otherwise engages in efforts to improve care for the sick and injured and improve the health of the communities in which it provides services.;

WHEREAS, UT Southwestern’s GME programs are intended to provide residents and fellows with a variety of structured learning experiences, including provision of direct patient care services, which may include participation in various patient care programs at hospital facilities;

WHEREAS, Seton operates facilities primarily to provide medical and hospital care to people residing in the Seton Service Area, engages in educational and clinical research activities related both to the care of people who are sick or injured and to the promotion of health, and provides learning experiences for residents and fellows within Seton facilities;

WHEREAS, The University of Texas Medical Branch at Galveston (“UTMB”) and Seton currently have in place and operate the Initial GME Programs in the specialties and under the Sponsorship as listed and identified in Exhibit A;

WHEREAS, Seton desires to collaborate with UT Southwestern in support of the transition of the Initial GME Programs to sponsorship by UT Southwestern and the development, accreditation, and implementation of additional GME programs in the Seton Service Area, the number and type to be agreed upon subject to the provisions of this Agreement;

WHEREAS, in connection with this purpose, secondary resident rotation sites will be established as necessary in support of the Seton Service Area-based clinical services, GME, and clinical research programs as set forth in Section 6; and

WHEREAS, UT Southwestern and Seton (i) desire to establish and maintain a close working and long-standing affiliation relationship to provide the people of the Seton Service Area programs of excellence in GME, clinical services, and clinical research that will improve the accessibility of health care services and experiences in the Seton Service Area and to residents and fellows; (ii) share a common vision and goal with the UT System Administration for the future development of a medical school in Austin, Texas to include undergraduate medical education, GME, and clinical research; and (iii) agree to a set of principles, purposes, and objectives that should guide their cooperative actions and collaborative efforts to be carried out and accomplished through this Agreement; these guiding principles, purposes, and objectives (“Guiding Principles”) include:

- (A) UT Southwestern and Seton agree that the long-term goal of this affiliation is to establish a strong “academic medicine” presence by UT Southwestern in the Seton Service Area

that is based on a departmental structure within an academic medical center system and includes robust GME and clinical research programs and a comprehensive clinical practice;

- (B) UT Southwestern and Seton will jointly develop GME, clinical, and clinical research programs of the highest quality that will distinguish Seton and Seton Affiliates as primary GME teaching hospitals in the Seton Service Area, including UMCB, SMCA, and all other Seton facilities;
- (C) The central academic components of this affiliation will be developed in a manner to foster the fullest participation of all Seton facilities, UT Austin faculty, and other community health providers consistent with this Agreement. While the programs located at UMCB and SMCA currently serve as locations for the delivery and development of academic medicine programs at Seton, the Parties acknowledge that UMCB and SMCA alone are not sufficient for the further development of subspecialty GME training programs and academic departments, as contemplated by UT Southwestern and Seton;
- (D) With the exception of certain Seton relationships with United States military-sponsored GME programs existing on the Effective Date and identified in Exhibit B, UT Southwestern shall be the exclusive academic sponsor for GME programs affiliated with Seton in the Seton Service Area;
- (E) Seton and UT Southwestern will develop and guide the expansion of a new Seton/UT Southwestern Center for Clinical Investigation (“Center”) that is based on the recruitment of new UT Southwestern faculty to support a range of clinical research studies (e.g., clinical trials, health services and quality initiatives, health economic studies) based in

Austin, and thereby serve as a regional resource for patients, physicians, and UT Southwestern and UT Austin partners;

- (F) Seton and UT Southwestern will promote laboratory-based investigative research in areas of translational interest, especially where it would facilitate meaningful associations between Seton, UT Southwestern, UT Austin, and other UT System Institutions;
- (G) UT Southwestern and Seton shall not modify this Agreement or any of its provisions unilaterally but shall use the procedures set forth in this Agreement to jointly and collaboratively make decisions pertaining to the Agreement that foster the goals of the affiliation;
- (H) A separate agreement between and among UT Southwestern, Seton, and UTMB will be developed regarding the training of UTMB medical students at Seton facilities (“UTMB Medical Student Agreement”);
- (I) Seton and UT Southwestern will work to ensure that the GME programs currently in place and to be developed in the course of the affiliation will remain in good standing and in compliance with the requirements of applicable accreditation organizations, including, but not limited to, the ACGME;
- (J) Seton and UT Southwestern commit to a relationship in which Seton will be UT Southwestern’s sole partner in any Material Clinical Program and/or Service within the Seton Service Area; however, as set forth in Section 7, all existing UT System Institutions or UT Southwestern relationships or programs will be unaffected and unrestricted by this Agreement;

- (K) Seton and UT Southwestern commit to a relationship in which Seton will be UT Southwestern's sole partner in GME program activities within the Seton Service Area with the opportunity for other third-party organizations to participate in these GME program activities by seeking approval from the Joint Conference Council as set forth in Section 4;
- (L) UT System Institutions and UT Southwestern are free to maintain and develop research programs/partnerships within the Seton Service Area and, where appropriate, develop such programs with Seton as set forth in Section 8; and
- (M) The Parties commit to a robust process to seek to effectively resolve disputes when they arise and, should any prove irresolvable, for a responsible plan of termination as described in the Agreement.

NOW THEREFORE, with the Guiding Principles in mind and with an intent to develop the affiliation between UT Southwestern and Seton to the maximum extent consistent with the interests of each, Seton, UT Southwestern, and the Board of Regents, where applicable, hereby agree as follows:

2. [INTENTIONALLY LEFT BLANK]

3. PHYSICIAN ORGANIZATIONS.

3.1 University Faculty and Residents.

Except as otherwise set forth in this Agreement, all University Faculty, Residents, and Fellows will be employed by or under contract to one of the Seton-affiliated, certified non-profit health organizations described below; however, the Parties may agree from time-to-time that certain specialty groups or individual Faculty members may be otherwise employed.

3.2 Formation of Seton/UT Southwestern University Physicians Group.

As of the Effective Date, Seton will re-name and reorganize CTMF, Inc. to be called, “Seton/UT Southwestern University Physicians Group” (“University Physicians Group”) and to be structured and organized as set forth below.

3.3 Sole Member.

Seton will be the sole member of the University Physicians Group; however, the Parties may agree at anytime to include UT Southwestern or, in UT Southwestern’s discretion, the President of UT Southwestern as co-member with Seton in University Physicians Group.

3.4 Governance.

University Physicians Group will have a ten-person board of directors, including the following composition: Seton will have sole discretion to appoint (and to remove at anytime) five board members. UT Southwestern will have sole discretion to appoint (and to remove at anytime) five board members.

3.5 Chair/Vice-Chair.

Seton will designate one of its five board representatives to serve as chair of the University Physicians Group board. UT Southwestern will designate one of its five board representatives to serve as vice-chair of the University Physicians Group board.

3.6 Control and Authority.

The organizational documents of University Physicians Group will reflect that (i) UT Southwestern will have ultimate and exclusive control and authority over all of the organization’s academic matters, including appointment of the faculty, accreditation, residency requirements, and all academic-related issues and (ii), subject to the Joint Conference Council

process set forth in Section 4, Seton will have exclusive control and authority over all of the organization's business matters including all financial plans, budgets, capital expenditures, incurrence of debt, and business and financial related matters.

3.7 Quorum and Votes.

The quorum for University Physicians Group board meetings will be a majority of the directors including at least three Seton board representatives and three UT Southwestern board representatives. Any action of the University Physicians Group board will require the affirmative vote of a majority of the board members in attendance at a duly constituted board meeting including the vote of at least two Seton representatives and two UT Southwestern representatives.

3.8 Major Strategic, Business, and Operational Decisions.

The University Physicians Group board will consider and make recommendations to the Joint Conference Council regarding all major strategic, business, and operational decisions that are not otherwise reserved exclusively either (i) to Seton or UT Southwestern pursuant to this Agreement or (ii) to the University Physicians Group board pursuant to Section 3.9.

3.9 Medical-Related and Other Routine Matters.

The University Physicians Group board will retain exclusive authority over (i) all medical matters consistent with Texas law and the rules of the Texas Medical Board and (ii) all matters neither exclusively reserved to Seton or UT Southwestern nor allocated to the Joint Conference Council.

3.10 Officers.

University Physicians Group will (i) have a president/chief executive officer and secretary, each of whom will be jointly appointed by Seton and UT Southwestern, and (ii) have such other officers as determined by the University Physicians Group board.

3.11 Committees.

The University Physicians Group board may in its discretion create and maintain standing and special committees and, in such event, the committees will include, unless otherwise agreed upon by Seton and UT Southwestern, equal Seton and UT Southwestern representation as designated and determined by the University Physicians Group board.

3.12 Seton/UTSW Specialty Groups.

Seton and UT Southwestern acknowledge and agree (i) that, immediately following the Effective Date and for so long as such parties agree, University Physicians Group will be the principal organization to employ or contract with University Faculty, Residents, and Fellows, (ii) but that University Faculty, Residents, and Fellows within certain specialty groups may from time-to-time, pursuant to approval of the Joint Conference Council and subject to adoption of shared governance provisions comparable to those applicable to the University Physicians Group as appropriately modified under the circumstances, be employed by certain certified non-profit health organizations ("Seton/UTSW Specialty Groups") affiliated with Seton other than the University Physicians Group, and (iii) that such Seton/UTSW Specialty Groups may employ physicians who are community physicians who are not members of the UT Southwestern Faculty and these physicians may provide services that are unrelated to this Agreement. UT Southwestern will maintain the same equivalent approval rights specifically relating to individual

University Faculty, Residents, and Fellows employed by or under contract to such Seton/UTSW Specialty Groups as UT Southwestern maintains in connection with the University Faculty, Residents, and Fellows employed by or under contract to University Physicians Group. The Parties agree that the UT System Institutions and/or UT Southwestern names may not be used by, on behalf of, or in connection with any Seton/UTSW Specialty Group unless permitted by the License Agreement or otherwise agreed upon in writing in advance by UT System Institutions and UT Southwestern.

3.13 University Faculty Employment and Residents and Fellows Agreements.

Seton and UT Southwestern will agree upon the form of physician employment agreement or other contract to be executed between University Physicians Group and Seton/UTSW Specialty Groups and all University Faculty, Residents, and Fellows. Seton and UT Southwestern acknowledge and agree that (i) all University Physicians Group and Seton/UTSW Specialty Groups employment agreements for University Faculty will include a non-competition covenant consistent with Exhibit C and (ii) University Physicians Group or Seton/UTSW Specialty Groups, as applicable, will reasonably and in good faith enforce such covenants against University Faculty as permitted by law. The University Physicians Group board after consultation with and approval of UT Southwestern will select and determine the physicians who will be made offers of employment or contract to become University Faculty by the University Physicians Group and Seton/UTSW Specialty Groups. Subject to approval of the Joint Conference Council, Seton and UT Southwestern will determine the compensation and benefits to be provided to the University Faculty, Residents, and Fellows. The University Physicians Group and Seton/UTSW Specialty Groups, as applicable, will for all University

Faculty, Residents, and Fellows (including, to the extent provided in a separate operating agreement between UT Southwestern and Seton, certain UT Southwestern employed Faculty Physicians (e.g., the Regional Dean, Center Director, and tenured clinical scholars)): (a) pay the compensation and provide the benefits due under their agreements; (b) contract or arrange to provide professional liability insurance coverage as determined to be adequate and reasonable by the University Physicians Group board or Seton/UTSW Specialty Group; (c) negotiate on their behalf (or delegate to a Seton Affiliate the negotiation of) all managed care and other third party payor contracts; and (d) bill and seek to collect all monies relating to their professional services. The University Physicians Group and Seton/UTSW Specialty Groups, as applicable, will retain and own all monies collected and attributable to any professional services provided by University Faculty, Residents, and Fellows and may, consistent with prudent business practices and as permitted by law, convey such monies to Seton.

3.14 Prevailing Document.

If there is any inconsistency between the terms of this Agreement and any provision in any of the governing documents of University Physicians Group or any Seton/UTSW Specialty Group, the terms of this Agreement shall prevail and control.

4. **JOINT CONFERENCE COUNCIL.**

4.1 Formation.

The Parties will create and maintain a Joint Conference Council.

4.2 Composition.

The Joint Conference Council will be composed of ten persons, including five Seton representatives, four UT Southwestern representatives, and one UT System Administration

representative. The five Seton representatives will be its president/chief executive officer, chief operating officer, chief financial officer, chief medical officer, and one other person designated by the Seton president/CEO. The four UT Southwestern representatives will be its president, executive vice-president of business affairs, and two other persons designated by the UT Southwestern president. The UT System Administration representative will be the person designated by the UT System Administrations' Executive Vice Chancellor for Health Affairs. The Parties may agree at anytime to change the composition of the Joint Conference Council.

4.3 Scope of Authority.

Subject to any ultimate approval requirements or rights of the Seton Board, the Board of Regents, and the UT System Administration, the scope of authority of the Joint Conference Council will include the following:

- (i) Exercise (or withhold) and implement (if accepted) any approval rights provided to the Joint Conference Council in this Agreement;
- (ii) Approve all major business, operational, and strategic decisions, including capital and operating budgets, initiation of new UTSW/Seton GME Programs and UTSW/Seton Clinical Programs and/or Services and research initiatives between UT Southwestern and Seton, material changes to existing UTSW/Seton GME Programs or UTSW/Seton Clinical Programs and/or Services and research initiatives between UT Southwestern and Seton, and any University Faculty practice development, realignment, or expansion;

(iii) Review, approve, and recommend to UT Southwestern and Seton the annual capital and operating budgets and material changes to a previously-approved budget;

(iv) Approve the strategic plan for University Physicians Group, University Faculty, Residents, and Fellows and the overall affiliation between the Parties;

(v) Resolve any disputes or deadlocks that may arise at the University Physicians Group board level;

(vi) Review, recommend, and approve the compensation plan and benefits plan for University Faculty;

(vii) Approve the compensation and benefits plan for University Residents and Fellows;

(viii) Approve the selection and location of UTSW/Seton GME Program rotation sites;

(ix) Consider and recommend to UT Southwestern and Seton any future transition of UT Southwestern and Seton academic affiliation relationship to a traditional academic departmental chair/service chief structure;

(x) Determine the number, adequacy, location, and space requirements for all facilities used by University Faculty, Residents, and Fellows;

(xi) Oversee, in consultation with and subject to the ultimate control of UT Southwestern, the academic services and academic activities of University

Physicians Group, all Seton/UTSW Specialty Groups, and any other applicable Seton affiliated physician organizations;

(xii) Review, consider, adopt, and update the rolling five-year Development Plans contemplated in Sections 6.1.2, 7.2, and 8.1.2 of this Agreement;

(xiii) Resolve any disputes between Seton and UT Southwestern relating to the appointment or termination of any University Faculty, Residents, and Fellows employed by University Physicians Group or any Seton/UTSW Specialty Group;

(xiv) Consider and attempt to resolve any Material Governance Dispute as set forth in Section 14.3.2.

4.4 Meetings.

The Joint Conference Council (i) will meet during the first year of the Agreement at least quarterly and thereafter as Seton, UT Southwestern, and UT System Administration deem necessary and (ii) will alternate its meeting locations between Austin and Dallas as agreed to by the President of UT Southwestern and the President and CEO of Seton.

4.5 Quorum and Voting.

The quorum for any meeting of the Joint Conference Council will be a majority of the Seton representatives (or two Seton representatives including its president/CEO) and a majority of the UT Southwestern and UT System Administration representatives. Any action taken by the Joint Conference Council will require the affirmative vote of a majority of the members in

attendance at a duly constituted meeting, including the vote of at least one Seton representative and one UT Southwestern or UT System Administration representative.

5. **ADDITIONAL SETON COMMITMENTS.**

5.1 Funding.

Seton will be ultimately responsible to fund (i) the activities, programs, and operations contemplated by this Agreement, including University Physicians Group, Seton/UTSW Specialty Groups, and University Faculty, Residents, and Fellows, consistent with the capital and operating budgets approved by the Joint Conference Council and (ii) any actual non-budgeted shortfalls or unexpected or unanticipated losses relating to (i) above that have been approved by the Joint Conference Council. Under no circumstances will the Board of Regents, UT System Administration, UT System Institutions, or UT Southwestern be financially responsible for any shortfalls or losses relating to University Physicians Group, Seton/UTSW Specialty Groups, or any of the activities, programs, or operations either relating to the affiliation between the Parties or undertaken pursuant to this Agreement.

5.2 Facilities.

Seton or Seton Affiliates will provide and be financially responsible for all facilities, offices, equipment, materials, and supplies reasonably necessary for University Faculty, Residents, and Fellows to provide services contemplated by this Agreement and to operate consistent with the Joint Conference Council approved capital and operating budgets and all applicable licensing, regulatory, and accreditation requirements. The University Physicians Group board and Seton will reasonably and in good faith determine how this commitment and arrangement shall be treated from a financial and accounting perspective.

5.3 Access To Seton Facilities.

Seton will provide to all University Faculty, Residents, and Fellows reasonable access to all Seton-owned and operated facilities within the Seton Service Area. The Parties acknowledge and agree, however, that (i) all University Faculty, Residents, and Fellows must meet and continue to comply with Seton and Seton Affiliates medical staff credentialing and membership requirements, (ii) such access is subject to Seton Institutional Documents, and (iii) this provision is subject to Section 19.2 of this Agreement.

5.4 Personnel.

Seton or one or more of Seton Affiliates will provide or arrange to provide and will be financially responsible for all administrative and support services, including all billing and collection services, and all administrative and non-physician personnel reasonably necessary for the University Physicians Group and Seton/UTSW Specialty Groups to provide services contemplated by this Agreement and to operate consistent within the Joint Conference Council approved capital and operating budgets and all applicable licensing, regulatory, and accreditation requirements. Seton may in its discretion employ and provide or arrange to provide such personnel and administrative services through Seton Affiliates or other third parties. Seton or Seton Affiliates will negotiate and be authorized to execute all managed care and other third party payor contracts for and on behalf of University Physicians Group, Seton/UTSW Specialty Groups, and all University Faculty, Residents, and Fellows. The University Physicians Group and Seton will reasonably and in good faith determine how this commitment and arrangement shall be treated from a financial and accounting perspective.

5.5 Seton Governance.

A UT Southwestern representative may attend the general sessions of all meetings of the Seton Board of Directors as an “invited guest” and will receive advance notice of Seton Board meeting schedules and general session agenda items. A UT Southwestern representative will be selected by the UT Southwestern President and appointed by the Chairman of the Seton Board to serve as a member of the Seton Board Clinical Quality Committee.

5.6 Indemnification.

5.6.1 Seton Commitment. Seton shall defend, indemnify, and hold harmless UT System Administration, UT System Institutions, UT Southwestern, the Board of Regents, and those individual UT System Institution, UT System Administration, UT Southwestern employees providing services pursuant to or otherwise directly involved and responsible for the administration of this Agreement (“UT Indemnified Parties”) from and against any damages, claims, costs, losses, liabilities, expenses, or obligations (including, without limitation, interest, penalties, costs of preparation, investigation, reasonable attorneys’, accountants’, and other professional advisors’ fees, and associated expenses) incurred or suffered by any of the UT Indemnified Parties in connection with, as a result of, or arising from or out of any of the UT Liabilities as defined in Section 5.6.2 below.

5.6.2 UT Liabilities. The term, “UT Liabilities,” means any claim or cause of action against any UT Indemnified Party relating to any event, act, omission, or occurrence that arises from or relates to health care services or employment-related matters provided by any University Faculty, Residents, or Fellows pursuant to this Agreement or to third party claims

related to this Agreement, but in no event will “UT Liabilities” include any UTSW/Seton GME Program accreditation issues or intellectual property-related matters.

5.6.3 Conditions and Procedures of Indemnification.

(1) Any UT Indemnified Party that receives from a third party notice of a claim or cause of action that is covered by this indemnification provision (“Third Party Claim”) shall, within ten days of receipt of the Third Party Claim, provide written notice to Seton of such Third Party Claim.

(2) Seton, the UT System Administration Office of General Counsel, and, as appropriate, the Texas Attorney General’s Office shall cooperate and work together and make joint decisions regarding (i) the defense to such Third Party Claim, (ii) the selection of legal counsel to represent and defend the UT Indemnified Party (which may be the same legal counsel representing Seton or its Affiliate so long as there is no conflict of interest), and (iii) the possible settlement of such claim; however, the UT Indemnified Party may not be required to assume an obligation or be deprived of a right without its advance written consent; such consent will not be unreasonably withheld.

(3) To the extent that indemnification is sought from Seton pursuant to this Section 5.6, Seton is exclusively entitled to receive any insurance proceeds relating to any Third Party Claim (including any insurance

proceeds received by any UT Indemnified Party) and to assert any available subrogation rights.

(4) The UT Indemnified Parties shall reasonably and in good faith fully cooperate with Seton and its legal counsel in the investigation and defense of the Third Party Claim.

(5) The UT Indemnified Parties are not waiving any possible defenses by requesting and accepting indemnification pursuant to this Section 5.6 and shall take all actions necessary to permit Seton to raise all possible defenses, including but not limited to sovereign immunity and other defenses available to any UT Indemnified Party as state entities.

(6) The indemnification is limited exclusively to Third Party Claims against the UT Indemnified Parties.

5.6.4 UT System Administration Option. UT System Administration has sole discretion to determine that a UT Indemnified Party shall not seek or receive indemnification from Seton pursuant to this Section 5.6 and, in such event, this Section 5.6 shall have no force or effect.

5.7 Exclusive Arrangements. This Agreement shall not be interpreted to cause Seton to be in breach of any Exclusive Arrangement.

5.8 Seton Authority. As of the date hereof and as of the Effective Date, Seton represents and warrants to the Board of Regents and UT Southwestern that the following facts and circumstances are and, except as described herein, at all times up to the Effective Date will be true and correct, and hereby acknowledges that such facts and circumstances constitute

the basis upon which the Board of Regents and UT Southwestern have been induced to enter into and perform their respective obligations under this Agreement.

5.8.1 Seton Capacity. Seton is a non-profit corporation, duly organized and validly existing under the laws of the State of Texas. Seton has the requisite power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its businesses as now being conducted.

5.8.2 Seton Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery and performance of this Agreement by Seton and all other agreements referenced herein to which Seton is to become a party and the consummation of the transactions set forth herein by Seton:

(1) are within Seton's corporate powers and are not in contravention of the terms of its Articles of Incorporation, Bylaws, or any amendments thereto and have been approved by all requisite corporate action;

(2) do not require any approval or consent of, or filing with, any governmental agency on the validity of this Agreement which is required by law or the regulations of any such agency;

(3) will not violate any statute, law, rule or regulation of any governmental authority to which Seton may be subject and which would affect Seton's ability to consummate the transactions described herein; and

(4) will not violate any judgment of any court or governmental authority to which Seton may be subject and which would affect Seton's ability to consummate the transactions described herein.

5.8.3 Seton Affiliates. The parties acknowledge that certain obligations under this Agreement may be obligations of Seton Affiliates (other than Ascension Health and those Seton Affiliates designated on the Seton organizational chart (as of 06/30/09) as part of the Seton Fund Development division) and not Seton. Notwithstanding the foregoing and for purposes of all agreements contained herein, Seton agrees that (i) any obligations of such Seton Affiliates shall be joint and several with any obligations of Seton and (ii) the representations and warranties in this Agreement, to the extent applicable, shall be deemed to have been made by such Seton Affiliates in their capacity. Seton hereby represents and warrants that it has the legal power and authority to enter into this Agreement and to agree to binding obligations to be performed by any such Seton Affiliate. Seton has the legal capacity to cause, and it shall cause, any such Seton Affiliate necessary to fulfill the terms or obligations of this Agreement (or which Seton has represented will become a party to any agreement referenced herein) to consummate the agreement of the parties described herein. Seton hereby guarantees the performance by any such Seton Affiliate of each of its obligations hereunder.

5.8.4 Binding Effect. This Agreement and all other agreements to which Seton will become a party hereunder, when executed by all required parties, are and will constitute the valid and legally binding obligation of Seton and are and will be enforceable against Seton in accordance with the respective terms hereof and thereof, except as enforceability against Seton may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

6. **GME PROGRAMS.**

6.1 General Provisions.

6.1.1 Exclusive Academic Sponsor. UT Southwestern shall be the exclusive academic sponsor for all GME programs affiliated with Seton in the Seton Service Area, including the Initial GME Programs; however, Seton may maintain the United States military-sponsored GME programs existing on the Effective Date, and identified in Exhibit B.

6.1.2 GME Program Plan. The Joint Conference Council shall develop and annually update a rolling five (5) year GME program development plan (“GME Program Plan”) addressing (i) expansions and modifications of then-existing UTSW/Seton GME Programs in the Seton Service Area for which Seton serves as the principal teaching hospital/primary clinical site, (ii) rotations and optional/elective experience opportunities (including, for example, at the Central Texas Veterans Health Care System and St. David’s Medical Center) for University Residents and Fellows in such UTSW/Seton GME Programs, (iii) development of new, separately accredited UTSW/Seton GME Programs in the Seton Service Area, and (iv) additional training opportunities of short term duration in rotation sites for University Residents and Fellows. Proposals for modification or expansion of existing UTSW/Seton GME Programs, development or expansion of rotations or optional/elective experience opportunities, development of new, separately accredited UTSW/Seton GME Programs, and additional training opportunities of short term duration will be presented by UT Southwestern and Seton to the Joint Conference Council as part of the annual update of the GME Program Plan or at other times consistent with the collaborative objectives of this Agreement. In the event of a disagreement between UT Southwestern and Seton regarding the interpretation of ACGME requirements that

is not resolved by the Joint Conference Council pursuant to Section 4, UT Southwestern and Seton will reasonably and in good faith cooperate with each other to select an independent and qualified third party to determine the correct interpretation, resolve the dispute, and recommend corrective action and/or modification to this Agreement that may be appropriate.

6.1.3 UTSW/Seton GME Program Responsibility. Seton shall provide facilities and financial support for all UTSW/Seton GME Programs operated under this Agreement. Subject to Seton's provision of adequate facilities and financial support for the UTSW/Seton GME Program, UT Southwestern shall maintain at all times appropriate licensure and accreditation and satisfy all other qualifications necessary to operate as contemplated by this Agreement. The terms and conditions of third party participation by other hospitals, clinics, and health institutions in UTSW/Seton GME Programs (including the allocation of related costs and expenses) shall be presented to the Joint Conference Council as part of the annual update of the GME Program Plan or at other times consistent with ACGME requirements and the collaborative objectives of this Agreement.

6.1.4 Residency Program Direction. Program direction for all UTSW/Seton GME Programs will be provided by UT Southwestern. UT Southwestern shall (i) satisfy all applicable institutional and program requirements as specified in the ACGME Essentials of Accredited Residencies in Graduate Medical Education or its successor publication and (ii) obtain all approvals necessary for the UTSW/Seton GME Programs to operate as contemplated by this Agreement. UT Southwestern will retain responsibility for organizing the curriculum and faculty evaluation in each of the UTSW/Seton GME Programs.

6.1.5 Accreditation. Subject to the provisions of this Agreement, UT Southwestern and Seton agree to jointly develop and conduct the UTSW/Seton GME Programs, with UT Southwestern as the sponsoring institution and Seton as the designated participating institution and principal teaching hospital/primary clinical site, unless otherwise agreed to between UT Southwestern and Seton. UT Southwestern shall take such steps and actions, on a timely and consistent basis, as reasonably necessary and required to apply for, obtain, and maintain accreditation for the UTSW/Seton GME Programs and related healthcare facilities from the LCME, the ACGME, the Joint Commission, or other federal, state, or private accreditation organizations. Seton shall cooperate with UT Southwestern in connection with these actions. Seton and UT Southwestern agree to cooperate and communicate fully with each other in the accreditation process, including, but not limited to, the preparation of accreditation applications and supporting documentation and information, site visits by representatives of accreditation organizations, and the preparation of required or requested reports or responses to the accreditation organizations. UT Southwestern agrees that it (i) will take all actions reasonably required and necessary to satisfy and comply with the applicable standards, guidelines, and requirements of the appropriate accreditation organizations for obtaining and maintaining accreditation of the UTSW/Seton GME Programs; and (ii) will refrain from any conduct or action which would or could be reasonably anticipated to result in the suspension or withdrawal of accreditation of such UTSW/Seton GME Programs. Once the UTSW/Seton GME Programs described in this Agreement are accredited, UT Southwestern will maintain such programs as active accredited GME programs, subject to any modification approved by the Joint Conference Council.

6.1.6 Rotation of Residents and Fellows Enrolled in Other GME Programs.

UT Southwestern, in consultation with Seton, may accept residents and fellows enrolled in other accredited GME programs (including, for example GME programs sponsored by other UT Institutions or Texas A&M University) for rotations or temporary educational assignments to Seton facilities. Any such assignments shall be agreed upon by UT Southwestern and Seton and set forth in a written agreement. To the extent that Seton and UT Southwestern determine that it would be desirable to accommodate GME training opportunities at Seton facilities in the Seton Service Area for UT Southwestern Dallas-based residents and fellows, Seton and UT Southwestern will enter into the necessary program letters of agreement.

6.1.7 [Intentionally left blank].

6.1.8 Facilities Provided by Seton. Consistent with the GME Program Plan and the provisions of Section 5 above, Seton shall, at its sole cost and expense, provide educational and training space for non-exclusive use by University Faculty, Residents, and Fellows, to include conference, library, classroom, computer lab, and other educational facilities sufficient to comply with applicable accreditation standards and requirements; provided, however, Seton shall have the right to coordinate the scheduling of such space.

Consistent with the GME Program Plan and the provisions of Section 5 above, Seton shall, at its sole cost, be responsible for providing to University Faculty appropriate office space. UT Southwestern and Seton shall engage in collaborative discussion and come to an agreement concerning the office space. As requested by UT Southwestern and approved by Seton, Seton will provide access to faculty office space at all Seton facilities to facilitate subspecialty access and development as approved by the Joint Conference Council. With respect to such faculty

office space, Seton will provide, at no cost to UT Southwestern, furniture, office equipment, furnishings, telephone, computer support, utilities, pagers and other services and facilities. Seton reserves the right to make all decisions relating to its facilities so long as it provides the space for UT Southwestern and University Faculty, Residents, and Fellows as approved by the Joint Conference Council.

6.1.9 University Resident or Fellow Care of Patients of Non-Faculty. An attending physician who is not a University Faculty member may, with the consent of both the patient, or patient's legal representative where necessary, and an appropriate University Faculty member, arrange for a Seton patient to be presented in UTSW/Seton GME Program teaching rounds within Seton facilities. In that event, the non-faculty attending physician shall retain all responsibilities and authorities as provider of record. Should a non-University Faculty member wish to have a patient cared for by University Faculty, Residents, or Fellows, the patient shall be formally transferred to the care of an appropriate University Faculty member in accordance with Seton medical staff bylaws and the rules and policies of Seton, provided the non-faculty attending physician, the patient or patient's legal representative where necessary, and the University Faculty member agree. Except in an emergency, University Residents and Fellows shall not be permitted to care for patients who are not part of the University Resident's or Fellow's UTSW/Seton GME Program assignment.

6.2 Regional Dean, Designated Institutional Official, and Program Directors.

6.2.1 Regional Dean. UT Southwestern shall, after discussions with and subject to the agreement of Seton, appoint and employ a regional Dean/Chief Academic Officer

(“Regional Dean”) with overall responsibility for activities in GME, clinical care, and clinical research pursuant to this Agreement involving UTSW/Seton GME Programs and University Faculty. The Regional Dean, as an employee of UT Southwestern, shall cooperate with representatives of Seton to achieve the goals of this Agreement. The Regional Dean will be responsible for University Faculty recruitment and career development. He or she will report directly to the Dean of UT Southwestern Medical School at Dallas (“UT Southwestern Medical School”) and maintain communications with Seton regarding affiliated activities. The Regional Dean will participate in a substantial manner in the management of the University Physicians Group and the Seton/UTSW Specialty Groups. He or she will be responsible, on behalf of and for UT Southwestern, for the overall operation of the affiliation between UT Southwestern and Seton pursuant to this Agreement.

6.2.2 Designated Institutional Official. The UT Southwestern Designated Institutional Official (the “DIO”) will provide comprehensive oversight of all UTSW/Seton GME Program activities, which will include ensuring compliance with ACGME institutional requirements and coordination of UTSW/Seton GME Programs and activities with corresponding GME programs and activities at UT Southwestern Medical School. The DIO will report to the UT Southwestern Medical School Dean and the Regional Dean and will work collaboratively with Seton to ensure the success and high quality of the UTSW/Seton GME Programs. Prior to such appointment, UT Southwestern will consult with Seton regarding the selection of any successor DIO.

6.2.3 Costs of Regional Dean and DIO. Seton shall reimburse UT Southwestern for the costs of employees, including the Regional Dean and the DIO who will

be employed and paid by UT Southwestern, and for overhead that UT Southwestern will incur in operation of the UTSW/Seton GME Program; provided, however, such costs (including all salaries and benefits) and overhead expenses must be included within the budget approved by the Joint Conference Council.

6.2.4 Regional Dean and DIO Control. UT Southwestern, through the Regional Dean and DIO, will exercise full management control and responsibility for the organization, accreditation, and operation of the UTSW/Seton GME Programs, including assuring compliance with requirements of appropriate regulatory agencies.

6.2.5 Program Directors. The DIO, subject to agreement with Seton, will select and appoint program directors for the UTSW/Seton GME Programs (“Program Directors”) who will be employed by University Physicians Group or one of the Seton/UTSW Specialty Groups, as appropriate. Program Directors will be responsible for, among other duties, supporting and assisting in the development of GME programs and will report jointly to the DIO and to the appropriate Department Chair at UT Southwestern Dallas. To that end, the Program Directors will meet at least quarterly with the appropriate Department Chair and program director from the UT Southwestern Medical School campus in order to: (i) ensure Departmental oversight of the UTSW/Seton GME Programs, (ii) foster joint initiatives between the campuses, and (iii) facilitate research and other activities relevant to the UTSW/Seton GME Programs. UT Southwestern reserves the right to direct the removal of Program Directors from their administrative Program Director positions within the UTSW/Seton GME Programs, subject to Seton’s right to determine whether such Program Director will be terminated from employment with University Physicians Group or one of the Seton/UTSW Specialty Groups.

6.2.6 [Intentionally Left Blank]

6.2.7 Withdrawal and Replacement of Any UT Southwestern Employee(s).

Seton shall have the right, which shall not be unreasonably exercised, to require removal and replacement of any UT Southwestern employee providing services pursuant to this Agreement; however, UT Southwestern shall have sole discretion to terminate the employment of such person. Effective prospectively from UT Southwestern's receipt of notice of removal of the subject UT Southwestern employee, Seton will not be financially responsible for an UT Southwestern employee, who has been appropriately removed from providing services under this section or pursuant to this Agreement.

6.3 Residents, Fellows, and Graduate Medical Education

6.3.1 General UT Southwestern Rights and Responsibilities. Consistent with the GME Program Plan procedures described in Section 6.1.2 above, and subject to approval by applicable accreditation agencies and agreement between UT Southwestern and Seton, UT Southwestern shall initiate and academically sponsor UTSW/Seton GME Programs for University Residents and Fellows in Seton facilities. UT Southwestern will exercise educational and academic supervision and oversight over the UTSW/Seton GME Programs including selection of University Residents and Fellows through the national matching program, evaluation, discipline, and termination for academic purposes of University Residents and Fellows. The types and numbers of University Residents and Fellows will be determined pursuant to the GME Program Plan.

6.3.2 General Seton Rights and Responsibilities. Subject to Seton providing UT Southwestern prior notice and a reasonable opportunity for prior consultation and input,

Seton shall have sole discretion to suspend or terminate the University Physicians Group and, as applicable, Seton/UTSW Specialty Group's employment agreement or other contract with any University Resident or Fellow. Seton shall have no authority or power to alter or modify the academic status of the Resident or Fellow, which authority and power is reserved to UT Southwestern.

6.3.3 Recruitment and Selection of University Residents and Fellows. UT Southwestern, as the ACGME sponsoring institution, shall have the sole responsibility for the selection of all University Residents and Fellows, including development of selection criteria and recruitment procedures. UT Southwestern shall comply fully with all selection requirements and processes established by the ACGME and the National Residency Matching Program (NRMP). Upon completion of the NRMP match and selection processes, UT Southwestern shall provide to University Physicians Group and, as applicable, the Seton/UTSW Specialty Group the names of the matched/selected University Residents and Fellows, and University Physicians Group shall take necessary steps to employ the matched/selected University Residents and Fellows, and to credential and privilege the matched/selected University Residents and Fellows at all appropriate training facilities. Seton will be responsible for all recruiting costs of University Residents and Fellows participating in the UTSW/Seton GME Programs, subject to the predetermined annual budget established as part of the GME Program Plan.

6.3.4 University Resident and Fellow Employment. Upon selection by UT Southwestern, University Physicians Group or, as applicable, the Seton/UTSW Specialty Group shall contract with or employ University Residents and Fellows and pay competitive stipend rates plus benefits to University Residents and Fellows. Said stipend rates and benefits may be

determined using the most current Association of American Medical Colleges Stipend Survey and UT Southwestern compensation resident and fellow rates as a general guideline.

6.3.5 University Resident and Fellow Removal. UT Southwestern reserves the right to remove any University Resident or Fellow from UTSW/Seton GME Program participation, in accordance with UT Southwestern policies. Seton or University Physicians Group may recommend disciplinary or other action regarding specific University Residents and Fellows, and it is the responsibility of the Program Director and DIO to evaluate and provide appropriate academic-related corrective action consistent with UT Southwestern policies. Although University Residents and Fellows will be employed by University Physicians Group or, as applicable, the Seton/UTSW Specialty Group, UT Southwestern and Seton will develop a process to mutually address the investigation of disciplinary matters involving University Residents and Fellows, the sharing of information regarding disciplinary matters as appropriate, and the ultimate decision relating to discipline and/or removal of University Residents and Fellows from the UTSW/Seton GME Programs.

6.3.6 University Resident and Fellows Licensure. UT Southwestern is responsible to ensure that all University Residents and Fellows maintain all necessary permits and licenses and are qualified to provide services at Seton facilities.

6.3.7 University Resident and Fellows Care of Non-Faculty Patients. University Residents and Fellows will only be involved in patient care when under the active supervision of University Faculty. UT Southwestern and Seton agree that University Residents and Fellows may care for patients of non-University Faculty members only in valid emergency situations or as requested by a non-University Faculty member pursuant to Section 6.1.9. Once

an emergent situation terminates with respect to a patient who is not part of the University Resident's and Fellow's UTSW/Seton GME Program assignment and the University Resident or Fellow or hospital staff notifies the attending physician of the situation, the responsibility for care of the patient by the University Resident or Fellow terminates. University Residents and Fellows are not expected nor allowed to care for patients of non-University Faculty members solely because they are available in the hospital after-hours and on holidays.

6.4 UTSW/Seton GME Programs.

The Initial GME Programs will be transitioned and converted to become the UTSW/Seton GME Programs. The UTSW/Seton GME Programs will not be reduced or modified in level or scope of service except on the recommendation and approval of the DIO and UT Southwestern graduate medical education committee, and for funding purposes, the approval of the Joint Conference Council as part of the GME Program Plan. UT Southwestern and Seton may agree to add New Seton Service Area GME Programs pursuant to Section 12.3.3.

7. CLINICAL PROGRAMS.

7.1 Exclusive Partner for Certain New Material Clinical Programs and/or Services

Except as otherwise set forth in this Agreement, UT Southwestern and UT System Administration agree that Seton shall be the sole partner of UT Southwestern and other UT System Institutions in the establishment or sponsorship of any new Material Clinical Program and/or Service in the Seton Service Area that was not in existence or in which the proposing Party was not participating as of the Effective Date ("New Material Clinical Program and/or Service").

7.2 Clinical Program/Services Plan.

The Joint Conference Council shall develop and annually update a rolling five (5) year Clinical Programs and/or Services development plan (“Clinical Program/Services Plan”) addressing (i) expansions and modifications of existing UTSW/Seton Clinical Programs and/or Services and (ii) the establishment or sponsorship of a New Material Clinical Program and/or Service within the Seton Service Area. Proposals for modification or expansion of existing UTSW/Seton Clinical Programs and/or Services and development of New Material Clinical Programs and/or Services within the Seton Service Area will be presented by UT Southwestern and Seton to the Joint Conference Council as part of the annual update of the Clinical Program/Services Plan. Cost estimates for such programs will be developed by the Regional Dean, DIO, and Seton and evaluated by Seton and the University Physicians Group or, as applicable, the Seton/UTSW Specialty Group for funding and are subject to the approval of the Joint Conference Council.

7.3 Clinical Facilities.

Consistent with the Clinical Program/Services Plan and the provisions of Section 5 and Section 6.1.8, all clinical and teaching facilities, equipment and services, including those of non-physician support personnel (i) shall be provided by Seton or Seton Affiliates, at their sole cost and expense, to UT Southwestern, at Seton or Seton Affiliate facilities and (ii) will be maintained and conducted in a manner which conforms to the applicable criteria of the ACGME, the Joint Commission, and other appropriate accreditation agencies.

7.4 Facilities.

7.4.1 Access to Clinical Facilities. Consistent with the Clinical Program/Services Plan and the provision of Section 5 above, all Seton facilities and equipment related to clinical services shall be available for use by appropriately credentialed University Faculty, Residents, and Fellows so long as such availability does not violate any Seton Institutional Documents. Seton shall also provide space, equipment, and supplies for ambulatory services for use by University Faculty, Residents, and Fellows for the clinical education and training of University Residents and Fellows. Should Seton wish to build or operate additional facilities or hospitals or to hire additional physicians to deliver medical services in these facilities in the Seton Service Area, Seton must provide University Faculty the same access and opportunity to provide professional services in those facilities or hospitals as other members of the Seton medical staff or contracted entities subject to Sections 9.2 and 19.2 and any Seton Institutional Documents. Seton will not discontinue or materially modify or alter any of its support or facilities relating to any teaching service or UTSW/Seton GME Program located at a Seton facility and utilized by University Faculty, Residents, and Fellows, except by approval of the Joint Conference Council as part of the Clinical Program/Services Plan.

7.4.2 Availability of Clinical Facilities. Subject to Sections 9.2 and 19.2, all Seton facilities related to the treatment and care of patients, including but not limited to hospitalization rooms, intensive care units, treatment rooms, preparation and waiting areas, examination rooms, consultation rooms, patient support services, patient-oriented information retrieval systems, and appropriate equipment, will be available for use by credentialed University Faculty in the clinical instruction of University Residents and Fellows and for providing care to

patients in accordance with usual and customary scheduling and other administrative procedures or practices established by Seton and on a basis which provides equitable access for both University Faculty and non-University Faculty members of the Seton medical staff.

8. **CLINICAL RESEARCH.**

8.1 **Clinical Research Programs.**

8.1.1 **Collaboration.** Seton and UT Southwestern agree that clinical research is important to Seton and UT Southwestern and may be conducted collaboratively by University Faculty in facilities operated by Seton. Where appropriate, UT Southwestern will develop, organize, and implement clinical research programs in the Seton Service Area in collaboration with Seton, to the extent Seton and UT Southwestern agree for any protocol that it is appropriate and reasonable to jointly conduct research.

8.1.2 **Clinical Research Plan.** The Joint Conference Council shall develop and annually update a rolling five (5) year Clinical Research Program development plan ("Clinical Research Plan") addressing the joint development, modification, or expansion of UTSW/Seton Clinical Research Programs at the Center and other Seton facilities. Proposals for joint development, modification, or expansion of such UTSW/Seton Clinical Research Programs will be presented by UT Southwestern and Seton to the Joint Conference Council as part of the annual update of the Clinical Research Plan or at other times consistent with the collaborative objectives of this Agreement.

8.1.3 **Clinical Research Procedures and Infrastructure.** All clinical research shall be conducted in conformance with approved clinical trial protocols, in compliance with all applicable federal and state statutes and regulations, and with the utmost concern for patient

safety. All clinical trial protocols proposing the use of human subjects in Seton or Seton Affiliate facilities and conducted by University Faculty members or employees will require compliance with the rules and regulations of all relevant IRBs. If an IRB jointly-sponsored by Seton and UT Southwestern is to be established, the jointly-sponsored IRB shall be formed as soon as practicable after the Effective Date of this Agreement and shall be comprised of at least one (1) representative from Seton and one (1) representative from UT Southwestern. Seton and UT Southwestern acknowledge that they may desire to utilize existing research infrastructure of UT Southwestern or UT Austin including, but not limited to, grant administration and intellectual property commercialization offices; however, nothing in this section requires the use of the UT Southwestern or UT Austin grant administration or commercialization offices. It is expected that any use of such services will occur on a contractual basis consistent with the Clinical Research Plan.

8.2 Seton/UT Southwestern Center for Clinical Investigation.

To foster clinical research studies in the Seton Service Area, Seton and UT Southwestern will develop the Center to be located in Austin. Appointment to the Center will be open to University Faculty, UT Southwestern Medical School faculty, Seton employees, UT Southwestern employees, UT System Institutions faculty and employees, and other faculty as approved by the Joint Conference Council. Center members will work in association with Seton, other physicians in the Seton Service Area (as approved by the Joint Conference Council), faculty members at UT Austin, and regional and national clinical research programs.

8.2.1 Center Director. A Center Director shall be recruited, appointed, and employed by UT Southwestern, subject to the approval of Seton, as soon as is reasonably

practicable after the Effective Date of this Agreement. The Center Director may be removed from such Center Director position at anytime by UT Southwestern, in UT Southwestern's sole discretion following consultation with Seton. UT Southwestern also has the sole discretion to terminate the employment of the Center Director. The Center Director will report to the Regional Dean, or, if the Regional Dean has not yet been recruited, to the UT Southwestern Medical School Dean and, in addition, will have a parallel report to Seton. The Center Director will have overall responsibility for the selection and appointment of up to three Associate Center Directors and sixteen (16) additional clinical scholars, consistent with the Joint Conference Council approved budget, such selections being made in consultation with Seton. The goal in establishing such a Center is to develop twenty (20) highly qualified clinical scholars (including the Center Director and Associate Center Directors), each with a specified area of clinical investigation, over a three to five year period, to promote patient-focused clinical research in the Seton Service Area. In general, it is expected that the Center Director and Associate Center Directors will have ongoing research supported by extramural funding.

8.3 Seton Support of Research.

8.3.1 Protected Research Time. Subject to the approval of the Joint Conference Council and Section 5 of this Agreement, University Physicians Group and/or one of the Seton/UTSW Specialty Groups will provide financial support for the fully allocated costs (as agreed upon by Seton and UT Southwestern) of protected education and research time for Program Directors and key University Faculty as defined by the ACGME or RRC, to facilitate appropriate focus on educational and research goals. University Physicians Group and/or one of the Seton/UTSW Specialty Groups will not adopt operating policies or a physician compensation

plan that (i) fails to recognize University Faculty physician's protected time for education and research activities or (ii) disincentivizes a University Faculty physician's appropriate participation in such education and research activities.

8.3.2 Support. Consistent with the Clinical Research Plan and the provisions of Section 5, above, Seton shall provide (i) appropriate administrative, office, and research facility space for the Center's activities and research studies and (ii) salary support for 50% protected time for research development during the first four (4) years a University Faculty member holds Center membership. Thereafter, it is anticipated that Seton will provide salary support for 20% protected time, with the remainder of the salary support coming from grants and clinical research study funds. Seton and UT Southwestern shall review the foregoing language within four (4) years of the Effective Date of this Agreement, as part of the Clinical Research Plan, to determine if the designated salary support is still appropriate.

8.3.3 Collaboration. UT Southwestern shall collaborate with Seton to develop community resources to (i) support the involvement of University Faculty, Residents, and Fellows in patient-focused investigation and research and (ii) facilitate the emergence of UT Southwestern/Seton affiliation as the primary academic medical center-based clinical research program in the Seton Service Area.

8.4 Grant Proposals.

UT Southwestern will exercise responsibility and control of research grant proposals and will administer grant awards or other sources of funding for the UTSW/Seton Clinical Research Programs unless otherwise agreed to by Seton and UT Southwestern. Grants and grant proposals that are not initiated by and do not involve the participation of University Faculty are not subject

to this Section. Any indirect cost recovery payments included in grants awarded to University Faculty members shall be in support of the UTSW/Seton Clinical Research Programs developed pursuant to this Agreement. Allocation of awards and funding will be addressed by the Parties on a case-by-case basis within the funding provided by the clinical research sponsor, considering the overall contributions of each Party (including the direct and indirect costs of Seton) and recognizing that all costs may not be reimbursed under the grant award or clinical research contract.

8.4.1 Payments for Facility and Administrative Costs. UT Southwestern and Seton shall agree on mechanisms by which Seton will receive appropriate and available payment for facility and administrative costs incurred by Seton for Clinical Research Program activities including Seton's direct and indirect costs. Sharing of available payments will reflect the contributions of each Party as agreed to by Seton and UT Southwestern.

8.5 Availability of Seton Data and Electronic Medical Record Systems.

Subject to (i) Seton Institutional Documents, (ii) the conditions of maintaining confidentiality of patient records, (iii) the rulings of the applicable IRB(s), and (iv) the terms and conditions set forth in a separate contractual agreement between Seton and UT Southwestern (which will also address remuneration), Seton will make its de-identified electronic medical records and data systems available for IRB approved retrospective clinical investigations by University Faculty, Residents, and Fellows. Any such use of Seton property shall be considered a contribution by Seton in the assessment of intellectual property rights as set forth in Section 8.6.

8.6 Ownership Rights to Inventions and Other Intellectual Property.

Ownership rights to inventions and other intellectual property developed by University Faculty or Center members through the Center (and any payments by one Party to another Party as compensation relating to the process of grants and commercialization efforts) will be addressed by Seton and UT Southwestern on a case by case basis, considering the overall contributions of Seton, UT Southwestern, and the University Faculty physician(s), until such time when acceptable grant processing, intellectual property, and commercialization-related policies and procedures and agreements are developed by Seton and UT Southwestern. Seton and UT Southwestern shall review the foregoing provisions twenty-four (24) months from the Effective Date of the Agreement to determine whether a more defined allocation regarding ownership rights should be considered and approved by Seton and UT Southwestern.

8.7 Participation of Patients of Non-University Faculty Physicians.

Attending physicians who are not University Faculty members may refer patients to University Faculty for potential participation in available clinical research protocols under such conditions as may be agreed to by UT Southwestern and Seton and with the consent of any such patients.

8.8 Identification of Seton and UT Southwestern.

The Parties intend that Seton and UT Southwestern receive appropriate credit and acknowledgment in any research publication, marketing-related document, or application related to Clinical Research Program activities conducted by University Faculty at any Seton or Seton Affiliate owned or operated facilities, including the Center, and will take reasonable actions to promote such recognition.

9. **FACULTY CONSIDERATIONS.**

9.1 Appointment to Faculty.

9.1.1 Appointment Required to Teach Residents. All University Faculty who will teach and supervise University Residents and Fellows must be appointed to the faculty of UT Southwestern, subject to the discretion of UT Southwestern and the UT Southwestern qualifications, requirements, and standards for faculty appointments. In the absence of an existing Departmental structure and until the Regional Dean is recruited, UT Southwestern faculty appointments will be proposed by the DIO, require the support of the University Physicians board and the UT Southwestern Dallas-based Department Chair, with final approval being the responsibility of the Dean of the UT Southwestern Medical School. As Departments are developed locally, Seton Service Area-based Department Chairs will recommend Austin-based physicians who have received the support of the University Physicians Group or, as applicable, the Seton/UTSW Specialty Group board for faculty appointments, and final approval will rest with the Dean of the UT Southwestern Medical School after consultation with the Regional Dean. UT Southwestern shall be responsible for assessing faculty applicants' credentials, determining and granting faculty rank and track, and appointing faculty, including full-time faculty, part-time faculty, and community voluntary faculty, for the UTSW/Seton GME Programs. UT Southwestern shall retain all responsibilities for recruitment, development, evaluation, promotion, corrective action, and termination of University Faculty members in or from academic faculty status (but not employment status) in accordance with UT Southwestern and the Board of Regents' Institutional Documents. Seton shall be responsible for all employment-related matters relating to such University Faculty members.

9.1.2 Right to Remove University Faculty. UT Southwestern reserves the right to remove any faculty appointment, in accordance with UT Southwestern and the Board of Regents' Institutional Documents. Acting in accordance with its medical staff bylaws and its peer review process, Seton (or persons or committees authorized under such medical staff bylaws) will have authority to suspend or terminate the medical staff membership and privileges of University Faculty who do not comply with Seton medical staff bylaws requirements, but Seton will provide UT Southwestern notice of intent to revoke medical staff membership and privileges of University Faculty to allow UT Southwestern and Seton an opportunity to discuss the issues that form the basis to suspend or terminate the medical staff membership and privileges of such University Faculty member. Seton will have the sole discretion to suspend, remove, or terminate the employment status or contract of a University Faculty member following notice to UT Southwestern of Seton's intent to suspend, remove, or terminate the employment status or contract of such University Faculty member and providing UT Southwestern an opportunity to discuss the issues with Seton. Notwithstanding anything to the contrary, Seton reserves the right to immediately impose without prior notice a precautionary suspension (1) whenever a University Faculty member's conduct requires that immediate action be taken to protect the life of any patient or to reduce the substantial likelihood of immediate injury or damage to the mental or physical health or safety and well-being of any patient, employee, or other person present in a Seton facility or (2) if such University Faculty member indicates (whether orally or in writing, through actions or omissions, or otherwise) that he or she will fail to perform or fulfill a requirement of the Seton Medical Staff Bylaws or the Seton Medical Staff Rules and Policies (including, without limitation, any requirement to provide

emergency on-call coverage and/or to respond to calls from the Emergency Department while providing emergency on-call coverage), which failure by the University Faculty member could reasonably be expected to result in injury or damage to the mental or physical health or safety or well-being of any patient, employee, or other person in a Seton facility. Notification of a precautionary suspension will be made to UT Southwestern as soon as reasonably possible (but, in all cases, within twenty four (24) hours of such precautionary suspension). The Parties will reasonably and in good faith work together and cooperate to share information relating to any disciplinary or adverse action against a University Faculty member.

9.1.3 Tenure Decisions. Tenure decisions are the sole responsibility of UT Southwestern. Tenure will apply only to academic faculty status and will have no bearing on clinical or administrative roles of a University Faculty member in Seton facilities.

9.2 Medical Staff.

9.2.1 Applicability of Seton Bylaws. Subject to Section 19.2, in their capacities as members of the Seton medical staff, University Faculty, Residents, and Fellows will be subject to Seton credentialing, privileging, and professional peer review processes as required by applicable Seton Institutional Documents.

9.2.2 Access to Medical Staff Roles. Subject to Section 19.2 and Seton Institutional Documents, University Faculty (i) will be eligible, on an equivalent basis with other Seton medical staff, for membership on Seton medical staff committees and for Seton medical staff leadership positions, (ii) may also have defined managerial and operational roles in Seton medical staff activities taking place in Seton facilities or jointly operated programs; and (iii) will have the same access to and opportunities for such positions as other members of the Seton

medical staff pursuant to Seton Institutional Documents; however, nothing in this Agreement obligates Seton to appoint University Faculty on the medical staff of Seton as the chiefs of the medical staff departments and divisions (clinical service chiefs) or to any other position. Seton Medical Staff Bylaws govern who shall have the right and authority to appoint and remove any clinical service chief. Except when a clinical service chief's medical staff privileges are suspended in accordance with the Seton Medical Staff Bylaws, Seton will provide UT Southwestern at least thirty (30) days notice of intent to revoke appointment of any University Faculty member as a service chief to allow Seton and UT Southwestern an opportunity to discuss the issues that form the basis to terminate such appointments.

10. ADDITIONAL UT SYSTEM INSTITUTIONS, UT SOUTHWESTERN OR SETON COMMITMENTS.

10.1 ERD Adherence

Nothing in this Agreement shall require or shall be construed to suggest that Seton will participate in or directly support the performance of any procedures that are contrary to the Ethical and Religious Directives for Catholic Health Care as approved and amended from time to time by the U.S. Conference of Catholic Bishops' (ERDs).

10.2 State Legislative Funding. To the extent permitted by the Constitution and laws of the State of Texas and/or the terms and conditions of any of the appropriations described below and as determined in the sole and reasonable discretion of UT System Administration and UT Southwestern, UT Southwestern agrees that the State of Texas appropriations directly received by UT Southwestern pursuant to the General Appropriations Bills' "Special Provisions Relating Only to State Agencies of Higher Education" for Initial GME Program residents and the residents of any additional UTSW/Seton GME Programs approved by

the Joint Conference Council and implemented subsequent to the Effective Date shall be passed through to Seton in a timely manner after actual receipt of such monies by UT Southwestern.

10.3 University Faculty Recruitment.

The Joint Conference Council will agree upon and determine a University Faculty recruitment plan, including the number and timeline for additional University Faculty to be recruited. UT Southwestern shall be responsible for such recruitment, and Seton shall be responsible for all recruiting costs subject to the annual budget adopted by the Joint Conference Council

10.4 Pediatric Affiliation Arrangement. This Agreement shall not be interpreted to cause UT Southwestern to be in breach of its affiliation and related contractual relationships with Children's Medical Center of Dallas.

11. **ADDITIONAL MUTUAL COMMITMENTS.**

11.1 Budgets and Development Plans.

Seton and UT Southwestern agree that (i) they will develop and annually update a rolling five year capital and operating budget and rolling five year GME Program Plan, Clinical Program/Services Plan, Clinical Research Plan (collectively, "Development Plans"); (ii) they will reasonably and in good faith develop and agree upon an annual process and timeline to draft, consider, and seek to approve through the Joint Conference Council the budget and Development Plans (but initially will submit proposals for the next fiscal year no later than February 1); (iii) UT System Administration and UT Southwestern will make all requests for additional monies through and as part of this budget and Development Plan process, (iv) any request for a material change, reduction, expansion, or addition to any UTSW/Seton GME Program, Clinical

Program and/or Services, or Clinical Research Program will be made through and considered as part of the budget and Development Plan process, and (v) the Joint Conference Council will consider whether an allocation of costs is necessary and appropriate among all participants whenever an expanded or new program includes a non-Seton organization.

11.2 License Agreement.

Seton, UT Southwestern, and UT System Administration recognize that their respective names, marks, and logo designs are registered trademarks and may not be used except as provided by a license agreement. Seton, UT Southwestern, and UT System Administration will use their best efforts to negotiate, complete, and execute no later than December 31, 2009, a license agreement that will govern the use of each other's names, marks, and logo designs ("License Agreement").

11.3 [Intentionally Left Blank].

11.4 Fundraising.

Seton, UT Southwestern, and UT System Administration desire to collaborate regarding fundraising in certain areas. The UT System Administration and UT Southwestern on the one hand and Seton on the other hand shall participate in fundraising activities of each other that are mutually identified by such Parties as beneficial to the relationship established under the Agreement. Such joint fundraising activities may include seeking support for funding at the local, state, federal, and international levels, from public and private sources. Mutually beneficial fundraising activities require prior written approval of the Executive Vice Chancellor for Health Affairs of the UT System Administration, or his or her designee, or the President of UT Southwestern, or his or her designee, and the Senior Vice President for Fund Development of

Seton, or his or her designee. Prior to commitment of all joint fundraising efforts, Seton, UT Southwestern, and UT System Administration shall agree in writing which such Party or Parties are to be the recipient of funds and who shall participate in such funding efforts. Nothing herein restricts any right of Seton, UT Southwestern, or UT System Administration to independently fundraise in any area, and each of the Parties has sole discretion to conduct its own fundraising activities for its own benefit without notice to or consent of the other Parties.

11.5 Public Statements.

Except as otherwise required by law or regulation, no Party to this Agreement shall release or distribute any press release or information for use in the public or by the media containing the name of any other Party to this Agreement or any employees of another Party without prior written approval by an authorized representative of the non-releasing Party but such approval shall not be unreasonably withheld. Seton, UT Southwestern, and UT System Administration shall cooperate to create and implement a public relations strategic plan to govern mutually agreeable press and community relations with regard to any provision of or related to this Agreement. Subject to Section 8.8 and the License Agreement, the Parties, however, shall have the right to acknowledge any other Party's support of the research and investigations under this Agreement in scientific or academic publications and other scientific or academic communications without that Party's prior approval. In any such statements, the Party shall describe the scope and nature of its participation accurately and appropriately. As provided in Section 11.2, Seton, UT Southwestern, and UT System Administration recognize that their names, marks and logo designs are registered trademarks and may not be used except as provided by the License Agreement. In addition, as permitted by Section 17.1, any Party may

disclose to any of its employees or to a third party that this Agreement exists and/or that a specific provision affects such employee or third party. Nothing herein shall be construed to preclude UT Southwestern, UT System Administration, or the Board of Regents from exercising discretion in complying with the Texas Public Information Act.

11.6 UTMB.

This Agreement may not take effect unless and until the current Affiliation Agreement dated March 11, 2005 between UTMB and Seton has been terminated. Seton and UTMB, in consultation with UT Southwestern, will negotiate, complete, and execute the UTMB Medical Student Agreement to be effective as of the Effective Date of this Agreement, and such UTMB Medical Student Agreement shall become Exhibit D of this Agreement once executed. Upon the Effective Date of this Agreement, the Parties agree that UT Southwestern will become a party to the UTMB Medical Student Agreement.

12. **RESTRICTIVE COVENANTS.**

12.1 [Intentionally left blank].

12.2 Scope and Application of Restrictive Covenants; Special Provisions.

12.2.1 Geographic Limitation. The restrictive covenants set forth in this Agreement apply pursuant to their terms solely to certain Business Activities engaged in by Seton, UT Southwestern, the Board of Regents, UT System Administration, and UT System Institutions within the Seton Service Area. No activities of Seton, UT Southwestern, the Board of Regents, UT System Administration, and UT System Institutions conducted outside of the Seton Service Area are subject to the restrictive covenant provisions of this Agreement.

12.2.2 Collaborations By or Among UT System Institutions, and Institution(s) of Higher Education. No provision of this Agreement shall restrict a UT System Institution from acting alone or in collaboration with or among other UT System Institutions, or another institution of higher education to establish, implement, and operate educational, clinical, or research programs within or outside of the Seton Service Area.

12.2.3 Legislative or Judicial Mandate. No provision of this Agreement shall prevent or otherwise restrict UT System Administration or UT System Institutions from acting in compliance with a legislative or judicial directive or mandate including, without limitation, the activities of The University of Texas M. D. Anderson Cancer Center (“M. D. Anderson”) pursuant to its legislative mandate (e.g., Texas Education Code Sec. 73.102 and Sec. 73.105) and its authority to establish, maintain, and support the M. D. Anderson Science Park in Bastrop County, Texas (Texas Education Code Sec. 65.40), with related facilities in other counties within the Seton Service Area.

12.2.4 Collaboration With Seton. Except for certain undergraduate medical education affiliations between Seton and UTMB and Seton and Texas A&M University existing on the Effective Date and identified in Exhibit E and those certain GME program affiliations between Seton and United States military organizations existing on the Effective Date and identified in Exhibit B, UT Southwestern and UT System Institutions shall be the sole institution(s) of higher education and academic medicine partner(s) of Seton within the Seton Service Area and, as more specifically described and subject to the restrictions and limitations set forth elsewhere in this Agreement, Seton shall be the sole partner for undergraduate medical

education and GME programs sponsored by UT Southwestern and other UT Institutions within the Seton Service Area.

12.2.5 Collaborations By or Among Seton and Seton Affiliates. As more specifically described and subject to the restrictions and limitations set forth in Sections 12.4.2, 12.5.3, and 12.5.4 and elsewhere in this Agreement, Seton or a Seton Affiliate may, acting alone or in collaboration with or among other Seton Affiliates, establish, implement, and operate educational programs (other than GME programs and undergraduate medical education programs), clinical programs, or research programs within or outside of the Seton Service Area.

12.3 GME Programs.

12.3.1 Existing UT Southwestern and UT System Institutions GME Programs Grandfathered. The administration, operation, and modification of UT Southwestern's and UT System Institutions' GME programs in the Seton Service Area, existing on the Effective Date (including the GME programs operated by UT Southwestern in affiliation with Children's Medical Center of Dallas), are grandfathered from and not subject to the restrictive covenant provisions of this Agreement. All Initial GME Programs and any additional UTSW/Seton GME Programs approved by the Joint Conference Council and implemented subsequent to the Effective Date are subject to the restrictive covenants provisions of this Agreement.

12.3.2 Expansion or Establishment of New Service Experience Rotations for UTSW/Seton GME Programs. Any modification or expansion of either existing service experience rotations for any UTSW/Seton GME Program operated under this Agreement or the establishment of new service experience rotations for UTSW/Seton GME Programs, including (i) RRC required service experience rotations, (ii) non-mandatory or optional/elective service

experience rotations, and (iii) short term rotation of University Residents and Fellows to non-Seton facilities, will be considered and must be approved by the Joint Conference Council within the context of the GME Program Plan process as set forth in Section 6.1.2. No such expansion, modification, or establishment as set forth in (i), (ii), or (iii) above in this Section 12.3.2 may occur within the Seton Service Area without the advance written approval of the Joint Conference Council.

12.3.3 Development of or Participation in New GME Programs in the Seton Service Area. Except as otherwise set forth in this Agreement, Seton shall be the sole partner for GME programs sponsored by UT Southwestern and other UT System Institutions within the Seton Service Area. If Seton desires to affiliate with another institution of higher education, or UT Southwestern or another UT System Institution desires to affiliate with another hospital or health care system, to develop or begin participation in a GME program in the Seton Service Area that is not an Initial GME Program (or subsequent to the Effective Date has been approved to become an UTSW/Seton GME Program) (“New Seton Service Area GME Program”), the proposing Party must advise the Joint Conference Council of the desire to initiate or participate in such New Seton Service Area GME Program. Should a proposed New Seton Service Area GME Program relate to a medical specialty area then the subject of a Seton Exclusive Arrangement, the existence of such Exclusive Arrangement will not impede UT Southwestern’s prerogatives in the selection of University Faculty for such New Seton Service Area GME Program and UT Southwestern and Seton will address the potential interrelationship of such Seton Exclusive Arrangement with the proposed New Seton Service Area GME Program including the propriety of continuation of such Exclusive Arrangement. The proposed New

Seton Service Area GME Program will be considered and acted upon by the Joint Conference Council within the context of the GME Program Plan process; however, no such initiation, affiliation, or participation by Seton, UT Southwestern, or another UT System Institution may occur without the advance written approval of the Joint Conference Council.

12.4 Clinical Programs and/or Services.

12.4.1 Existing UTSW/UT System Institutions Clinical Programs and/or Services and Non-Material Clinical Programs and/or Services. The administration, operation, and modification of Clinical Programs and/or Services conducted or participated in by UT Southwestern and UT System Institutions in the Seton Service Area, existing on the Effective Date, (including the Clinical Programs and/or Services operated by UT Southwestern in affiliation with Children's Medical Center of Dallas) ("Existing UTSW/UT System Institutions Clinical Programs or Services"), are grandfathered from and not subject to the restrictive covenant provisions of this Agreement. In addition, UT Southwestern or UT System Institutions' initiation, establishment, modification, expansion, and/or participation in Clinical Programs and/or Services in the Seton Service Area that do not each independently meet the definition of New Material Clinical Programs and/or Services are not subject to the restrictive covenant provisions of this Agreement.

12.4.2 Participation in New Material Clinical Programs and/or Services.

Except as otherwise set forth in this Agreement, neither UT Southwestern nor other UT System Institutions may affiliate with or participate in any way in a New Material Clinical Program and/or Service within the Seton Service Area without the advance written approval of the Joint Conference Council. Subject to the limitations set forth below in this Section and elsewhere in

this Agreement, Seton or any Seton Affiliate may own, operate, offer, provide, affiliate with, or participate in (“provide”) in any way, in its sole discretion, within or outside of the Seton Service Area any Clinical Program and/or Service; and any of these activities are not subject to the restrictive covenant provisions of this Agreement. The limitations referenced in the prior sentence include the following: First, any Clinical Program and/or Service provided by Seton that includes a GME program component or is provided in affiliation or partnership with another institution of higher education or academic partner shall be subject to the restrictive provisions of Section 12.3 relating to GME Programs and Section 12.4.2 relating to New Material Clinical Programs and/or Services. Second, any Clinical Program and/or Service that would use, be identified by, or include UT System Institutions or UT Southwestern name shall require the advance written consent of UT System Administration and UT Southwestern.

12.4.3 Participation by UT Southwestern’s or Other UT System Institutions’ Faculty Physicians and Staff in Clinical Programs and/or Services. UT Southwestern and other UT System Institutions’ faculty physicians’ and staff’s participation in Clinical Programs and/or Services in the Seton Service Area, including for example, clinical consultations and activities aimed at establishing referral patterns for UT Southwestern Dallas-based Clinical Programs and/or Services or other UT System Institutions Clinical Programs and/or Services, are not subject to the restrictive covenant provisions of this Agreement.

12.5 Clinical Research Programs.

12.5.1 Existing Clinical Research Programs. The administration, operation, and modification of UT Southwestern’s and UT System Institutions’ Clinical Research Programs in the Seton Service Area existing on the Effective Date (including the Clinical Research

Programs operated by UT Southwestern in affiliation with Children's Medical Center of Dallas) are grandfathered from and not subject to the restrictive covenant provisions of this Agreement.

12.5.2 Clinical Research Program Activities Initiated by UT Southwestern, UT System Institutions, or Other UT System Institutions Investigators and Staff. Subject to Section 12.5.4, the ability of UT Southwestern, other UT System Institutions, or any of their employed or otherwise retained investigator(s) and staff, individually or in collective groups, to engage in Clinical Research Program activities, either independently or in collaboration with other investigator(s), in the Seton Service Area is not subject to the restrictive covenant provisions of this Agreement.

12.5.3 New Seton, UT Southwestern, Other UT System Institutions Clinical Research Programs. Subject to Section 12.5.4, any Party may establish new Clinical Research Programs, independently, jointly, in collaboration with other entities or, where appropriate, in collaboration with one or more of the Parties to this Agreement, in the Seton Service Area. UT System Administration agrees to develop, to provide to Seton, and then to appropriately maintain guidelines and procedures generally applicable to the development of any such Clinical Research Programs within the Seton Service Area.

12.5.4 Other Programs. Any new Clinical Research Program that was not in existence as of the Effective Date that also includes a GME program component and/or the provision of Material Clinical Programs and/or Services shall be subject to the restrictive provisions of Section 12.5 relating to Clinical Research Programs, Sections 12.3 relating to GME Programs, and Section 12.4.2 relating to New Material Clinical Programs and/or Services, as applicable.

13. **TERM.**

13.1 Effective Date.

The effective date of this Agreement is November 30, 2009 (“Effective Date”).

13.2 Term.

The initial term of this Agreement is fifteen years from the Effective Date (“Initial Term”), subject, however, to Section 15 below.

13.3 Automatic Extension.

Subject to Section 15 below, this Agreement will automatically extend for up to two five-year terms (“Subsequent Terms”) unless one of the Parties provides to the other Parties a written notice of termination at least six months prior to the expiration of the Initial Term or any Subsequent Term. Subject to Section 15 below, following the expiration of the second Subsequent Term (if any), the term of the Agreement may only be extended by the written mutual agreement of the Parties.

14. **TERMINATION.**

14.1 Mutual Agreement. The Parties may terminate this Agreement by written agreement on the terms and date stipulated therein.

14.2 Termination For Material Breach.

Subject to Section 15 below, any Party (“first party”) may terminate this Agreement if (i) the other Party (“second party”) commits a Material Breach of the Agreement (as defined below) and fails to timely cure such Material Breach as set forth in Section 14.2.1 and (ii) the first party complies with the process set forth below. The term “Material Breach” means a breach that (a) materially and substantially impacts the ability of the first party to perform its

obligations under the Agreement, (b) materially and substantially interferes with the goals and underlying objectives of the Agreement, as set forth in the Guiding Principles, or the relationship between the Parties, or (c) constitutes a material and substantial failure to perform a material obligation under the Agreement.

14.2.1 Notice. If the first party believes that the second party has committed a Material Breach, the first party shall provide to the second party a written notice of the alleged Material Breach (“Notice of Material Breach”). If there is no Contractual Dispute (as defined in Section 16.1 below) regarding the occurrence of a Material Breach, the second party will immediately cure or immediately initiate action that will cure the Material Breach within thirty (30) days after receipt of the Notice of Material Breach (or such longer period of time as may be reasonably necessary to cure any such Material Breach not reasonably susceptible to cure within such thirty-day (30) period, so long as the second party diligently and continuously exercises reasonable efforts to cure (and will in fact cure) such Material Breach within a reasonable period of time).

14.2.2 Dispute Resolution Process. If there is a Contractual Dispute regarding the occurrence of a Material Breach or whether a Material Breach has been satisfactorily cured, the second party will provide written notice (“Notice of Dispute Resolution Process”) stating such fact to the first party within ten (10) business days after the receipt of the Notice of Material Breach, and the Parties will immediately initiate and then in good faith seek to complete the dispute resolution process set forth in Sections 16.

14.2.3 Termination Right. Subject to Section 15 below, if the Parties are unable to resolve the Contractual Dispute through the dispute resolution process, at anytime

following completion of the dispute resolution process, the first party may terminate the Agreement upon thirty (30) days notice to the second party if (i) a Material Breach has occurred and (ii) the Material Breach has not been cured.

14.2.4 Other Remedies. Whether or not the first party is entitled to terminate the Agreement for a Material Breach, it shall maintain all other legal remedies against the second party as a result of Material Breach by the second party or any other kind of default, breach or violation of the Agreement by the second party.

14.3 Termination As a Result of Material Governance Deadlock.

Subject to Section 15 below, any Party may terminate this Agreement if a Material Governance Deadlock occurs and such Party complies with the process set forth below. The term, “Material Governance Deadlock,” may arise as follows:

14.3.1 Material Governance Disputes. The Parties acknowledge and agree that under this Agreement Seton, UT Southwestern, and UT System Administration must agree upon a number of decisions and matters that are material to their affiliation relationship, material to fulfilling the Guiding Principles of the Agreement, material to the potential success and outcomes of the relationship, or material to the Parties’ ability to carry out their duties under the Agreement. Such decisions and matters include adoption of applicable budgets, appointment and removal of key personnel in which agreement is required, agreement upon important strategic initiatives, including the adoption, modification, expansion, scope, and location of UTSW/Seton GME Programs, UTSW/Seton Clinical Programs and/or Services, and UTSW/Seton Clinical Research Programs, issues related to the creation of or transition to a medical school in Austin, material inconsistency between a legislative or judicial directive or mandate applicable to UT

Southwestern or other UT System Institutions and a material term of this Agreement and/or any other matter specifically provided for in the Agreement (all of these collectively referred to as, “Material Governance Matters”). If Seton, UT Southwestern, and UT System Administration are unable to agree upon or to resolve to their collective satisfaction a Material Governance Matter, then a material governance dispute has occurred (“Material Governance Dispute”).

14.3.2 Material Governance Dispute Resolution Process. If a Party believes that a Material Governance Dispute has occurred or exists, it shall provide notice to the other Parties describing the nature of the dispute (“Notice of Material Governance Dispute”). The Joint Conference Council shall consider and attempt to resolve the Material Governance Dispute as soon as reasonably possible but no later than thirty days following the Notice of the Material Governance Dispute. If the Material Governance Dispute remains unresolved for six (6) months from the date of the Notice of Material Governance Dispute, either Party may initiate the dispute resolution process set forth in Section 16.

14.3.3 Termination Right. If the Material Governance Dispute remains unresolved following completion of the dispute resolution process set forth in Section 16, a Material Governance Deadlock shall be deemed to have occurred. Subject to Section 15 below, at any time following this event, any Party (“terminating party”) may terminate the Agreement upon six (6) months notice to the other Parties if (i) such terminating party has made a diligent, reasonable, and good faith effort to resolve the Material Governance Dispute and (ii) the Parties’ failure to resolve the Material Governance Dispute either materially and adversely affects the terminating party’s ability to achieve the goals and objectives of the Agreement, as set forth in

the Guiding Principles, materially and adversely affects the governance, operations, or activities of the organizations contemplated by this Agreement, or materially harms the terminating party.

14.4 [Intentionally Left Blank].

14.5 Termination of License Agreement.

Seton, UT Southwestern, and UT System Administration acknowledge and agree that the License Agreement is an essential element of their affiliation relationship. Accordingly, if the License Agreement terminates and Seton, UT Southwestern, and UT System Administration are unable to agree upon the use of each other's names, then such disagreement shall be considered a Material Governance Dispute and the Parties shall follow the process set forth in Section 14.3.

14.6 Wind Down Section.

The final termination of the Agreement is subject to the wind down provisions set forth below in Section 15.

15. **TERMINATION-RELATED WIND DOWN PROVISIONS.**

15.1 Wind Down Period.

Notwithstanding any other provisions of this Agreement and subject to Section 15.5, this Agreement shall continue for a minimum period of three (3) years beyond the date such Agreement would otherwise terminate ("Wind Down Period") to facilitate the orderly continuation, completion, and/or transition of the UTSW/Seton GME Programs, UTSW/Seton Clinical Programs and/or Services, and UTSW/Seton Clinical Research Programs established pursuant to this Agreement.

15.2 Continued Application of Terms of the Agreement.

Unless otherwise set forth in this Section 15, all terms and provisions of the Agreement shall continue to apply during the Wind Down Period.

15.3 University Faculty, Residents and Fellows Employment.

During the Wind Down Period, and thereafter as required, Seton and UT Southwestern will act reasonably and in good faith to permit University Residents and Fellows to complete their scheduled UTSW/Seton GME Program rotations. In addition, University Physicians Group and the Seton/UTSW Specialty Groups, as applicable, will continue to employ University Faculty and to contract with University Residents and Fellows.

15.4 [Intentionally Left Blank].

15.5 University Residents and/or Fellows Completion of UTSW/Seton GME Programs.

All UTSW/Seton GME Programs then existing under the GME Program Plan will continue during the Wind Down Period and thereafter as needed to permit University Residents and Fellows who are currently participating in or have matched with a UTSW/Seton GME Program to complete that UTSW/Seton GME Program. Seton and UT Southwestern shall continue to financially and academically support such UTSW/Seton GME Programs during the Wind Down Period and thereafter to permit completion of such UTSW/Seton GME Program.

15.6 [Intentionally Left Blank].

15.7 UTSW/Seton Clinical Research Programs.

During the Wind Down Period, Seton and UT Southwestern shall continue to operate and conduct existing jointly sponsored UTSW/Seton Clinical Research Program activities pursuant to

the terms of this Agreement. To the extent that any jointly sponsored UTSW/Seton Clinical Research Program activities will continue past the Wind Down Period, Seton, UT Southwestern, and UT System Administration shall negotiate, complete, and execute a separate agreement to facilitate the continuation, completion and/or transition of such UTSW/Seton Clinical Research Program activities.

15.8 Six-Month Window.

During the final six (6) months of the Wind Down Period, neither Section 12 nor any other restrictive covenants in the Agreement that restrict the activities of the Parties will be in force and effect, and during such time period each Party shall be entitled in its sole discretion to negotiate and execute agreements relating to GME programs, Clinical Programs and/or Services, and Clinical Research Program matters with third parties and other persons and organizations.

16. **DISPUTE RESOLUTION.**

16.1 Definition of Disputes.

The term, “Contractual Dispute,” means any and all questions, claims, controversies, or disputes arising out of or relating to this Agreement, including the validity, construction, meaning, performance, effect, or Material Breach of this Agreement, or disagreements regarding the existence or parameters of RRC required service experience rotations. The term, “Material Governance Dispute,” has the meaning set forth in Section 14.3.1.

16.2 Negotiation.

If at any time there is a Contractual Dispute or Material Governance Dispute between Seton, UT Southwestern, and UT System Administration and the matter is not resolved either by the Joint Conference Council or as otherwise provided for under this Agreement, Seton, UT

Southwestern, and UT System Administration agree that they will, within ten (10) business days following receipt of the Notice of Dispute Resolution Process, engage in good faith face-to-face negotiations (including, if reasonably possible, the physical presence of the presidents of Seton and UT Southwestern and the Executive Vice Chancellor for Health Affairs of UT System Administration) in an attempt to resolve the dispute. If, after a four (4) week period during which Seton, UT Southwestern, and UT System Administration have engaged in such negotiations, Seton, UT Southwestern, and UT System Administration have not negotiated a resolution, Seton, UT Southwestern, and UT System Administration will choose a mutually-agreeable neutral third party, who shall mediate the dispute between Seton, UT Southwestern, and UT System Administration pursuant to the rules and procedures of the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Mediation.

16.3 Mediation.

The mediator shall be a person qualified under the Texas Alternative Dispute Resolution Procedures Act or the rules and procedures of the American Health Lawyers Association Alternative Dispute Resolution Service and shall be appointed by a state district judge or pursuant to the rules and procedures of the American Health Lawyers Association Alternative Dispute Resolution Service if Seton, UT Southwestern, and UT System Administration are unable to agree upon a qualified person. The mediation shall take place (and be completed) as soon as reasonably possible in Travis County, Texas, unless otherwise agreed by Seton, UT Southwestern, and UT System Administration. Mediation shall be non-binding and shall be confidential to the extent permitted by law. Seton, UT Southwestern, and UT System Administration shall refrain from court proceedings during the mediation process insofar as each

can do so without prejudicing its legal rights. Seton, UT Southwestern, and UT System Administration shall participate in good faith in accordance with the recommendations of the mediator and shall follow the procedures for mediation as suggested by the mediator. Seton and UT Southwestern and/or UT System Administration shall share all expenses of mediation equally, except expenses of the individual Parties. Seton, UT Southwestern, and UT System Administration shall be represented in the mediation by a person with authority to settle the dispute.

16.4 Remedy.

Subject to Section 15, if the Parties are unable to resolve a Contractual Dispute in mediation, then the Parties may terminate the Agreement as permitted by law or the Agreement and, in addition, resort to any judicial alternatives which any Party may deem necessary and as permitted by law. Subject to Section 15, if Seton, UT Southwestern, and UT System Administration are unable to resolve a Material Governance Dispute in mediation, then the Parties may terminate the Agreement as permitted in Section 14.3.3. In no case shall the provisions of this Section delay any other time periods set forth in this Agreement except as specifically provided for in this Agreement or by the written agreement of Seton, UT Southwestern, and UT System Administration. Notwithstanding the above, in the event either Seton, UT Southwestern, or UT System Administration wishes to obtain injunctive relief or a temporary restraining order, such Party may initiate an action for such relief in a court of law and the decision of the court of law with respect to the injunctive relief or temporary restraining order shall be subject to appeal only through the courts of law.

17. **CONFIDENTIALITY.**

17.1 Agreement.

To the extent permitted by law, Seton, UT Southwestern, and UT System Administration agree to keep the contents of this Agreement confidential and not to disclose such contents to any third party without the written consent of the other Parties, unless required by law or for regulatory or accreditation purposes; however, Seton, UT Southwestern, or UT System Administration may disclose to any third party that such Agreement exists or that a specific provision of the Agreement affects such third party.

17.2 Public Announcements.

Seton, UT Southwestern, and UT System Administration will agree in advance upon any public announcements, advertising, marketing, and communications to the media regarding this Agreement or the relationship created by or the services to be provided pursuant to this Agreement.

17.3 Confidential Information.

Seton, UT Southwestern, and UT System Administration acknowledge that in connection with the performance of their respective services under this Agreement, a Party may be acquiring and making use of certain confidential information and trade secrets of the other Parties which may include management reports, budgets, Development Plans, strategic and business plans, financial statements, internal memoranda, reports, patient records and patient lists, confidential technology and other materials, records and/or information of a proprietary nature ("Confidential Information"). Therefore, in order to protect the Confidential Information, neither Seton, UT Southwestern, or UT System Administration shall use the Confidential Information of any other

Party except in connection with the performance of the services pursuant to this Agreement or divulge the Confidential Information to any third party, unless the other Party consents in writing or such use or disclosure is required by law. Upon termination of this Agreement and the expiration of the Wind Down Period, neither Seton, UT Southwestern, or UT System Administration will take or retain, without prior written authorization from any other Party, any papers, patient lists, fee books, patient records, files, or other documents or copies thereof or other Confidential Information of any kind belonging to the other Party pertaining to patients, business, sales, financial condition, or products of the other Party, except as required by law. Without limiting other possible remedies for the breach of this covenant, Seton, UT Southwestern, and UT System Administration agree that, to the extent permitted by law, injunctive or other equitable relief shall be available to enforce this covenant, such relief to be without the necessity of posting a bond, cash or otherwise.

17.4 Request for Information/Compelled Disclosure.

UT System Administration and UT Southwestern will provide written notice to Seton as soon as reasonably possible if either receives any request or demand under the Texas Public Information Act from a third party for any Confidential Information. In addition, UT System Administration and UT Southwestern shall, to the maximum extent permitted by law, assist and cooperate with Seton if Seton desires to assert that any such Confidential Information should not be disclosed to such third party. In the event a Party, any of its representatives, or anyone to whom it transmits the Confidential Information becomes legally compelled to disclose any of the Confidential Information, prior to such disclosure, it will provide the other Party with advance written notice and a copy of the documents and information relevant to such legal action, so the

other Party or Parties may seek a protective order or other appropriate remedy to protect its interests in the Confidential Information, and it shall furnish only that portion of the Confidential Information that it is advised by a written opinion of counsel is legally required.

18. **RECORDS.**

18.1 Medical Records and Reports.

In performing services contemplated by this Agreement, Seton and UT Southwestern agree that University Faculty, Residents, and Fellows will generate medical records and reports pertaining to patients treated, which records and reports shall be completed timely and kept in the format as determined by University Physicians Group or Seton/UTSW Specialty Groups, as applicable, in accordance with their policies. All such records and reports shall be and remain the property of University Physicians Group or Seton/UTSW Specialty Groups unless otherwise provided by law. Seton and UT Southwestern recognize that the patient has the legal right to have access to his or her medical records, that all University Faculty, Residents, and Fellows have the right to consult those records to facilitate the continuity of proper care, and that such records are confidential and privileged under state and federal law. Seton and UT Southwestern agree that University Faculty, Residents, and Fellows shall have access to such patient records at any time necessary for them to fulfill their duties under this Agreement.

18.2 Access to Books and Records.

Seton, UT Southwestern, and UT System Administration agree to comply with the following requirements governing the maintenance of documentation to verify the cost of services rendered by UT Southwestern and/or UT System Administration, as applicable, or incurred by Seton under this Agreement:

18.2.1 Availability of Records. For so long as required by law Seton, UT Southwestern and UT System Administration shall make available, upon written request of the applicable governmental entity having jurisdiction over such Party, the books, documents, and records of such Party that are necessary to verify the nature and extent of its services and costs.

18.2.2 Subcontracts. If either Party carries out any of the duties of this Agreement through a subcontract, such subcontract shall contain a clause to the effect that, for so long as required by law, after the furnishing of such services pursuant to such subcontract, the subcontractor shall make available, upon written request of any applicable governmental entity having jurisdiction, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of the subcontractor's services and costs.

18.3 Notice of Request or Demand to Disclose Records.

If Seton, UT Southwestern, or UT System Administration receives a request or demand from a third party government entity to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation relating to compliance with federal and state laws, such Party shall immediately (and no later than five (5) business days after receipt of such request or demand) notify the other Parties in writing of the nature and scope of such request or demand and shall make available to the other Parties, upon written request of the other Parties, all such books, documents, or records produced to the government authority.

18.4 Confidentiality and Privacy Laws.

Seton, UT Southwestern and UT System Administration will ensure that it maintains the confidentiality of all of its records in accordance with all applicable federal and state confidentiality and privacy laws. Seton, UT Southwestern and UT System Administration will

reasonably and in good faith cooperate with the other Parties and execute any agreements with the other Party necessary for either Party to comply with any such laws.

19. **GENERAL PROVISIONS.**

19.1 Relationship of Parties.

Seton, UT Southwestern, and the Board of Regents acknowledge and agree that (i) Seton is a separate and independent organization from UT Southwestern and the Board of Regents and, accordingly, shall, except as otherwise provided by this Agreement, maintain sole jurisdiction over all of its activities, operations, and internal matters; (ii) as a result of this Agreement, Seton, UT Southwestern, and the Board of Regents are not partners, co-participants in a joint venture, co-members of a joint enterprise, or agents (either in fact, apparent, or ostensible) of each other, and (iii) University Faculty, Residents, and Fellows are not directly employed by Seton, UT Southwestern, or UT System Institutions, and neither Seton, UT Southwestern, or UT System Institutions intend to or shall interfere in the practice of medicine or delivery of medical services by such University Faculty, Residents, and Fellows.

19.2 Matters Relating to Medical Staff Membership and Due Process.

This Agreement is not and shall not be construed as any form of guarantee or assurance by Seton that any University Faculty, Resident, or Fellow will obtain or retain medical staff membership or clinical privileges; those matters are governed solely by the Institutional Documents of Seton, including the bylaws, rules, and regulations of the medical staff at the Seton hospital or other facility as in effect from time-to-time. The nonrenewal or termination of this Agreement shall not affect the medical staff membership or clinical privileges of any University Faculty, Resident, or Fellow at the Seton hospital or other facility, which status shall

be separately governed by the Institutional Documents of Seton, including the bylaws, rules, or regulations of the medical staff of the such hospital or other facility. Any due process or other requirements of the bylaws, rules, or regulations of the medical staff at the Seton hospital or facility shall not apply to the termination of this Agreement.

19.3 Conformance with Law.

Seton, UT Southwestern, and UT System Administration recognize that this Agreement is subject to, and agree to comply with, applicable local, state, and federal statutes, rules and regulations. Any provisions of applicable statutes, rules, or regulations that invalidate any term of this Agreement, that are inconsistent with any term of this Agreement, or that would cause any Party to be in violation of law shall be deemed to have superseded the terms of this Agreement; provided, however, that Seton, UT Southwestern, and UT System Administration shall use their best efforts to accommodate the terms and intent of this Agreement to the greatest extent possible consistent with the requirements of applicable statutes, rules, and regulations and negotiate in good faith toward amendment of this Agreement in such respect.

19.4 No Referral.

Nothing contained in this Agreement shall require (directly or indirectly, explicitly or implicitly) any Party to refer any patients to any other Party or to use any other Party's facilities as a precondition to receiving the benefits set forth herein. Specifically, University Faculty may refer and admit patients in their sole discretion and judgment to any health care facility; there is no duty or obligation on their part to refer or admit any patient to a Seton hospital or facility.

19.5 [Intentionally Left Blank].

19.6 Additional Documents.

Each of the Parties hereto agrees to execute any document or documents that may be requested from time-to-time by any other Party to implement, carry out, or complete such Party's obligations pursuant to this Agreement.

19.7 Governing Law and Venue.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. The venue of any lawsuit between the Parties shall be Travis County, Texas.

19.8 Benefit/Assignment.

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective legal representatives, successors and permitted assigns; provided, however, that no Party hereto may assign this Agreement (or sub-contract to a third party any of its duties under the Agreement) without the prior written consent of the other Parties. Notwithstanding the foregoing, Seton may assign its rights under this Agreement to one or more of its wholly-owned and wholly-controlled affiliates with the prior written consent of UT Southwestern and UT System Administration. No such assignment shall release Seton from any liability, duty or obligation hereunder. Upon such assignment, the obligations, responsibilities, duties or limitations applicable to Seton hereunder shall be applicable to and enforceable against both (or either) Seton and such assignee.

19.9 No Third Party Beneficiary.

The terms and provisions of this Agreement are intended solely for the benefit of the Parties and their respective permitted successors or assigns, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person or entity.

19.10 Waiver of Breach.

The waiver by any Party hereto of a breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision hereof. All remedies, either under this Agreement, or by law or otherwise afforded, will be cumulative and not alternative.

19.11 Notices.

Any notice, demand or communication required, permitted, or desired to be given pursuant to this Agreement shall be in writing and shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including facsimile) (provided that the Party giving the notice has confirmation of such delivery or sending), when delivered by overnight courier or five days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Seton

President and CEO
Seton Healthcare
1345 Philomena
Austin, Texas 78723

With a copy to:

General Counsel
Seton Healthcare
1345 Philomena
Austin, Texas 78723

If to UT System
Administration

Executive Vice Chancellor for Health Affairs
The University of Texas System
201 West Seventh Street, 6th Floor
Austin, Texas 78701

With a copy to: Vice Chancellor and General Counsel
The University of Texas System
201 West Seventh Street, 6th Floor
Austin, Texas 78701

If to UT Southwestern: President
The University of Texas Southwestern Medical Center at
Dallas
5323 Harry Hines Boulevard
Dallas, Texas 75390-9008

With a copy to: Vice President for Legal Affairs
The University of Texas Southwestern Medical Center at
Dallas
5323 Harry Hines Boulevard
Dallas, Texas 75390-9013

or to such other address or number, and to the attention of such other person or officer, as any Party hereto may designate, at any time, in writing in conformity with these notice provisions.

19.12 Severability.

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected thereby: (i) such provision will be fully severable; (ii) this Agreement will be construed and enforced as if the illegal, invalid, or unenforceable provision had never comprised a part hereof; (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom; and (iv) in lieu of the illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid, and enforceable provision as similar in terms to the illegal, invalid, or unenforceable provision as may be possible. Notwithstanding the above, if a material provision of the

Agreement is held to be illegal, invalid, or unenforceable and the Parties cannot agree upon a reasonable substitute provision, any Party may initiate the Material Governance Dispute process set forth in Section 14.3.2. The Parties acknowledge and agree that the term, “material provision,” above includes the governance, approval rights, and restrictive covenants related provisions in the Agreement.

19.13 Gender and Number.

Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural.

19.14 Divisions and Headings.

The Table of Contents, the divisions of this Agreement into sections and subsections, and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

19.15 Drafting.

No provision of this Agreement shall be interpreted for or against any Party hereto on the basis that such Party was the draftsman of such provision, each Party having participated equally in the drafting hereof, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

19.16 Entire Agreement/Amendment.

This Agreement supersedes all previous agreements between the Parties (including the Agreement for Use and Non-Disclosure of Confidential Information dated as of November 20, 2008) and constitutes the entire agreement of every kind or nature existing between or among the

Parties in respect of the within subject matter, and no Party hereto shall be entitled to benefits other than those specified herein. As between the Parties, no oral statement or prior written material not specifically incorporated herein shall be of any force and effect. The Parties specifically acknowledge that in entering into and executing this Agreement, the Parties rely solely upon the representations and agreements contained in this Agreement, and the agreements referenced herein, and no others. All prior representations or agreements, whether written or oral, not expressly incorporated herein are superseded unless and until made in writing and signed by all Parties. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. No terms, conditions, warranties, or representations other than those contained herein and no amendments or modifications to this Agreement shall be binding unless made in writing and signed by all Parties.

19.17 Interpretation.

In this Agreement, unless the context otherwise requires:

- (i) References to this Agreement are references to this Agreement and to any schedules and exhibits hereto;
- (ii) References to Sections are references to articles and sections of this Agreement;
- (iii) References to any Party to this Agreement shall include references to its respective successors and permitted assigns;
- (iv) References to a judgment shall include references to any order, writ, injunction, decree, determination or award of any court or tribunal;

(v) The terms “hereof,” “herein,” “hereby,” and any derivative or similar words will refer to this entire Agreement;

(vi) References to any document (including this Agreement) are references to that document as amended, consolidated, supplemented, notated or replaced by the Parties from time to time;

(vii) References to any law are references to that law as of the Effective Date, unless clearly indicated otherwise, and shall also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise;

(viii) The word “including” shall mean including, without limitation; and

(ix) References to time are references to Central Standard or Daylight time (as in effect on the applicable day) unless otherwise specified herein.

The Parties have caused this Agreement to be executed by their duly authorized officers
on the dates set forth below:

SETON HEALTHCARE

By: _____
Charles J. Barnett
President and CEO
Date: October __, 2009

THE BOARD OF REGENTS OF THE UNIVERSITY OF
TEXAS SYSTEM

By: _____
Francisco G. Cigarroa, M.D.
Chancellor
Date: October __, 2009

THE UNIVERSITY OF TEXAS SOUTHWESTERN
MEDICAL CENTER AT DALLAS

By: _____
Daniel K. Podolsky, M.D.
President
Date: October __, 2009