

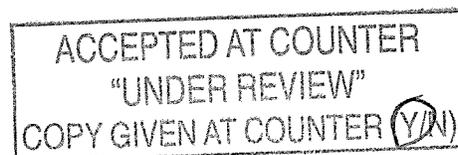
MCDERMOTT WILL & EMERY LLP

Riley T. Orloff (NJ Bar No. 128672015)
340 Madison Avenue
New York, New York 10173
Tel.: (212) 547-5400
Email: rorloff@mwe.com

John M. Callahan (*Pro Hac Vice* Pending)
444 West Lake Street
Suite 4000
Chicago, Illinois 60606
Tel.: (312) 372-2000
Email: jcallahan@mwe.com

Jerome Tichner, Jr. (*Pro Hac Vice* Pending)
28 State Street
Boston, Massachusetts 02109
Tel.: (617) 535-4000
Email: jtichner@mwe.com

Attorneys for *Princeton HealthCare System Holding, Inc.*



IN THE MATTER OF THE APPROVAL
OF THE PROPOSED TRANSACTION
OF PRINCETON HEALTHCARE
SYSTEM HOLDING, INC. WITH THE
TRUSTEES OF THE UNIVERSITY OF
PENNSYLVANIA PURSUANT TO
N.J.S.A. 26:2H-7.10, *et seq.*

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION: MIDDLESEX COUNTY

DOCKET NO. MID-C-_____-17

Civil Action

COMPLAINT

Petitioner, Princeton HealthCare System Holding, Inc. (“PHCS”), a New Jersey nonprofit corporation, by way of verified complaint states as follows:

Introduction

1. This proceeding is an application under the Community Health Care Assets Protection Act (“CHAPA”), N.J.S.A. 26:2H-7.11(1), for approval of the Proposed Transaction described in the Affiliation Agreement (as defined below) between PHCS and The Trustees of

the University of Pennsylvania (the “University”). The Proposed Transaction will be effectuated by PHCS adopting and filing with the State of New Jersey an Amended and Restated Certificate of Incorporation naming University as the sole member of PHCS pursuant to Section 15A:9-4 of the New Jersey Nonprofit Corporation Act (the “Proposed Transaction”).

2. As required by CHAPA, PHCS sought a recommendation from the Attorney General of the State of New Jersey (the “Attorney General”) to the Court to approve the Proposed Transaction.

3. PHCS submitted an application to the Attorney General as required by CHAPA and provided additional documentation as requested by the Attorney General (the “CHAPA Application”).

4. The Attorney General conducted a public hearing as required by CHAPA and has completed his review of the CHAPA Application, in consultation with the Commissioner of Health. The Attorney General has found, in accordance with N.J.S.A. 26:2H-7.11(b), that the Proposed Transaction is in the public interest. The Attorney General announced his recommendation to the Court to approve the Proposed Transaction in a written report dated October 26, 2017 (the “AG Report”), a copy of which is attached hereto at Exhibit A. There is one (1) condition to the Proposed Transaction in the AG Report. PHCS has agreed to comply with the condition.

5. Pursuant to N.J.S.A. 26:2H-7.11(l), following completion of the Attorney General’s review, PHCS now requests this Court’s approval of the Proposed Transaction.

Parties to the Proposed Transaction

6. PHCS is a New Jersey nonprofit corporation organized for charitable purposes and is the parent organization of an integrated healthcare delivery system. PHCS is organized to

enhance the quality of life and benefit the inhabitants of the community served by PHCS and its affiliates in the surrounding areas. PHCS's mission is to provide comprehensive care for the communities it serves, continually improving the quality of the health care services it provides to patients, and promoting medical and scientific research.

7. PHCS is the sole corporate member of a number of subsidiaries, including Princeton HealthCare System, a New Jersey nonprofit corporation ("PHS"), which operates the 319-bed University Medical Center of Princeton at Plainsboro, a general acute care hospital ("Medical Center"); Princeton House Behavioral Health, a 110-bed facility and electroconvulsive therapy center; Princeton HomeCare; Princeton Hospice; and Princeton Rehabilitation, which provide comprehensive in-home nursing, rehabilitation, hospice care and support services. PHCS is also the sole corporate member of Princeton CareGivers, a New Jersey nonprofit corporation that provides private duty home care services ("PCG"); the Princeton HealthCare System Foundation, a New Jersey nonprofit corporation that supports PHS through fundraising activities ("Foundation"); Princeton Medical Properties, Inc., a New Jersey nonprofit corporation that holds properties for the benefit of PHS ("PMP"); Princeton Health, Inc., a New Jersey corporation that engages in various health-related ventures; and Princeton Urban Renewal, LLC, a New Jersey limited liability company that engages in redevelopment projects. PHCS, PHS, PCG, PMP, and the Foundation are all organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. PHCS's affiliates have missions and purposes substantially similar to PHCS.

8. The Trustees of the University of Pennsylvania (the "University") is an independent non-sectarian research institution of higher education chartered under the laws of

the Commonwealth of Pennsylvania. It is a privately endowed, gift-supported, nonprofit institution.

9. The University owns and operates the University of Pennsylvania Health System (“UPHS”). The University established a separate governance structure, known as “Penn Medicine,” to operate, oversee, and coordinate the academic, research, and clinical operations of UPHS and the Perelman School of Medicine. The mission of Penn Medicine is excellence in education, research, and clinical care.

10. UPHS consists of several operating divisions of the University, including the Hospital of the University of Pennsylvania, a nationally-recognized 814-bed quaternary care hospital and academic medical center, and the Clinical Practices of the University of Pennsylvania, a faculty practice plan for the clinical practices of 1,600 members of the Perelman School of Medicine. The University also is the sole corporate member of Presbyterian Medical Center of the University of Pennsylvania Health System, a 331-bed acute care hospital in Philadelphia; Pennsylvania Hospital, a 567-bed acute care hospital located in the Center City area of Philadelphia; Clinical Care Associates of the University of Pennsylvania Health System, a community-based physician network currently employing over 200 physicians at more than 50 office locations in southeastern Pennsylvania and in southern New Jersey through its New Jersey affiliate, Clinical Health Care Associates of New Jersey, P.C., a New Jersey professional corporation; Wissahickon Hospice, a hospice care facility serving the terminally ill with facilities in Philadelphia; The Chester County Hospital and Health System, the parent company of The Chester County Hospital, a 245-bed hospital located in West Chester, Pennsylvania, and its affiliates; and Lancaster General Health, the parent company of The Lancaster General Hospital, an acute care hospital located in Lancaster, Pennsylvania, and Women & Babies Hospital, a

women's health facility located in East Hempfield Township, Pennsylvania, as well as other affiliates.

Background of the Proposed Transaction

11. Consistent with its fiduciary obligations to oversee its charitable assets, including the obligation to pursue its charitable mission, the governing bodies of PHCS and PHS (collectively, the "Princeton Boards") undertook a comprehensive and extensive deliberative process ("Deliberative Process") in pursuing the proposed membership substitution of PHCS by the University (the "Proposed Transaction").

12. The Princeton Boards engaged in a multi-year deliberative process and evaluation of potential strategic options and partners with the intended objective of furthering their mission to provide comprehensive care for the communities they serve, continually improve the quality of health-care services provided to patients, and promote medical and scientific research.

13. Throughout the Deliberative Process, the Princeton Boards have been supported by the advice of executive leadership, outside financial advisors, and nationally-recognized outside legal counsel.

14. In July 2015, the Princeton Boards initiated a 10-month competitive process of evaluating potential partners and partnership structures.

15. On May 23, 2016, the Princeton Boards' Strategic Planning Committee voted to recommend that the Princeton Boards enter into exclusive negotiations with the University for the following reasons:

(i) Penn Medicine has the human, scientific, educational, financial and clinical resources necessary to enable PHCS to provide the highest level of accessible care to the communities it serves long into the future.

(ii) Penn Medicine has demonstrated that it shares the PHCS values.

(iii) A partnership with Penn Medicine will enhance PHCS's ability to expand its clinical programs, care coordination and information technology and to provide its patients with better access to medical breakthroughs, clinical trials, cutting edge technologies and more specialized clinical expertise.

(iv) For more than two (2) centuries, Penn Medicine has been committed to the highest standards of patient care, education and research. Penn Medicine's commitment has been recognized across the nation.

16. On July 11, 2016, upon the recommendation of the Strategic Planning Committee, the Princeton Boards approved selecting the University as its partner for the reasons set forth above, and approved a non-binding Letter of Intent ("LOI") with the University. The LOI was executed on July 13, 2016.

17. Following execution of the LOI, the Princeton Boards (via its accountants, legal advisors and other consultants) conducted legal and financial due diligence of the University while simultaneously negotiating the terms of an Affiliation Agreement setting forth the terms of the proposed affiliation (the "Affiliation Agreement") among PHCS, PHS and the University.

18. PHCS conducted extensive community outreach, including outreach to news media, employees, physicians, donors, business and clinical partners, community and political leaders, including the Lieutenant Governor, the Governor's Chief of Staff, the New Jersey

Commissioner of Health, assemblymen, state senators, freeholders and majors. PHCS utilized a variety of communication methods, including website announcements, press releases, publications, social media posts, email blasts, direct mail pieces, phone calls, personal meetings and presentations to community groups. Without exception, PHCS received positive feedback.

19. On November 28, 2016, after the Princeton Boards fully evaluated the strategic, financial and due diligence analyses conducted with respect to the University, considering both non-economic factors (such as culture, a commitment to shared principles and a focus on quality and mission) and economic factors (such as capital commitments and commitments to the Princeton Health System's facilities and service lines); and after having evaluated all strategic alternatives, the Princeton Boards decided that affiliating with the University represented the best means of assuring that PHCS, PHS and their affiliates could continue to fulfill their mission and charitable objectives in the future. The Princeton Boards' consideration of the Affiliation Agreement was supported by a detailed presentation from the Strategic Planning Committee and the outside advisors on the partnership evaluation process. The presentation included an overview of the Proposed Transaction, including background on UPHS and a review of the strategic and charitable mission rationale for the collaboration; a financial due diligence report of UPHS; and a legal review, including a review of the negotiating process, the material terms of the Affiliation Agreement, the scope and conclusions of the legal due diligence review, the amendments to PHCS and PHS's Articles of Incorporation and Bylaws, the regulatory clearances required before the Proposed Transaction can be consummated, and a summary of the key terms of the agreement pursuant to which Penn Medicine will implement EPIC™ medical records platform at PHCS and the PHCS affiliates.

20. Following the approval of the Princeton Boards, and the approval of the University's and Penn Medicine's Boards, on December 22, 2016, PHCS, PHS and the University entered into the Affiliation Agreement (subject to the parties' receipt of any required governmental approvals) pursuant to which the University will, as of the closing of the Proposed Transaction, become the sole corporate member of PHCS.

21. A true and correct copy of the Affiliation Agreement is attached hereto as Exhibit B.

22. The Proposed Transaction is a membership substitution that will be effectuated by PHCS adopting and filing with the State of New Jersey an Amended and Restated Certificate of Incorporation naming the University as the sole member of PHCS. The Proposed Transaction will not result in the payment of any purchase price, the sale of assets, or, with the exception of the University becoming the sole member of PHCS, the transfer of any membership or ownership interests of any non-profit or for-profit subsidiaries of PHCS, PHS, the University or UPHS.

25. No corporate officer or trustee of PHCS has any financial interest in the Proposed Transaction.

Review by the Attorney General

26. On December 22, 2016, in accordance with CHAPA, PHCS provided initial notice of the Proposed Transaction to the Attorney General. In response to requests for further information from the Attorney General's office, PHCS provided additional information and documentation to supplement its initial CHAPA application.

27. By letter dated August 25, 2017, the Attorney General deemed the initial CHAPA application complete.

28. On September 27, 2017, in accordance with N.J.S.A. 26:2H-7.11(f), a designee of the Attorney General, in conjunction with a designee of the Commissioner of Health, conducted one open public hearing at the West Windsor Plainsboro Community Middle School in Plainsboro Township, New Jersey. A true and correct copy of the transcript of the public hearing is attached hereto as Exhibit C.

29. As required by N.J.S.A. 26:2H-7.11(f), notices of the public hearing were advertised in the Trenton Times, Star Ledger, and Trentonian, newspapers of general circulation in the counties served by PHCS.

30. There was no opposition to the Proposed Transaction voiced at the public hearing or in writing to the Attorney General.

31. In the AG Report dated October 26, 2017, the Attorney General found that the Proposed Transaction is in the public interest and recommended that it be approved by this Court.

Approval by the Superior Court

32. The Proposed Transaction meets the statutory criteria of CHAPA and the Attorney General, in consultation with the Commissioner of Health, has recommended that the Court approve the Proposed Transaction. Accordingly, the Proposed Transaction should be approved by this Court.

33. All persons who submitted written positions or spoke at the public hearing will be joined as parties to this proceeding as required by N.J.S.A. 26:2H-7.11(l) and will be served pursuant to the form of Order to Show Cause attached hereto as Exhibit D.

WHEREFORE, Petitioner respectfully requests that judgment be entered as follows:

- A. Declaring that the Proposed Transaction is in the public interest in accordance with the application requirements of the Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10 *et seq.*;
- B. Granting approval of the Affiliation Agreement; and
- C. For such other relief as the Court deems just and proper.

MCDERMOTT WILL & EMERY LLP

Dated: November 2, 2017
New York, New York

By: Riley T. Orloff
Riley T. Orloff (NJ Bar No. 128672015)
340 Madison Avenue
New York, New York 10173
Tel.: (212) 547-5400
Email: rorloff@mwe.com

John M. Callahan (*Pro Hac Vice* Pending)
444 West Lake Street
Suite 4000
Chicago, Illinois 60606
Tel.: (312) 372-2000
Email: jcallahan@mwe.com

Jerome Tichner, Jr. (*Pro Hac Vice* Pending)
28 State Street
Boston, Massachusetts 02109
Tel.: (617) 535-4000
Email: jtichner@mwe.com

*Attorneys for Princeton HealthCare System
Holding, Inc.*

CERTIFICATION

Pursuant to R. 4:5-1 the undersigned attorney for Petitioner states that to the best of my knowledge, information and belief, the matter in controversy is not the subject of any action pending in any court or arbitration proceedings, that no other action or arbitration proceeding is contemplated by Petitioner, and that no other party should be joined in this action.

I also certify that confidential personal identifiers have been redacted from documents now submitted to the Court and will be redacted from all documents submitted in the future in accordance with Rule 1:38-7(b).

I hereby certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false I am subject to punishment.

Dated: November 2, 2017



Riley T. Orloff, Esq.

Exhibit A

AG Report



State of New Jersey

OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF LAW
25 MARKET STREET
PO Box 106
TRENTON, NJ 08625-0106

CHRISTOPHER S. PORRINO
Attorney General

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

MICHELE L. MILLER
Acting Director

October 26, 2017

Honorable Arnold L. Natali, Jr., P.J.Ch.
Middlesex County Courthouse
56 Paterson Street, 3rd Floor
New Brunswick, NJ 08901

Re: Proposed Establishment of The Trustees of the University of Pennsylvania as Sole Member of Princeton HealthCare System Holding, Inc. Pursuant to the Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10 to -7.14 Dkt. No.

Dear Judge Natali:

This Office has completed its examination of the application submitted by Princeton HealthCare System Holding, Inc. ("PHCS"), a New Jersey nonprofit, tax-exempt corporation, to establish The Trustees of the University of Pennsylvania (the "University"), a Pennsylvania nonprofit, tax-exempt corporation, as its sole member/parent corporation (the "Proposed Transaction"). This Office recommends the Court's approval of the Proposed Transaction, with one condition, set forth below.

PHCS is the sole member/parent corporation of an integrated healthcare delivery system, and is the sole member of a number of nonprofit, tax exempt subsidiaries, including Princeton HealthCare System ("PHS"), Princeton HealthCare System Foundation (the "Foundation"), Princeton Care Givers, and Princeton Medical Properties. PHS has three (3) operating divisions consisting of: (i) the University Medical Center of Princeton at Plainsboro, a general acute care hospital (the "Medical Center"); (ii) Princeton House Behavioral Health; and (iii) Princeton HomeCare. (PHCS' nonprofit, nonhospital affiliates and subsidiaries will be referred to collectively as,



the "Affiliates.") PHCS also owns certain health care related taxable subsidiaries, including Princeton Health, Inc. and Princeton Urban Renewal, LLC.

The University owns and operates the University of Pennsylvania Health System ("UPHS"). UPHS consists of several operating divisions of the University, including the Hospital of the University of Pennsylvania. The University has established a unified governance structure within the University, known as "Penn Medicine" to oversee, coordinate, and govern the University's medical education, research and clinical healthcare components, including UPHS and The Raymond and Ruth Perelman School of Medicine at the University of Pennsylvania. UPHS consists of medical centers, regional hospitals, and multispecialty outpatient and rehabilitation facilities. (For the purposes of this letter, the University, UPHS and Penn Medicine will be referred to collectively as the "Penn Health System".)

In accordance with the terms of an Affiliation Agreement, dated December 22, 2016, by and among the University, PHCS, and PHS (the "Agreement") and receipt of all required approvals, PHCS will file Amended and Restated Articles of Incorporation with the State of New Jersey establishing the University as PHCS' sole member. PHS and the Affiliates, as necessary, will also file Amended and Restated Articles of Incorporation with the State of New Jersey and amend their Bylaws to effectuate the governance changes required by the Agreement. Following the consummation of the Proposed Transaction, PHCS will remain the sole member of PHS and the Affiliates. Nevertheless, the University, through Penn Medicine, will exercise certain "reserved powers" over PHCS, PHS and the Affiliates. These powers include, inter alia, the following: (i) approval of PHCS Board approved amendments to, alterations to, or repeal of the governing documents of PHCS, PHS or the Affiliates; (ii) approval of PHCS Board-approved annual capital and operating budgets for PHCS and PHS; (iii) approval of PHCS board-approved strategic plans for PHCS and PHS; and (iv) the hiring, termination, renewal, and determination of terms of employment of the PHCS Chief Executive Officer, with the prior advice and consultation with the PHCS Board.

PHCS, PHS, and the University seek the Court's approval for the establishment of the University as the sole member of PHCS and the attendant change in control over PHCS, PHS, and the Affiliates, in accordance with the Community Health

Care Assets Protection Act ("CHAPA"), N.J.S.A. 26:2H-7.10 to - 7.14, and the Attorney General's common law oversight of charitable corporations. CHAPA requires that a nonprofit hospital licensed pursuant to N.J.S.A. 26:2H-1 et seq. satisfy the requirements of CHAPA before applying to the Superior Court of New Jersey for approval and prior to entering into a transaction that results in the acquisition of the hospital. The purpose of this submission is to advise the Court of our findings and recommendations associated with our examination of the Proposed Transaction under CHAPA.

Here, the Proposed Transaction constitutes an "acquisition" of PHS (which owns and operates the Medical Center) by the University as that term is defined in CHAPA. Under CHAPA, an acquisition means the "... restructuring, merger, division, consolidation, transfer of control or other disposition of a substantial amount of assets or operations, whether through a single transaction or series of transactions, with one or more persons or entities." N.J.S.A. 26:2H-7.11. The Proposed Transaction constitutes a fundamental corporate change involving a transfer of control of a substantial amount of the operations and charitable assets of PHS, requiring CHAPA review.

CHAPA mandates the participation of the Attorney General, the Commissioner of the Department of Health (the "Commissioner"), and the Superior Court in reviewing the Proposed Transaction. The Attorney General is required to ascertain whether the acquisition is in the public interest, with or without any specific modifications, by determining whether appropriate steps have been taken to safeguard the value of the charitable assets of the hospital being acquired. The Commissioner must decide whether the Proposed Transaction is likely to result in the deterioration in the quality, availability, or accessibility of health care services in the affected community.

Pursuant to N.J.S.A. 26:2H-7.11(1), "[u]pon completion by the Attorney General of the review of the application required by this act, the nonprofit hospital shall apply to the Superior Court for approval of the proposed acquisition. In that proceeding, the Attorney General shall advise the court as to whether the Attorney General supports or opposes the proposed acquisition, with or without any specific modifications, and the basis for that position." The Superior Court must ultimately approve the Proposed Transaction.

We have examined the application submitted by PHCS/PHS in response to our requests for documentation relating to the Proposed Transaction. We have also reviewed the transcripts of the public hearing held on September 27, 2017 concerning the Proposed Transaction. Finally, we have examined applicable law. Based on our independent analysis of the information provided and for the reasons set forth below, this Office supports the Proposed Transaction as described herein, without any modifications. Our recommendation is conditioned upon:

1. The adoption by the governing bodies of PHCS, PHS and any Affiliates affected by the Proposed Transaction of amendments to their respective Certificates of Incorporation and Bylaws, as submitted with their CHAPA application, effectuating the changes resulting from the Proposed Transaction, provided that there be thirty (30) days prior written notice to and approval by the Attorney General of any material changes to the proposed forms of governing documents which were submitted in the CHAPA application process.

PHCS also seeks approval for the change in control affecting the Affiliates resulting from the establishment of the University as sole member of PHCS and the grant of reserve powers to the University over the corporate governance of the Affiliates. This change in control is not subject to review under CHAPA, because it does not involve an acute care general hospital. However, CHAPA does not limit the Attorney General's existing authority to review transactions. N.J.S.A. 26:2H-7.14. The change in control affecting the Affiliates is inextricably intertwined with the change in control involving PHCS and PHS. The information provided to us by PHCS and PHS regarding the CHAPA transaction also relates to the due diligence PHCS engaged in concerning the Affiliates. Based upon our review of the materials provided and for the reasons set forth below, we have no objection to the change in control affecting the Affiliates, subject to the condition set forth above.

In addition, the Department of Health has issued a finding pursuant to CHAPA, specifically N.J.S.A. 26:2H-7.11(b). Writing in regard to the proposed merger of Princeton Health Care System Holding (Princeton) and The Trustees of the University of Pennsylvania (Penn) in a letter dated October 13, 2017 to Christopher S. Porrino, Attorney General of New Jersey (attached hereto as Exhibit A), Cathleen D. Bennett, the Commissioner of the Department of Health, stated that, "[t]he Department has approved the licensure application regarding this

transaction." Also, the Department participated in a public hearing held in accordance with the Community Health Care Assets Protection Act. "Princeton and Penn both represent that Princeton and its respective subsidiaries and affiliates will continue all services currently being provided at their facilities. Based upon the applicants' representations, and information reviewed in connection with the proposed merger, the Department believes the transaction will not result in the deterioration of the quality, availability or accessibility of health care services in the impacted communities."¹

I. The Transacting Parties and the Proposed Transaction

(a) Description of the Transacting Parties and their Affiliates

1. Princeton HealthCare System Holding, Inc.

PHCS, a New Jersey nonprofit corporation, is the sole member of PHS, the Foundation, Princeton Medical Properties, and Princeton CareGivers. PHCS is the owner of Princeton Health, Inc. and Princeton Urban Renewal, LLC. Currently, PHCS has no corporate member.

PHCS is organized and operated exclusively for educational, charitable, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Further, PHCS is organized to enhance the quality of life and benefit the inhabitants of the community served by PHS and its affiliates in the surrounding areas. PHCS' mission is to provide comprehensive care for the communities it serves, continually improving the quality of the health care services it provides to patients, and promoting medical and scientific research.

(i) Princeton HealthCare System

PHS is a New Jersey nonprofit corporation comprised of three divisions, the University Medical Center of Princeton at

¹ In accordance with a letter from John Calabria, Director of Certificate of Need and Licensing, New Jersey Department of Health, dated March 30, 2017, the DOH concluded that, "the proposed transaction where the University becomes the sole corporate member of PHCS does not require Certificate of Need approval."

Plainsboro, Princeton House Behavioral Health and Princeton HomeCare, Hospice and Rehabilitation Services.

- The Medical Center is a 319-bed acute care general hospital located in Plainsboro, New Jersey providing a full spectrum of inpatient and outpatient services. The hospital was established in 1919 and grew for over one hundred years in Princeton. In 2012, the hospital moved to its new campus in Plainsboro.
- Princeton House Behavioral Health is a 110-bed facility and electroconvulsive therapy center providing psychiatric and addiction care services at the inpatient, partial hospital and intensive outpatient levels of care.
- Princeton HomeCare, Hospice and Rehabilitation Services provide comprehensive in-home nursing, rehabilitation, hospice care and support services.

(ii) Princeton HealthCare System Foundation

The Foundation is a New Jersey nonprofit organization that supports the mission of PHS through various fundraising activities.

(iii) Princeton Medical Properties

Princeton Medical Properties is a New Jersey nonprofit organization that holds properties for the benefit of PHS.

(iv) Princeton CareGivers

Princeton CareGivers is a New Jersey nonprofit organization that provides private duty homecare services.

PHCS is also the parent entity or sole shareholder of Princeton Health, Inc. ("PHI") and Princeton Urban Renewal, LLC ("PUR"), respectively. Both taxable affiliates operate in furtherance of PHCS' mission and purpose. PHI engages in various health-related ventures and joint ventures on behalf of PHCS and PHS. PUR initiates and conducts projects for development and/or redevelopment as an urban renewal entity under L. 1991, c. 431 (C.40A: 20-1, et seq.).

2. The Trustees of the University of Pennsylvania

The University is governed by its Board of Trustees which has delegated to the Penn Medicine Board the responsibility to foster relationships among the components of Penn Medicine and between Penn Medicine and the University. The University maintains ultimate control over the governance and operation of UPHS and Perelman School of Medicine.

The Penn Medicine Board has responsibility for the oversight of UPHS and the Perelman School of Medicine and to assure that its constituents operate in a coordinated manner to promote the goals of providing outstanding clinical care, education and research.

i. Perelman School of Medicine

The Perelman School of Medicine supports active research programs in every area of modern biomedical research with major emphases in behavioral disorders, biomedical imaging, cancer, computer technology, diabetes, immunology, molecular genetics, the neurosciences and pharmacology.

ii. University of Pennsylvania Health System

UPHS consists of certain operating divisions of the University and affiliated entities, including: the Hospital of the University of Pennsylvania ("HUP"), Penn Presbyterian Medical Center ("PPMC"), Pennsylvania Hospital of the University of Pennsylvania Health System, The Chester County Hospital and Health System ("TCCHS"), Lancaster General Hospital ("LGH"), and Wissahickon Hospice ("WH"). HUP is an operating division of the University. PPMC, TCCHS, LGH, PAH, and WH are separate nonprofit corporations affiliated with and controlled by the University.

- HUP is an 820-licensed bed, including bassinets, quaternary care hospital and academic medical center located on the campus of the University in the West Philadelphia area of Philadelphia, Pennsylvania. HUP provides secondary, tertiary, and quaternary care to the residents of Philadelphia and the surrounding tri-state area.
- PPMC is a 366-licensed bed acute care facility located in University City adjacent to the

University's campus. PPMC provides primary, secondary and tertiary care to residents of metropolitan Philadelphia and Southern New Jersey.

- PAH has 546 licensed beds, including bassinets, and today is an acute care tertiary facility. PAH provides primary, secondary and tertiary care to residents of metropolitan Philadelphia and Southern New Jersey.
- TCCHHS includes The Chester County Hospital which is a 289-licensed bed, including bassinets, acute care facility located in West Chester, as well as satellite locations. Chartered in 1892, the hospital complex offers an array of inpatient and outpatient medical/surgical services. TCCHHS became affiliated with UPHS in September 2013.
- LGH controls and manages the Lancaster General Health System, an integrated regional healthcare delivery system principally located in Lancaster County, Pennsylvania, operated through its affiliated entities, including Lancaster General Hospital, a 533-licensed bed acute care and surgical facility and Women & Babies Hospital, a women's specialty hospital with ninety-seven (97) inpatient beds.
- Wissahickon Hospice was established in 1982 to provide compassionate care for patients with life-limiting conditions.

(b) Description of the Proposed Transaction

In accordance with the Agreement, PHCS will file Amended and Restated Articles of Incorporation establishing the University as its sole member. PHCS will remain the sole member of PHS and the Affiliates, including the Foundation and the University will exert certain reserved powers over PHCS, PHS and the Affiliates.

(c) Chronology of Events Leading to the Proposed Transaction

As recounted in the minutes of the July 11, 2016 joint meeting of the Board of Trustees of Princeton HealthCare System (the "PHS Board") and the Board of Trustees of Princeton HealthCare System Holding, Inc. (the "PHCS Board"), (referred to collectively as the "Princeton Boards"), in January 2012, the PHCS Board established an ad hoc Strategic Planning Committee ("SPC"). From January 2012 through November 2013, the SPC studied the changing healthcare landscape and decided to monitor the healthcare market and continue to strengthen PHCS's financial position rather than pursue an affiliation transaction with a third party at that time.

On May 22, 2012, PHS successfully completed the relocation of its acute care hospital by opening University Medical Center of Princeton at Plainsboro on the Plainsboro Campus.

Beginning in July 2014, and over the course of the next year, PHCS developed and implemented a strategic plan with the assistance of its third-party advisor, Kaufman Hall ("KH"). At its March 10, 2015 meeting, the SPC concluded that it would report to the PHCS Board that PHS will be challenged to meet its strategic imperatives without a partner. The opening of the new hospital had disrupted operating performance and increased debt load. At the March 23, 2015 PHS Board Meeting, KH presented that PHS should seek to form strategic partnerships in order to maintain and advance PHS' ability to carry out its organizational mission in the evolving healthcare environment.

The Princeton Boards evaluated alternatives on how best to meet anticipated population demands, including remaining independent, merging with similarly sized organizations, or fully integrating with a larger not-for-profit or for-profit partner. The Princeton Boards concluded, following the recommendation of the SPC, that integrating with a larger not-for-profit partner was in the best interest of PHCS and PHS and the communities each serves.

The Princeton Boards identified certain guiding principles, best practices and charitable objectives that must be met through integration with a larger not-for-profit partner to ensure that the charitable mission of PHS continues long into the future.

In July 2015, the Princeton Boards initiated a competitive process of evaluating potential partners and partnership structures. The Princeton Boards engaged Wells Fargo Securities, LLC, an investment bank with experience in the healthcare industry ("Wells Fargo"), McDermott Will & Emery LLP, a law firm with expertise in the evaluation and negotiation of not-for-profit hospital affiliations ("McDermott") and Withum, Smith & Brown, a consulting and accounting firm with hospital-industry finance and tax experience ("Withum", and together with Wells Fargo and McDermott, the "Outside Advisors") to advise the Princeton Boards throughout the strategic affiliation process.

On October 26, 2015, the PHCS Board authorized the SPC to: (i) determine a list of potential strategic partners that would be invited to submit proposals; (ii) evaluate the proposals in light of the charitable objectives; (iii) request additional information and conduct due diligence; (iv) narrow the list to no fewer than two (2) potential partners; (v) present this list to the Board with analysis and recommendations; and (vi) provide regular updates to the Board.

At the November 19, 2015 meeting of the SPC, the Committee reviewed key parameters for PHS to consider in evaluating a partnership transaction to help PHS achieve its objectives. These parameters included governance, community control, financial commitments, and clinical and technology investments.

In October 2015, using recognized guiding principles, Wells Fargo identified nineteen (19) potential strategic partners and initiated contact with seventeen (17) of these potential strategic partners that best satisfied the guiding principles. Wells Fargo sent a draft Confidentiality and Non-Disclosure Agreement ("NDA") to the eleven (11) potential strategic partners that expressed an interest in a fully-integrated strategic partnership, which were executed in October and November 2015. Upon receipt of, and subject to, the NDAs, Wells Fargo provided Princeton's Confidential Information Presentation to eleven (11) potential partners. Initial meetings were held with representatives of the ten (10) remaining interested potential partners. Wells Fargo subsequently sent a formal request for proposal ("RFP") to the nine (9) potential strategic partners on December 23, 2015 that best satisfied PHCS' guiding principles. Six (6) potential partners provided a written response to the RFP in February 2016.

On March 14, 2016, the Princeton Boards agreed that the proposals from Penn Medicine on behalf of the University, Hackensack Meridian Health, a New Jersey health system, and Thomas Jefferson University (the "Preferred Partners") best met the potential partnership criteria developed by the Princeton Boards, had the most potential to meet the guiding principles, and were most in line with the best practices outlined by PHCS. Several rounds of meetings were conducted with the Preferred Partners, including meetings held at the Preferred Partner hospitals. On May 23, 2016, the SPC voted to recommend that the PHCS Board enter into exclusive negotiations with the University.

On July 11, 2016, upon the recommendation of the SPC, the Princeton Boards approved selecting the University as its partner and approved a non-binding letter of intent ("LOI") with the University. The LOI was executed on July 13, 2016.

Following execution of the LOI, the Princeton Boards (via its accountants, legal advisors and other consultants) conducted legal and financial due diligence of the University while simultaneously negotiating the terms of the Agreement among PHCS, PHS and the University.

On November 28, 2016, after the Princeton Boards evaluated the strategic, financial and due diligence analyses conducted with respect to the University, the Princeton Boards decided that affiliating with the University represented the best means of assuring that PHCS, PHS and their affiliates could continue to fulfill their mission and charitable objectives in the future.

Following the approval of the Princeton Boards, and the approval of the University's and Penn Medicine's Boards, on December 22, 2016, PHCS, PHS and the University entered into the Agreement.

II. CHAPA Review Process

By letter dated December 22, 2016, counsel for PHCS notified this Office of a proposed transaction among PHCS, PHS, and the University. In accordance with the Agreement dated December 22, 2016, the University would be established as the sole member of PHCS, with reserved powers over PHCS, PHS, and the Affiliates.

In a letter dated December 29, 2016, we advised that the Proposed Transaction required CHAPA review. We provided PHCS with a substantial number of questions and requests for materials in order to elicit the information needed for us to review the Proposed Transaction.

On February 16, 2017, we acknowledged receipt of PHCS' response to our initial questions constituting PHCS' initial application under CHAPA. This gave us thirty (30) days to deem PHCS' application complete or ask completeness questions. PHCS' partially redacted initial submission included copies of the Agreement, board minutes, consultants' reports, and a comprehensive description of the Proposed Transaction. As required by N.J.S.A. 26:2H-7.11(a)(1), PHCS published notice of the Proposed Transaction in the Times of Trenton on February 24, February 26, February 27, and March 10, 2017, as well as in Latinos Unidos, a Spanish language newspaper, on March 2, April 6, and May 4, 2017.

On March 17, 2017, we sent our first set of completeness questions which were responded to by PHCS on March 31, 2017. On April 25, 2017, we sent additional completeness questions, including a request for disclosure and inclusion in the public record of hundreds of pages of redacted documents.² We continued to exchange questions and answers and on August 25, 2017, we deemed PHCS's application complete. In accordance with N.J.S.A. 26:2H-7.11(f), the entire application is available for public inspection at the Office of the Attorney General.

On September 27, 2017, in accordance with N.J.S.A. 26:2H-7.11(f), representatives of the Attorney General and the Commissioner conducted a joint public hearing in Middlesex County. The hearing was held at 6 p.m. at the West Winsor-Plainsboro Community Middle School, 95 Grovers Mill Road, Plainsboro Township, New Jersey. The hearing provided members of the affected communities with the opportunity to comment on the Proposed Transaction. Notice of the public hearing was published in advance of the hearing in the Trenton Times, the Star Ledger, and the Trentonian. Notice was also posted on the website of the Latino Unidos newspaper (in Spanish), on the Medical Center's website, and at various locations in and around the Medical Center's campus. The public hearing was conducted by Assistant Attorney General Kavin K. Mistry on behalf of the

² Our Office reviewed unredacted documents via a confidential password protected web portal.

Attorney General and by Assistant Commissioner Susan J. Dougherty on behalf of the Commissioner.

Approximately 20 people attended the hearing. Prepared statements were made by Barry Rabner, the President and Chief Executive Officer of Princeton HealthCare System, Kim Pimley, the Chairman of the Board of Trustees of Princeton HealthCare System, and Ralph W. Muller, Chief Executive Officer, University of Pennsylvania Health System. Mr. Rabner commented that, "Penn Medicine and Princeton HealthCare System will be making significant strategic investments necessary to increase access to care for the 1.3 million people that we are responsible for now." Ms. Pimley offered that "our hospital will remain right where it is, offering high-quality care close to home and, when necessary, serving as a gateway to the advanced care that Penn Medicine offers." Mr. Muller concluded that, "we are looking forward to integrating Princeton HealthCare System into Penn Medicine and bringing the best of Penn to Princeton, their patients, and the communities of Central New Jersey."

Following remarks from the hospital executives and PHCS Chairman Pimley, a member of the public raised a question whether UPHS physicians and other resources will be coming to Princeton or whether PHCS patients will have to go to UPHS for care. Mr. Muller responded that Penn physicians and other resources will be coming to Princeton. This was the only question or comment from the public.

The public hearing was closed at 7 p.m. and the public record for the Proposed Transaction was closed on October 6, 2017, without receipt of any additional public comment.

III. Attorney General's Scope of Review under CHAPA

Under CHAPA, it is the responsibility of the Attorney General to examine and analyze transactions of this type, to obtain all material information, and to consider all of the pertinent factors enumerated in CHAPA before making a recommendation whether or not a hospital asset transfer is in the public interest and warrants support, with or without modification. It is the Attorney General's duty to analyze the Proposed Transaction to determine its impact upon the public interest and to ensure that the process is open to public comment and scrutiny in order to maximize the public's confidence in the final decision.

The historical role of the Attorney General is to enforce the provisions of the charitable trust and charitable corporation laws to fully protect charitable assets for the benefit of the public. These laws recognize the principle that charitable trusts and charitable corporations are, unlike private, profit-making business entities, created to benefit the public. CHAPA provides that the Attorney General shall review the transaction "in furtherance of his common law responsibilities as protector, supervisor, and enforcer of charitable trusts and charitable corporations." N.J.S.A. 26:2H-7.11. The transaction will not be considered in the public interest unless the Attorney General determines that "appropriate steps have been taken to safeguard the value of the charitable assets of the hospital being acquired and to ensure that such assets are irrevocably dedicated for charitable health care purposes." N.J.S.A. 26:2H-7.11(b).

The criteria the Attorney General is to consider in making this determination are set forth in N.J.S.A. 26:2H-7.11(c) and (d). Since the proposed establishment of the University, a Pennsylvania nonprofit corporation, as the sole member of PHCS involves the transfer of control of the assets of a New Jersey nonprofit hospital to a foreign nonprofit corporation, those criteria found at N.J.S.A. 26:2H-7.11(c) and (d) will be considered in this case.

The criteria found at N.J.S.A. 26:2H-7.11(c) are as follow:

(1) whether the acquisition is permitted under the "New Jersey Nonprofit Corporation Act," Title 15A of the New Jersey Statutes, and other applicable State statutes governing nonprofit entities, trusts, or charities;

(2) whether the nonprofit hospital exercised due diligence in deciding to effectuate the acquisition, selecting the other party to the acquisition and negotiating the terms and conditions of the acquisition;

(3) the procedures used by the nonprofit hospital in making its decision, including whether appropriate expert assistance was used;

(4) whether conflicts of interest were disclosed, including, but not limited to, conflicts of interest related to board members of, executives of and experts retained by the

nonprofit hospital, purchaser or other parties to the acquisition;

(5) whether any management contract under the acquisition is for reasonable fair value; and

(6) whether the acquisition proceeds will be used for appropriate charitable health care purposes consistent with the hospital's original purpose or for the support and promotion of health care and whether the proceeds will be controlled as charitable funds independently of the purchaser or parties to the acquisition."

The criteria found at N.J.S.A. 26:2H-7.11(d) are as follow:

"(1) whether the nonprofit hospital will receive full and fair market value for its assets. The Attorney General may employ, at the nonprofit hospital's expense, reasonably necessary expert assistance in making this determination;

(2) whether charitable funds are placed at unreasonable risk, if the acquisition is financed in part by the nonprofit hospital;

(3) whether a right of first refusal has been retained to repurchase the assets by a successor nonprofit corporation or foundation if, following the acquisition, the hospital is subsequently sold to, acquired by or merged with another entity;

(4) whether the nonprofit hospital established appropriate criteria in deciding to pursue a conversion in relation to carrying out its mission and purposes;

(5) whether the nonprofit hospital considered the proposed conversion as the only alternative or as the best alternative in carrying out its mission and purposes;

(6) whether the nonprofit hospital exercised due care in assigning a value to the existing hospital and its charitable assets in proceeding to negotiate the proposed conversion;

(7) whether officers, directors, board members or senior management will receive future contracts in existing, new, or affiliated hospitals or foundations; and

(8) any other criteria the Attorney General establishes by regulation to determine whether a proposed acquisition by any person or entity other than a corporation organized in this State for charitable purposes under Title 15A of the New Jersey Statutes is in the public interest."

In addition, in a proposed acquisition of a nonprofit hospital by an entity that is not a New Jersey nonprofit corporation, the Attorney General, after consultation with the principal parties to the transaction, shall make a determination as to the amount of assets which the nonprofit hospital shall set aside as a charitable obligation, based on the full and fair market value of the hospital at the time of the proposed acquisition as determined by the Attorney General. N.J.S.A. 26:2H-7.11 (g).

The criteria to be considered in a transaction reviewed under CHAPA depend on the corporate structure and the state of incorporation of the acquirer. The attention accorded to any single criteria in determining whether a particular transaction is in the public interest depends upon the specific facts and circumstances of the transaction under consideration.

The Proposed Transaction here involves the transfer of the assets of a New Jersey nonprofit corporation to a corporation which is not a New Jersey domestic corporation, i.e., the University is a Pennsylvania nonprofit corporation. Therefore, we will consider all of the factors found at N.J.S.A. 26:2H-7.11 (c) and we may also consider the factors found at N.J.S.A. 26:2H-7.11 (d) in our review of the Proposed Transaction and in making our recommendation to the Court. Nevertheless, because the Proposed Transaction does not constitute a "conversion" of PHCS' charitable assets, i.e., a change from nonprofit to for-profit control, and because PHCS and PHS will both continue to be operated as charitable corporations with a nonprofit entity as its parent corporation, under these specific circumstances only certain factors found in subsection (d) of CHAPA are applicable in this context.

The factors we will consider are those enumerated at subsection (d)(1) concerning the receipt of fair market value for the assets being sold and subsection (d)(7) concerning future employment contracts with the acquirer. We will also consider subsection (d)(4) to the extent that the establishment of appropriate criteria applies to a nonprofit to nonprofit transaction. The other subsection (d) criteria are specifically concerned with acquisitions by for-profit entities. The

criterion enumerated at (d)2 concerns financing of a proposed transaction by the selling hospital, and the criteria found at (d)(5) and (d)(6) specifically deal with "conversion" transactions," and none of which are relevant and won't be considered in our analysis in this case.

IV. Review of the Proposed Transaction Under CHAPA

This section examines the Proposed Transaction under each of the above-referenced statutory criteria.

(a) Compliance With the Nonprofit Corporation Act - CHAPA Subsection (c) (1)

Pursuant to N.J.S.A. 26:2H-7.11(c)(1), the Attorney General shall consider, "[w]hether the acquisition is permitted under the 'New Jersey Nonprofit Corporation Act,' Title 15A of the New Jersey Statutes, and other applicable State statutes governing nonprofit entities, trusts or charities." On July 11, 2016, the Princeton Boards approved and ratified PHCS' execution of a Letter of Intent between PHCS and the University, which was subsequently executed and entered into as of July 13, 2016. Further, by Resolution dated November 28, 2016, the Princeton Boards ratified, approved and adopted the Affiliation Agreement, and the agreements and instruments contemplated by the Affiliation Agreement, including the Amended and Restated Certificates of Incorporation and Amended and Restated Bylaws for each of PHCS and PHS, which were presented to the Princeton Boards for review, which reflect the agreed upon governance structure set forth in the Affiliation Agreement, and which, pursuant to the terms of the Affiliation Agreement, are to be approved by each of the Princeton Boards.

Based upon our review of the materials submitted and applicable law, the Proposed Transaction is permitted by the New Jersey statute governing nonprofit corporations.

(b) Due Diligence Criteria - CHAPA Subsections (c)(2), (c)(3), (d)(4)

Two significant due diligence criteria are found at N.J.S.A. 26:2H-7.11(c)(2) and (c)(3):

(2) Whether the nonprofit hospital exercised due diligence in deciding to effectuate the acquisition, selecting the other party to the acquisition and negotiating the terms and conditions of the acquisition; and

(3) The procedures used by the nonprofit hospital in making its decision, including whether appropriate expert assistance was used.

We also look at whether the nonprofit hospital established appropriate criteria in deciding to pursue a change in control in relation to carrying out its mission and purposes, N.J.S.A. 26:2H-7.11(d)(4).

These statutory criteria do not require the Attorney General to decide whether, as a factual matter, PHCS made optimal decisions in pursuing the Proposed Transaction. Rather, the statute simply requires, in part, that the Attorney General ascertain whether the trustees exercised their duty of care in deciding to pursue this course of action and in the process they used to effectuate it. Although the term, "due diligence," is not defined in CHAPA, the New Jersey Nonprofit Corporation Act provides at N.J.S.A. 15A:6-14, as follows:

"Trustees and members of any committee shall discharge their duties in good faith and with that degree of diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances in like positions."

"Due diligence" is defined to be such a measure of prudence, activity, or assiduity, as is properly to be expected from, and ordinarily exercised by, a reasonable and prudent man under the particular circumstances; not measured by any absolute standard, but depending on the relative facts of the special case. Black's Law Dictionary Free Online Legal Dictionary 2nd Ed., <http://thelawdictionary.org/due-diligence>.

Along with the duty of care, there are two other components to the trustees' fiduciary duty; the "duty of obedience" and the "duty of loyalty." The duty of obedience requires trustees to be faithful to the advancement of the hospital's charitable mission and purpose. The duty of loyalty requires that trustees must act solely in the interest of the hospital, which is the object of their fiduciary duty. To do so is the essence of acting in good faith.

In this case, we specifically inquire whether the Trustees of the Princeton Boards exercised their due diligence by: (i) establishing appropriate criteria and using appropriate procedures in deciding to effectuate the proposed acquisition

and considered how it would further PHCS'/PHS' mission and purpose; (ii) selecting the other party to the acquisition; and, (ii) negotiating the terms and conditions of the definitive agreement governing the Proposed Transaction.

(i) Effectuating the Proposed Acquisition - CHAPA Subsections (c) (2), (c) (3), (d) (4)

As described, in part, in the chronology set forth in Section I(c), above, as set forth in the minutes of the meetings of the Princeton Boards and the Medical Center, and as elucidated in PHCS' narrative responses to our inquiries, in January 2012, the PHCS Board established an ad hoc Strategic Planning Committee. From January 2012 through November 2013, the SPC developed an understanding of the changing healthcare landscape and decided to monitor the healthcare market and continue to strengthen PHCS's financial position rather than pursue an affiliation transaction with a third party.

On May 22, 2012, PHS successfully completed the relocation of its acute care hospital by opening the Medical Center on the Plainsboro Campus.

Beginning in July 2014, and over a period of months, PHCS, with the assistance of KH, developed and implemented a strategic plan intended to enable the Medical Center to provide accessible care in its service into the future. In implementing the strategic plan, the PHCS Board, in conjunction with the SPC and KH, engaged in a six-stage process which included an evaluation of PHCS's and PHS's existing operations and the current and future state of the healthcare industry.

For the calendar year ending December 31, 2014, PHCS reported an operating loss of \$9.8 million.

The SPC held a series of meetings with KH. The minutes of the January 8, 2015 reflect the following "takeaways:"

- PHS' high debt (relative to historical debt) and liquidity position limits PHCS' access to capital;
- PHS' 2014 Days Cash on Hand ("DCOH") is 119.6, approximately seven (7) days below the median Standard & Poor's minimum investment grade rating

("BBB-"), despite 3 years of improved operating performance and a forecasted 118.2 DCOH in 2015;

- Given expected industry pressures, PHCS needs to generate approximately \$7,000,000 in annual performance improvement to achieve a 9.0% EBIDA³ margin to support routine capital needs, pension funding, and to refinance existing debt;
- Even if PHS were to generate approximately \$7,000,000 in annual performance improvement and achieve a 9.0% EBIDA margin, this might not yield enough cash flow to build cash reserves and create the incremental capital capacity that is necessary to support strategic investments.

Attachments to the minutes include a substantial number of detailed slideshow presentations made by KH to the PHCS Board describing the six-stage strategic planning process. In addition to examining the current state of PHCS and the current and future state of the market, KH evaluated alternatives on how best to meet anticipated population demands, including remaining independent, merging with similarly sized organizations, or fully integrating with a larger not-for-profit or for-profit partner.

The strategic planning process also included an ongoing evaluation of PHCS' organizational strength in various key categories, including financial strength, clinical integration, network strength, brand strength, and clinical and business intelligence. KH determined that in each of these key categories PHCS was "unlikely" to be able to "do it alone." KH identified gaps in a number of organizational competencies PHCS would have to fill in order to succeed in the value-based environment. The SPC concluded that PHCS would not be able to fill many of these competency gaps independently. Further, KH determined that PHCS' projected financial strength would yield little to none in terms of excess cash generated from operations that can be used for reserve building and strategic spending.

At the May 11, 2015 PHCS Board meeting, the Board reviewed the strategic option assessment and detailed the strengths and weakness of each option, including a review of the degree of control retained by the Board under each. The SPC recommended to the PHCS Board that PHCS should seek to evaluate

³ Earnings Before Interest, Depreciation and Amortization.

a strategic partnership with a larger, non-profit healthcare system in order to maintain and advance PHCS' ability to carry out its mission in the evolving healthcare environment. The SPC reported that it believed that a strategic partnership is the most effective option, and any final decision by the Board should take into account how such partnership will affect the community overall, including patients, doctors and staff. The evaluation of the right partner should be based on established guiding principles and best practices.

As set forth in the Minutes of a Special Meeting of the PHS Board of Trustees held on June 25, 2015, Chairman Pimley noted that the SPC completed stages one through five of the strategic planning process. Mr. Rabner outlined the following guiding principles that would have to be met through integration with a larger not-for-profit partner to ensure that the charitable mission of the Princeton Health System would continue to be met into the future:

1. Improving the quality of clinical programs and services;
2. Ensuring that the healthcare needs of the communities that the parties serve are met through high-quality, coordinated care and services that are reasonably-priced;
3. Operating a fully-integrated, responsive, innovative, data-driven and patient health-focused health system;
4. Providing for a community voice in the decisions impacting the health of the communities served;
5. Building a strong, financially-sound health system;
6. Providing patient access to a broader continuum of services over an expanded service area;
7. Improving facilities, equipment and information technology platforms;
8. Strengthening physician recruitment, retention and integration initiatives;
9. Partnering with physicians in a manner that assures clinical and financial alignment in service to patients and in a manner that is attractive to payors;

10. Enhancing the parties' ability to develop and implement value-based pricing mechanisms, providing enough scale in Central New Jersey to be able to responsibly manage risk contracts, and expanding and improving relationships with payors and employers;
11. Creating operational efficiencies designed to improve performance and reduce costs;
12. Maintaining a strong academic and research platform that is essential to fostering clinical excellence and innovation;
13. Developing and maintaining an integrated delivery system in which patient care is coordinated across a full continuum of healthcare providers, thereby providing a foundation for responding to the opportunities and challenges posed by federal health reform legislation;
14. Achieving "employer of choice" status, ensuring that employees have opportunities to attain their professional goals in a supportive work environment;
15. Enhancing the Foundation's ability to achieve its objectives in the most efficient and effective manner possible; and
16. Providing responsible stewardship of charitable assets, ensuring that PHCS and UPHS collectively will maintain a strong financial profile to enable them to achieve their charitable objectives long into the future.

Mr. Rabner reviewed the processes for approaching the market and noted that the SPC recommended a controlled competitive process, which would include a request for proposal from four (4) to ten (10) potential partners. This process consisted of seven phases, (i) planning, (ii) indications of interest, (iii) detailed exploration, (iv) negotiation, (v) regulatory approval, (vi) closing, and (vii) post-closing. The PHCS Board of Trustees expressed unanimous consensus that the SPC proceed with the planning phase of the partnership process (selecting advisors, identifying potential partners, developing disclosure materials and drafting a Request for Proposal).

At a November 9, 2015 meeting of the SPC, in preparation for discussions with potential strategic partners, the Committee met with representatives from Wells Fargo and

reviewed potential strategic alternatives ranging from a clinical affiliation to a full integration and the benefits and risks related to each. It was noted that although in the prior stage of the strategic planning process, the Committee concluded that a full integration with a partner was most likely to attain PHCS' goals, a clinical affiliation should not be ruled out, as it may allow PHCS to achieve its charitable objectives while retaining a level of independence that is unlikely if it were to pursue a full integration. It was determined that when meeting with potential partners, the team will advise that it believed a full integration is the likely structure needed to achieve its charitable objectives and goals, however, the Committee is open to alternative structures.

Based upon our prior review of transactions under CHAPA, we anticipate that counsel or consultants will advise the trustees to follow prescribed processes in embarking on a course of action which may eventually culminate in a decision to transfer a nonprofit hospital subject to CHAPA review. We recognize that use of these decision-making processes generally meet CHAPA's due diligence standards.

It is evident from our review of the meeting minutes that the Princeton Boards and senior management engaged in a deliberate and thoughtful process, with expert assistance from KH, to reach a decision to effectuate a strategic partnership. PHCS advised us that the guiding principles, best practices and the charitable objectives of PHCS and its nonprofit affiliates have been the lens through which the Princeton Boards have evaluated strategic alternatives and the terms of the Affiliation Agreement.

Based upon the foregoing, we find that the Princeton Board members exercised due diligence in deciding to effectuate the acquisition in accordance with N.J.S.A. 26:2H-7.11(c)(2). Furthermore, PHCS and PHS acted with due care in establishing appropriate criteria for evaluating a proposed partnership in furtherance of its mission pursuant to N.J.S.A. 26:2H-7.11(d)(4) and used appropriate expert assistance in accordance with N.J.S.A. 26:2H-7.11(c)(3).

(ii) Selecting the Acquirer - CHAPA Subsections (c)(2), (c)(3), and (d)(4)

Based upon our experience with prior CHAPA transactions, ideally, once nonprofit hospital fiduciaries have reached a decision to effectuate a transfer of a hospital's

charitable assets (see, section IV, (b)(i), above), have determined the key characteristics it should look for in a strategic partner, and identified organizational goals and "must haves" to be attained from effectuating a strategic partnership, they will often engage an expert to prepare a Request For Proposal ("RFP") to solicit interest from potential buyers. Depending, in part, upon whether they are selling their assets to a nonprofit or for-profit buyer, hospital trustees may seek to establish an open public bidding process to maximize the purchase price for the hospital's assets. The hospital may also seek to obtain a valuation which would assist in establishing a base line for bidding.⁴ Once bids are received, the fiduciaries, with the assistance of the expert, may compare and contrast the offers on the basis of pre-determined criteria, including price, mission compatibility, financial wherewithal, and many other factors, and negotiate the best possible terms for the sale of the assets.

As discussed above, in the fall of 2015, the Princeton Boards initiated a competitive process of evaluating potential partners and partnership structures. The Princeton Boards engaged the Outside Advisors, to advise the Princeton Boards with financial, legal and accounting advice, respectively, throughout the strategic affiliation process.

On October 26, 2015, the PHCS Board authorized the SPC to: (i) determine the list of potential strategic partners that would be invited to submit proposals; (ii) evaluate the proposals in light of the charitable objectives; (iii) request additional information and conduct due diligence; (iv) narrow the list to no fewer than two (2) potential partners; (v) present this list to the Board with analysis and recommendations; and (vi) provide regular updates to the Board.

PHCS advised that as the deliberative process progressed, the SPC provided regular updates to the Princeton

⁴ See, Eric S. Tower, Directors' Duty to Obtain a Fair Price in the Conversion of Nonprofit Hospitals, 6 Ann. Health L. 157 (1997), "... a hospital's assets should be sold only after the completion of a competitive bidding process, based upon fixed criteria upon which bids will be evaluated by independent directors, and by no means should the hospital be sold for less than its appraised value unless the community receives some other value as the result of the sale." Id., at 183-184.

Boards. PHCS also solicited physician and staff input from the Medical Staff.

As recounted in the February 26, 2016 Minutes of the SPC, Wells Fargo identified nineteen (19) potential strategic partners and initiated contact with the seventeen (17) of these potential strategic partners that best satisfied the guiding principles in October 2015. Wells Fargo sent a draft Confidentiality and Non-Disclosure Agreement to the eleven (11) potential strategic partners that expressed an interest in a fully-integrated strategic partnership, which were executed in October and November 2015. Upon receipt of, and subject to, the Confidentiality and Non-Disclosure Agreements, Wells Fargo provided Princeton's Confidential Information Presentation to eleven (11) potential partners. Following distribution of Princeton's Confidential Information Presentation, initial meetings were held with representatives of the ten (10) remaining interested potential partners, and were attended by a team consisting of PHCS management, PHCS Trustees, Wells Fargo advisors and senior leadership of the potential strategic partners. Wells Fargo subsequently sent a formal RFP to the nine (9) potential strategic partners on December 23, 2015 that best satisfied PHCS's guiding principles. Six (6) potential partners provided a written response to the RFP in February 2016. Wells-Fargo created a matrix to compare the key characteristics of these six (6) bidders.

Of the six (6) potential partners that responded to the RFP, three (3) were eliminated; Lifepoint, a for profit entity, was not considered in light of the strong interest from other nonprofit systems, Lehigh Valley Health was removed from consideration because of its distant location from PHCS and the limited nature of its proposed affiliation, and Virtua was not considered because it did not offer the same benefits that the other potential partners in the process could offer.

On March 14, 2016, the Princeton Boards agreed that the proposals from Penn Medicine on behalf of the University, Thomas Jefferson University, another Pennsylvania health system, and Hackensack Meridian Health, a large New Jersey integrated health system (the "Preferred Partners"), best met the potential partnership criteria developed by the Princeton Boards, had the most potential to meet the guiding principles, and were most in line with the best practices outlined by PHCS.

The Princeton Boards empowered the SPC to: (i) request from the three (3) Preferred Partners additional information to

further vet the partners and clarify their proposals; (ii) further evaluate the proposals and supplemental information received in light of the charitable objectives; (iii) recommend to the Princeton Boards a strategic partner the SPC believes would best advance the mission, meet charitable objectives and serve the community's healthcare needs; and (iv) provide regular updates to the Princeton Boards.

Following this meeting, the Preferred Partners each provided a more detailed written proposal and several rounds of meetings were conducted with the Preferred Partners, including meetings held at the Preferred Partner hospitals. At these meetings each remaining partner was asked to discuss its strategic vision; future presence in Central New Jersey; IT approach; capital commitment; governance structure (including reserved powers); and operational structure.

Working with its Outside Advisors, the SPC and the Princeton Boards completed a detailed analysis of each of the three (3) Preferred Partners' proposals, evaluating whether each proposal would enable PHCS to fulfill the guiding principles and rating them against organizational competencies.

Summary financial data and pro-forma credit metrics of each potential partner also were presented. In response to our inquiry, PHCS advised that the SPC also reviewed comparative clinical quality data and heard feedback from the four Trustees who participated in separate meetings at PHCS with each of the three finalists, as well as follow-up meetings at both Philadelphia hospitals.

On May 23, 2016, the SPC voted to recommend that the PHCS Board enter into exclusive negotiations with the University for the following reasons:

1. Penn Medicine has the human, scientific, educational, financial and clinical resources necessary to enable PHCS to provide the highest level of accessible care to the communities it serves long into the future. Penn Medicine has demonstrated that it shares the PHCS values.
2. A partnership with Penn Medicine will enhance PHCS' ability to expand its clinical programs, care coordination and information technology and to provide its patients with better access to medical breakthroughs, clinical trials, cutting edge

technologies and more specialized clinical expertise.

3. For more than two centuries, Penn Medicine has been committed to the highest standards of patient care, education and research.

Other advantages we found in the materials for PHCS choosing Penn Medicine include: (i) Penn Medicine's recent experience in successfully integrating its governance with another system, (ii) Penn Medicine will give PHCS the most voice over its future, and (iii) the prominent national ranking and National Institute of Health funding for Penn Medicine's Medical School. Overall, Penn Medicine demonstrably had the strongest showing as compared to the other Preferred Partners when matched against PHCS' Guiding Principles, PHCS' Best Practices and PHCS' Key Organizational Competencies. These key competencies, including financial strength, clinical integration, network strength, brand strength, and clinical and business intelligence, were those competencies identified by KH as areas where PHCS could not "do it alone."

The SPC presented its recommendation to the Princeton Boards demonstrating how each of the Potential Partners satisfied the guiding principles. On July 11, 2016, upon the recommendation of the SPC, the Princeton Boards approved selecting the University as its partner for the reasons set forth above, and approved a non-binding LOI with the University. At the July 11, 2016 meeting of the PHCS Boards, the trustees also decided that in preparation for going forward with a potential affiliation the PHCS Board and the PHCS Holding Board should have the same members and, although remaining independent, should be able to meet jointly. The LOI was executed on July 12, 2016.

Following execution of the LOI, the Princeton Boards (via its Outside Advisors) conducted legal and financial due diligence of the University while simultaneously negotiating the terms of an Affiliation Agreement among PHCS, PHS and the University.

PHCS' advised us that its reverse due diligence focused on a high level review of the issues that would be material to an organization of the University's size, including any issues posing potential risk to the University's ability to fulfill the various financial commitments under the proposed Affiliation Agreement being negotiated by the parties.

The minutes of the Joint Meeting of the Princeton Boards held November 28, 2016, reported on the Withum due diligence. A Board member reported that Withum found Penn Medicine is financially strong compared to recent trends and benchmarks with respect to hospitals and healthcare systems. No material issues came to Withum's attention that would cause Penn Medicine to incur any significant tax liabilities or jeopardize its tax-exempt status. The report reviewed historical earnings and financial matters, including net patient revenues and receivables, fixed assets, long term debt and lease commitments, as well as tax matters including unrelated business income, IRC Section 501(r) compliance, executive compensation, lobbying, loans, conflicts of interest, foreign tax returns and joint ventures. Minor recommendations were made with respect to Penn Medicine's compliance with IRC Section 501(r) and Form 990 reporting. The Board also reviewed findings with respect to internal audit risk assessments and work plans, as well as Withum's review of independent auditors work papers. It was reported that Withum is following up on outstanding requests but does not anticipate that these items will have a material impact on findings.

In addition to engaging Withum to conduct financial due diligence, PHCS had McDermott conduct a legal due diligence review of Penn Medicine. The minutes of the November 28, 2016 Joint Meeting of the Princeton Boards, also report on McDermott's legal due diligence analysis of the University in relation to, and including, the various components and operations of Penn Medicine. The report includes findings with respect to (i) organizational matters; (ii) legal and regulatory compliance; (iii) financial matters; (iv) medical staff; (v) strategy and operations; (vi) tax matters; and (vii) employees and employee benefits. Although PHCS declined to make the McDermott report public as part of its CHAPA application on the basis that the resulting work product is subject to attorney-client privilege, PHCS advised that it did not find any material risks in due diligence that would cause it to delay, forgo, or restructure the Proposed Transaction.

Concurrently, PHCS conducted community outreach, including outreach to news media, employees, physicians, donors, business and clinical partners, community and political leaders. PHCS utilized a variety of communication methods, including website announcements, press releases, publications, social media posts, email blasts, direct mail pieces, phone calls,

personal meetings and presentations to community groups. Without exception, PHCS received positive feedback.

On November 28, 2016, after the Princeton Boards evaluated the strategic, financial and legal due diligence analyses conducted with respect to the University, considering both non-economic factors (such as culture, a commitment to shared principles and a focus on quality and mission) and economic factors (such as capital commitments and commitments to the PHS' facilities and service lines); the Princeton Boards decided that affiliating with the University represented the best means of assuring that PHCS, PHS and their affiliates could continue to fulfill their mission and charitable objectives in the future. The presentation included a review of the negotiating process, the material terms of the Affiliation Agreement, the scope and conclusions of the legal due diligence review, the amendments to PHCS and PHS's Articles of Incorporation and Bylaws, and the regulatory clearances required before the Proposed Transaction can be consummated.

Following approval of the Princeton Boards, and the approval of the University's and Penn Medicine's Boards, on December 22, 2016, PHCS, PHS and the University entered into the Affiliation Agreement.

Based on the foregoing⁵ and under the specific circumstances of this Proposed Transaction, we find that in

⁵ Moreover, by letter dated March 31, 2017, from Mark E. Hopkins, Executive Director of the New Jersey Health Care Authority Facilities Financing Authority (the "Authority"), the Authority advised us that, "[t]he Authority staff has been made aware of the proposed establishment of The Trustees of the University of Pennsylvania as the sole member of Princeton HealthCare System Holding, Inc., which is the sole member of Princeton HealthCare System, each a New Jersey nonprofit organization. Princeton HealthCare System operates the University Medical Center of Princeton at Plainsboro, Princeton House Behavioral health and Princeton HomeCare. As of December 31, 2016, PHCS had \$273,030,000 in principal amount of bonds outstanding with the Authority. The staff of the Authority has no objection to the proposed transaction and we have no reason to believe the Authority Members would object. In fact, the Authority staff believes that, under current market conditions and as a result of the evolution of the health care industry, the relationship with The Trustees of the University of Pennsylvania may benefit Princeton HealthCare System."

accordance with CHAPA sub-sections (c)(2) and (c)(3), the Princeton Boards engaged in a documented and reasoned decision-making process that was sensible under the circumstances. The directors exercised a reasonable degree of due diligence in adopting and following procedures in making its decision to select the University as the best possible strategic partner and employed expert assistance, as appropriate.

Although this is not a conversion transaction, in its decision to form a strategic partnership with a foreign nonprofit organization, the directors used expert assistance to develop appropriate criteria in order to differentiate from among the various potential applicants and select the University as its new sole member in furtherance of carrying out PHS'/PHCS' mission and purposes, pursuant to N.J.S.A. 26:2H-7.11(d)(4).

(iii) Negotiation of the Definitive Agreement - CHAPA Subsections (c)(2) and (d)(6)

As set forth above, following negotiation of the terms of the Letter of Intent dated July 12, 2016, the parties executed the Affiliation Agreement on December 22, 2016. The materials submitted by PHCS/PHS establish that the parties engaged in a negotiating process to reach a definitive agreement. For example, the minutes of September 14, 2016 meeting of the SPC, a Mr. Callahan provided an overview of the Affiliation Agreement negotiation process to date and reviewed some negotiated differences from the letter of intent. In particular, the Committee discussed the progression of the negotiations relating to the \$200 million strategic capital commitment and the approvals that would be required to extend the 5-year period during which the capital is anticipated to be spent. The Committee discussed the proposal to change the composition of the Strategic Planning Committee post-closing to include two Penn Medicine representatives (the Class A representatives) and five PHCS representatives (the Class B representatives) with a majority of each of the Class A and Class B representatives required to approve a proposal to delay the 5-year expenditure period.

Mr. Callahan explained the process for capital spending post-affiliation, in particular under a consolidated balance sheet. He reported that the proposed capital commitment may be fulfilled by utilizing revenue and cash flow, or through capital provided directly from Penn Medicine. In all cases, however, the requisite level of capital would need to be spent on projects in the PHCS community.

The University made a substantial number of commitments favorable to PHCS/PHS. Under the terms of the Agreement, the University agreed that in order to ensure continued operations of the licensed health care facilities of PHS for six (6) years following the closing of the Proposed Transaction, the PHCS Board will retain the right to approve any closure or relocation of PHCS and its affiliates, to recommend and approve strategic plans for PHCS and its affiliates, and to approve the addition of new or expanded service lines within the PHCS service areas. Furthermore, at all times following the closing of the Proposed Transaction, PHCS will retain the power to approve and oversee PHCS's and its affiliates' promotion of access to care in the communities they serve, to approve and oversee community health needs and community service goals and priorities in the communities served by PHCS and its affiliates, to participate in annual review of the strategic plan and goals of PHCS and monitor progress toward achievement of those strategic goals, to approve any amendment to PHS's governing documents, and to review and have input into any substantive changes in the services provided by PHCS and its affiliates.

Further, for a ten (10) year period from closing, neither the University nor Penn medicine will enter into a direct or indirect change of control transaction or asset sale with respect to PHCS as a whole or with respect to a PHCS Affiliate then operating the Medical Center, unless such transaction is approved by the PHCS Board.

The University also made a number of financial commitments. In the first five (5) years post-closing, Penn Medicine will spend not less than \$200 million to fund strategic capital projects for the benefit of the residents of the communities served by PHCS and to improve the financial performance of PHCS and its affiliates. The commitment with respect to strategic capital may be extended for limited periods in certain circumstances requiring PHCS Board approval. During the five (5) year period post-closing, the University has also committed that Penn Medicine will spend at least \$12 million per year for routine capital expenditures on the Medical Center's campus. If at the end of any of the first five (5) years post-closing, any portion of the \$12 million routine capital commitment for an applicable year is unspent, such unspent amounts will accrue and be spent on routine or strategic capital projects not later than eight (8) years after the closing.

In addition, Penn Medicine will, as of the closing, assume financial responsibility for PHCS's outstanding debt and pension obligations.

PHCS advised that as part of the Proposed Transaction, Penn Medicine also made a number of non-financial commitments to support PHCS's mission to provide comprehensive care for the communities it serves. Such commitments include centralizing certain administrative services, providing support to the Medical Center's residency program, and exploring research opportunities for PHCS and its affiliates.

In conjunction with, but not contingent upon, the Affiliation Agreement, the parties contemporaneously also entered into an agreement pursuant to which Penn Medicine will implement an EPIC medical records platform at PHCS and the PHCS affiliates.

All donor-restricted gifts made to PHCS and the Foundation will continue to be held and used for purposes consistent with the donor's intent after the closing. Any gifts received by PHCS through local fundraising efforts will be used locally for the benefit of PHCS and PHCS' affiliates.

With respect to corporate governance, two members of the PHCS Board of Trustees will be appointed by Penn Medicine. PHCS will retain local Board authority with respect to the operations of PHCS and its Affiliates, subject to certain powers reserved to Penn Medicine. PHCS will have two seats on the Penn Medicine Board at all times after the closing of the Proposed Transaction and representation on various major Penn Medicine Board committees.

Based upon our review of the Agreement, the materials submitted and PHS'/PHCS' responses to our inquiries, we conclude that the Princeton Boards acted with due diligence and in accordance with their duty of care in entering into and negotiating the Agreement in accordance with N.J.S.A. 26:2H-7.11(c)(2). We respectfully ask that the Court condition its approval of the Proposed Transaction on the following:

The adoption by the governing bodies of PHCS, PHS and any Affiliates affected by the Proposed Transaction, of amendments to their respective Certificates of Incorporation and Bylaws, as submitted with their CHAPA application, effectuating the changes resulting from the

Proposed Transaction, provided that there be thirty (30) days prior written notice to and approval by the Attorney General of any material changes to the draft proposed forms of governing documents which were submitted in the CHAPA application process.

(c) Fair Market Value - CHAPA Subsection (d)(1) and Whether Charitable Funds are Placed at Unreasonable Risk - CHAPA Subsection (d)(2)

N.J.S.A. 26:2H-7.11(d)(1) asks us to consider whether the nonprofit hospital is receiving fair market value for its assets. By the plain language of the statute, CHAPA subsection (d)(1) is applicable to the Proposed Transaction, since control of charitable assets is being transferred from a New Jersey nonprofit hospital to a foreign nonprofit corporation. Nevertheless, here, where PHCS/PHS and the Affiliates will continue to use their charitable assets in furtherance of their charitable mission and purposes, we do not think that the same manner and level of scrutiny is warranted as would apply to a fair market value determination in a conversion transaction.

It is unusual for cash consideration to be exchanged in transactions of this nature and, indeed, this Proposed Transaction is no different. Nevertheless, it is necessary for us to examine whether the Princeton Boards recognized the fiscal risks and benefits of the Proposed Transaction in furtherance of their fiduciary duties.

At our request, McDermott engaged Principle Valuation LLC to provide an estimate of the full and fair market value of the business enterprise of PHCS as of April 1, 2017 (the "Appraisal"). In performing its Fair Market Value ("FMV") analysis, Principle Valuation considered two generally accepted approaches to value; the income approach and the market approach.

For the purposes of its analysis, Principle Valuation developed a value of PHCS' business enterprise. Business Enterprise is defined as the combination of tangible assets and intangible assets of a continuing business.

Principle Valuation considered the following definition of "Market Value" as defined by Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice, 2016-17 Edition, as follows: "... the most

probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer whereby;

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in term of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Based upon its analysis, Principle Valuation concluded that the market value of the assets of PHCS, as of April 1, 2017, is reasonably represented in the market value range of \$583,000,000 to \$610,000,000.

The Appraisal references the Proposed Transaction and the Affiliation Agreement and states that, "[a]s part of the Affiliation, Penn Medicine will assume financial responsibility for Princeton HealthCare's outstanding debt and pension obligations. In addition, Penn Medicine will make a commitment consisting of \$12.0 million per year for five years for routine capital expenditures and \$200.0 million over five years for strategic capital improvements. In addition, Penn Medicine is obligated to implement the EPIC EMR system for Princeton HealthCare. Penn Medicine is spending a total of \$62 million over the next six years for the implementation of the EPIC system. The implementation cost includes capital and operating expenses."

The Appraisal goes on to state that, "[a]s this is an affiliation agreement and not a direct purchase, there is no explicit purchase price outlined in the Agreement. However, as Penn Medicine will have material governance controls over the operations of the Hospital and its cash flows, we consider the member substitution, for valuation purposes only, to be an asset acquisition."

The Appraisal considers the effective purchase price to consist of the fair value of the outstanding debt obligations of PHCS, the strategic capital commitment of \$200,000,000, and the dedicated commitment to the EPIC EMR system implementation of \$62,000,000. As of December 31, 2016, liabilities totaled \$429,406,000. The strategic capital commitment is a commitment over a five year term. As such, Principle Valuation calculated the present value of the commitment assuming a payment of \$40,000,000 per year and a 5.0% discount rate to be \$173,200,000. The dedicated commitment to the EPIC EMR is a six-year commitment which Principle Valuation computed the present value to be \$52,400,000. The Appraisal concluded the estimated total effective purchase price for PHCS to be \$655,006,000 (\$429,406,000 plus \$173,200,000 plus \$52,400,000). Therefore, Principle Valuation concluded that based on its calculation of a fair market value range for PHCS from \$583,000,000 to \$610,000,000, "[t]he purchase price [being paid by Penn Medicine] falls above the range of the assets purchased value."

In our view, it would have been preferable for PHCS to have obtained the Principle Valuation Appraisal prior to its entering into the strategic partner process in order to establish a valuation threshold for negotiating the Proposed Transaction.⁶ Nonetheless, we find that based on our examination of the activities of the fiduciaries in establishing criteria and negotiating the Agreement, as well as our review of the Principle Valuation and the evidence provided of the economic and non-economic benefits to be derived by PHS from the Proposed Transaction, the Princeton Boards were cognizant of the fiscal risks and benefits of the Proposed Transaction in furtherance of their fiduciary duties.

CHAPA subsection (d)(2) asks whether charitable funds are placed at unreasonable risk, if the acquisition is financed in part by the nonprofit hospital. N.J.S.A. 26:2H-7.11 (d)(2). We have considered this criterion in conversion transactions

⁶ See, fn.4.

where the selling nonprofit entity has offered a line of credit to provide a for profit buyer with initial working capital or where the seller has taken back a promissory purchase note secured by the hospital's assets. In this case, where the "buyer" is a foreign nonprofit corporation and no consideration is being paid, this criterion could also be construed as a concern with the potential "upstreaming" of funds in a nonprofit hospital transfer to a foreign nonprofit entity. In other words, the hospital being acquired will agree to the acquirer's use of the acquired hospital's assets to guarantee or fund liabilities of other members of the acquirer's health care system.

Here, in response to our inquiry, PHCS advised that it will not become part of the University's or UPHS's obligated group automatically upon consummation of the Proposed Transaction. Following closing, PHCS and Penn Medicine will consider, after taking into account the terms and conditions of the current indebtedness of the PHS entities and the prevailing financial, credit and capital market conditions, whether the University should refinance or restructure the existing debt of the PHS entities through UPHS. As such, PHCS' assets will not be placed at risk for the liabilities of the other members of UPHS.

In sum, the Princeton Boards have recognized the potential financial risks inherent from entering into the Proposed Transaction and have decided in the exercise of their business judgment that the benefits far outweigh the risks. PHS/PHCS is willing to give up some measure of control over its assets to the University as an investment in its future. The assets of PHS/PHCS will not be placed at unreasonable risk, pursuant to N.J.S.A. 26:2H-7.11(d)(2) and will continue to be used for charitable purposes. We find that the trustees acted within their duty of care and with due diligence in considering the fiscal risks and benefits of the Proposed Transaction.

(d) Conflicts of Interest - CHAPA Subsection (c)(4)

A trustee's duty of loyalty requires that he or she must act solely in the interest of the hospital, which is the object of their fiduciary duty. To scrutinize potential conflicts of interest in satisfaction of N.J.S.A. 26:2H-7.11(c)(4), we required all officers, trustees, and senior management of PHCS, PHS and the University, as well as the consultants used by the parties in relation to the Proposed Transaction, to disclose any potential conflicts they might have

concerning the Proposed Transaction. Each individual for whom a response was required submitted a completed Conflict of Interest Statement. Based upon our review of all of the certified responses, there appear to be no conflicts of interest or self-dealing relating to the Proposed Transaction among PHCS, PHS and the University or among their respective officers, trustees, senior management, or consultants.

(e) Management Contracts - CHAPA Subsection (c)(5)

N.J.S.A. 26:2H-7.11(c)(5) requires the Attorney General to consider "[w]hether any management contract under the acquisition is for reasonable fair value[.]"

PHCS advised that there is a Professional and Administrative Services Agreement between PHS and Clinical Care Associates of New Jersey ("CCANJ"), dated February 26, 2015, for the provision of administrative services in connection with antenatal testing. CCANJ is a subsidiary of UPHS. This agreement, which was originally entered into on September 12, 2011, pre-dates the negotiation of the Proposed Transaction.

There is also an FEHR Access and Services Agreement between Penn Medicine and PHCS, dated December 22, 2016. This agreement was entered into concurrently with the Affiliation Agreement and is provided for in the Affiliation Agreement. McDermott advised that at the end of 2018, Princeton's current EHR vendor will cease to support Princeton's current EHR software. The process for implementing a new EHR system takes approximately two years. In order to have a seamless transition and EHR available at the end of 2018, Princeton needed to begin its replacement process in early 2017. Consequently, Princeton solicited proposals from several different EHR vendors and health systems to provide an EHR system. Princeton determined that it would be most cost effective to purchase EPIC EHR through Penn. (These arrangements are common between unrelated health systems and are sometimes referred to as "EPIC community connect" arrangements.)

Because, at the time, Princeton and Penn had not fully negotiated the affiliation agreement and the larger affiliation transaction had not yet received regulatory approvals, Penn and Princeton needed to structure an arms-length agreement to address the circumstance in which Penn and Princeton did not complete the larger affiliation transaction. The EHR Access and Services Agreement between Penn and PHCS Holding was entered into for this purpose.

The purpose of this criterion is to make certain that fair market value is being paid in connection with arrangements between the transacting parties other than those governed by the definitive agreement. Neither of the referenced agreements raises any fair market value issues with respect to the Proposed Transaction.

**(f) Use of the Acquisition Proceeds - CHAPA Subsection (c)(6);
Funds to be Set Aside as a Charitable Obligation - CHAPA
Subsection (h)**

Subsection (c)(6) of CHAPA asks the Attorney General to determine whether the acquisition proceeds⁷ will be used for appropriate charitable health care purposes and whether the proceeds will be controlled as charitable funds independently of the purchaser or parties to the acquisition.

As discussed above, there will be no payment of a purchase price for the change in control of the assets of PHCS, PHS, and the Affiliates and there will no "net proceeds" arising from the change in control. Even though we have deemed this transaction to be an "acquisition," as that term is broadly defined in CHAPA, PHCS, PHS, and the Affiliates will continue to operate as tax exempt, nonprofit corporations in accordance with their charitable mission and purposes under the ultimate corporate control of the University. The University will exert control over certain aspects of PHCS', PHS' and the Affiliates' governance through the exercise of its reserved corporate powers. In exchange for this control, the University has agreed to do a number of things to enhance PHCS', PHS', and the Affiliates' ability to provide health care, including assuming PHCS debt and pension funding obligations, funding PHCS', PHS',

⁷ In CHAPA conversion transactions, the selling hospital's assets will no longer be used for charitable purposes. The "net proceeds" from the sale of the assets would be the amount of consideration paid to the nonprofit seller by the buyer for the relinquishment of the hospital's charitable assets, plus the value of any excluded assets retained by the hospital, minus the hospital's debt and any other legitimate liabilities. Any net proceeds would be placed in a newly established or existing tax exempt charitable foundation with the proceeds dedicated to serving the health care needs of the community historically served by the predecessor nonprofit hospital. N.J.S.A. 26:2H-7.11(h).

routine capital expenditures and strategic capital projects enhancing the system's charitable mission.

Thus, we find that it is manifest under the circumstances of this transaction that the benefits to be conferred on PHCS, PHS, and the Affiliates in accordance with the Agreement will be used for appropriate charitable health care purposes. In addition, in accordance with N.J.S.A. 26:2H-7.11(b), appropriate steps have been taken to safeguard the value of the charitable assets of PHCS and PHS and their assets will continue to be used for appropriate charitable health care purposes consistent with their original purposes.

Further, CHAPA requires that in a proposed acquisition reviewed under N.J.S.A. 26:2H-7.11(d), the Attorney General, after consultation with the principal parties to the transaction, shall make a determination as to the amount of assets which the hospital shall set aside as a charitable obligation based on the full and fair market value of the hospital at the time of the proposed acquisition as determined by the Attorney General. N.J.S.A. 26:2H-7.11(g). The amount determined by the Attorney General to be set aside as a charitable obligation shall be placed in a nonprofit charitable trust. N.J.S.A. 26:2H-7.11(h).

For the reasons previously discussed, since the assets of PHCS/PHS will continue to be used in accordance with its mission solely for charitable purposes and there will be no net proceeds from this Proposed Transaction, we conclude that there is no necessity for any assets to be "set aside as a charitable obligation."

(g) Right of First Refusal (d)(3)

The Attorney General is asked to review whether a right of first refusal has been retained to repurchase the assets by a successor nonprofit corporation or foundation if, following the acquisition, the hospital is subsequently sold to, acquired by, or merged with another entity. This would be of greatest concern in a conversion transaction where the assets of a charitable corporation have been conveyed to a for profit entity. In that case, should the buyer desire to convey the assets of the hospital to another business corporation, concerns will arise as to whether the subsequent buyer will abide by the commitments made by the initial buyer, including the capital commitments and commitments to keep the hospital open. As such, it would benefit the community served by the hospital if a

charitable foundation held an option to match an offer to purchase the hospital.

The Proposed Transaction is not a conversion, thus a right of first refusal is not essential. However, the purchaser is not a New Jersey non-profit entity. As such, it is worth mentioning, as discussed above in Section IV(b)(iii), that in order to ensure continued operations of licensed health care facilities of PHS, for six (6) years following the closing of the Proposed Transaction, the PHCS Board will retain the right and power to approve any closure or relocation of PHCS and its affiliates, to recommend and approve strategic plans for PHCS and its affiliates, and to approve the addition of new or expanded service lines within the PHCS service areas.

(h) Future Contracts - CHAPA Subsection (d)(7)

CHAPA requires the Attorney General to consider whether officers, directors, board members or senior management will receive future contracts in existing, new, or affiliated hospitals or foundations. N.J.S.A. 26:2H-7.11(d)(7). Since the Proposed Transaction is the establishment of the University as the sole member of PHCS, with PHCS, PHS, and the Affiliates continuing to operate as nonprofit organizations under the ultimate control of the University, it is readily contemplated that the existing senior management and employees of PHCS, PHS, and the Affiliates would remain in place following the closing of the Proposed Transaction.

PHCS explained that as part of its process to evaluate strategic partners and partnership opportunities to help PHCS advance its mission, PHCS identified a number of key employees who would be important to retain for up to one (1) year following the closing of any transaction. The PHCS Board decided it was in the best interest of PHCS to offer a retention agreement to directors, executive vice presidents, and the chief executive officer. The retention agreement provides for a bonus, calculated as a percentage of the executive's salary, if the executive remains employed by PHCS through the third month following the closing of a transaction with a potential partner. The PHCS Board approved a severance agreement for the executive vice presidents and chief executive officer. The executive severance agreement provides contractual protections if the organization enters into a change in control transaction (for example, the agreement requires the employer to keep the agreements in place as enforceable contractual obligations after the effective date of a change in control). Whether or not a

change in control occurs, the agreement provides severance benefits only upon a qualifying termination of employment. The Chief Executive officer's employment agreement contains similar change of control provisions. No officer, director, board member, or senior level manager will receive a change in salary as a result of the Proposed Transaction. All employees of PHCS, PHS and the Affiliates are anticipated to remain employees of their current employer post-closing.

V. Findings of the Department of Health

In addition, the Department of Health has issued a finding pursuant to CHAPA, specifically N.J.S.A. 26:2H-7.11(b). Writing in regard to the proposed merger of Princeton Health Care System Holding (Princeton) and The Trustees of the University of Pennsylvania (Penn) in a letter dated October 13, 2017 to Christopher S. Porrino, Attorney General of New Jersey (attached hereto as Exhibit A), Cathleen D. Bennett, the Commissioner of the Department of Health, stated that, "[t]he Department has approved the licensure application regarding this transaction." Also, the Department participated in a public hearing held in accordance with the Community Health Care Assets Protection Act. "Princeton and Penn both represent that Princeton and its respective subsidiaries and affiliates will continue all services currently being provided at their facilities. Based upon the applicants' representations, and information reviewed in connection with the proposed merger, the Department believes the transaction will not result in the deterioration of the quality, availability or accessibility of health care services in the impacted communities."

VI. Review of the Acquisition of PHCS Affiliates by the University under the Common Law

PHCS' CHAPA application also seeks approval of the proposed transfer of control of the Affiliates via certain reserved powers the University will exert directly or indirectly through PHCS on the Affiliates. This transaction is inextricably intertwined with the transfer of the assets of PHCS and the materials supplied by PHCS provide sufficient documentation for us to concurrently review this aspect of the Proposed Transaction.

As the protector of the public interest in charitable trusts, see, In Re Katz Estate, 40 N.J. Super. 103, 107 (Ch. Div. 1956); In Re Estate of Yablick, 218 N.J. Super. 91, 98-99, 526 A.2d 1134, 1137 (App. Div. 1987); Passaic Nat. Bank, etc.,

Co. v. East Ridgelawn Cemetery, 137 N.J. Eq. 603, 608 (Ch. 1946), the Attorney General has a common law duty to oversee the disposition of the assets of charitable corporations, as in the case of the Proposed Transaction.

As nonprofit corporations, the assets of PHCS and its Affiliates are impressed with charitable purposes. As such, the Court may consider analyzing the change of control of the nonprofit corporations resulting from the establishment of the University as the sole member of PHCS under the cy pres doctrine.

As described above, changes in the nature of the delivery of health care have made it necessary for PHCS to find a strategic partner in order for it to continue to use its charitable assets in furtherance of its mission. In order to ally with this strategic partner and obtain the benefits of this strategic partnership, PHCS' Affiliates will indirectly give over control of their charitable assets to the proposed strategic partner. The cy pres doctrine provides that when a charitable trust can no longer carry out its intended purposes, its funds will be applied to a similar purpose. A. Clapp & D. Black, Wills and Administration §524 (rev. 3rd ed. 1984). However, only the Court has the authority to implement the cy pres doctrine after consideration of the facts and circumstances. Ibid.; Tp. of Cinnaminson v. First Camden National Bank & Trust, 99 N.J. Super. 115, 127-29 (Ch. Div. 1968).

There are several issues involved in the transfer of the assets of charitable corporations that are of concern to the Attorney General in accordance with his oversight role. These include, among others, whether the trustees of the charitable corporation exercised reasonable care in the performance of their duties concerning the proposed transfer, whether any conflict or duality of interest was disclosed, and, whether the assets of the entity being acquired will be used by the acquirer for a similar charitable purpose.

The issues we would examine in reviewing the proposed change in control of the PHCS' Affiliates under the common law are substantially similar to those we have already reviewed in depth in relation to the proposed change in control of PHCS/PHS under CHAPA. Thus, our findings are no different. In short, the fiduciaries have engaged in a due diligence process and have exercised reasonable care in the consideration of the change in control and corporate reorganization of the Affiliates.

Furthermore, we recognize that PHCS, PHS, and the University have agreed that the assets of the Foundation will continue to be used for the benefit of PHCS, PHS, and the Affiliates in accordance with the Foundation's articulated mission and purpose.

In view of the foregoing, we have no objection to the Proposed Transaction under the common law.

VII. Conclusion

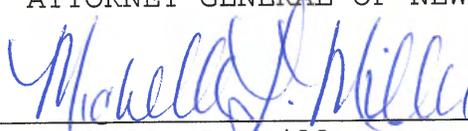
When the Proposed Transaction is viewed in its entirety, the Attorney General finds that, under all the circumstances, appropriate steps have been taken to safeguard the value of the charitable assets of PHCS, PHS and the Affiliates, and to ensure that such assets are irrevocably dedicated for charitable health care purposes. As such, the Proposed Transaction appears to be in the public interest and, accordingly, it receives our support, provided that the following condition for approval shall be incorporated in the Court's Order approving the Proposed Transaction:

1. The adoption by the governing bodies of PHCS, PHS and any Affiliates affected by the Proposed Transaction, of amendments to their respective Certificates of Incorporation and Bylaws, as submitted with their CHAPA application, effectuating the changes resulting from the Proposed Transaction, provided that there be thirty (30) days prior written notice to and approval by the Attorney General of any material changes to the draft proposed forms of governing documents which were submitted in the CHAPA application process.

Respectfully submitted,

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY

By: _____



Michelle L. Miller
Acting Director
Attorney ID # 030621994

c: Commissioner Cathleen D. Bennett

EXHIBIT A



State of New Jersey
DEPARTMENT OF HEALTH
PO BOX 360
TRENTON, N.J. 08625-0360
www.nj.gov/health

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CATHLEEN D. BENNETT
Commissioner

October 13, 2017

The Honorable Christopher S. Porrino
Attorney General of New Jersey
R.J. Hughes Justice Complex
P.O. Box 112
Trenton, NJ 08625-0112

**Re: Proposed Merger of Princeton HealthCare System Holding, Inc. and
The Trustees of the University of Pennsylvania**

Dear Attorney General:

I write regarding the proposed merger of Princeton HealthCare System Holding, Inc. (Princeton) and The Trustees of the University of Pennsylvania (Penn). The Department has approved the licensure application regarding this transaction. Also, the Department participated in two public hearings held in accordance with the Community Health Care Assets Protection Act.

Princeton and Penn both represent that Princeton and its respective subsidiaries and affiliates will continue all services currently being provided at their facilities. Based upon the applicants' representations, and information reviewed in connection with the proposed merger, the Department believes the transaction will not result in the deterioration of the quality, availability or accessibility of health care services in the impacted communities.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cathleen D. Bennett".

Cathleen D. Bennett
Commissioner

c: J. Ganzman, DAG

Exhibit B

Affiliation Agreement

AFFILIATION AGREEMENT
BY AND AMONG
PRINCETON HEALTHCARE SYSTEM HOLDING, INC.
PRINCETON HEALTHCARE SYSTEM, A NEW JERSEY NONPROFIT
CORPORATION
AND
THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

DECEMBER 22, 2016

TABLE OF CONTENTS

	Page
1. GUIDING PRINCIPLES; AFFILIATION GOALS AND OBJECTIVES	1
2. DEFINITIONS	3
3. TRANSFER OF MEMBERSHIP AND GOVERNANCE	3
3.1 Transfer of Membership in PHCS	3
3.2 Governance of PHCS	3
3.3 Governance of PHCS Affiliates	7
3.4 Participation in Penn Medicine Governance	8
4. REPRESENTATIONS AND WARRANTIES OF PHCS AND THE MEDICAL CENTER.....	9
4.1 Affiliates and Subsidiaries.....	9
4.2 Organization; Good Standing; Power.....	9
4.3 Corporate Authorization	9
4.4 No Violation; Approvals	10
4.5 Financial Statements	10
4.6 Accounts Receivable	11
4.7 Interim Changes.....	11
4.8 Legal Proceedings.....	12
4.9 Licenses and Permits	12
4.10 Compliance with Law.....	12
4.11 Title to Owned Real Property, Ground Leased Real Property, Operating Leases and Other Assets	13
4.12 Title to Assets	15
4.13 Tax Exempt Status.....	16
4.14 Insurance.....	16
4.15 Taxes.....	16
4.16 Employee Benefits.....	17
4.17 Labor Relations	19
4.18 Payment Programs.....	19
4.19 Accreditation	20
4.20 Contracts and Other Commitments	20
4.21 Compliance Program	21

TABLE OF CONTENTS
(continued)

	Page
4.22 Exclusion from Health Care Programs	21
4.23 Medical Staff Matters	22
4.24 Experimental Procedures	22
4.25 Intellectual Property: Computer Software	22
4.26 Charitable Funds	22
4.27 Hill-Burton Loan	23
5. REPRESENTATIONS AND WARRANTIES OF THE UNIVERSITY	23
5.1 Organization; Good Standing; Power	23
5.2 Corporate Authorization	23
5.3 No Violation; Approvals	23
5.4 Tax Exempt Status	24
5.5 Legal Proceedings	24
5.6 Financial Statements	25
5.7 Compliance with Law	25
5.8 Payment Programs	26
5.9 Compliance Program	26
5.10 Exclusion from Health Care Programs	26
6. PRE-CLOSING COVENANTS OF PHCS AND THE MEDICAL CENTER	27
6.1 Interim Conduct of Business	27
6.2 Preserve Accuracy of Representations and Warranties	27
6.3 Access to Information	28
6.4 Maintain Books and Accounting Practices	28
6.5 Compliance with Laws	29
6.6 No Merger or Consolidation	29
6.7 Third Party Authorizations	29
6.8 Confidentiality of Penn Medicine’s Information	29
7. PRE-CLOSING COVENANTS OF THE UNIVERSITY	29
7.1 Interim Conduct of Business	30
7.2 Preserve Accuracy of Representations and Warranties	30
7.3 Access to Information	30

TABLE OF CONTENTS
(continued)

	Page
7.4	Compliance with Laws 31
7.5	Third Party Authorizations 31
7.6	No Merger or Consolidation..... 31
7.7	Confidentiality of PHCS’s Information..... 31
8.	CONDITIONS PRECEDENT TO OBLIGATIONS OF PHCS AND THE MEDICAL CENTER 31
8.1	Regulatory Approvals..... 31
8.2	Accuracy of Warranties; Performance of Covenants 32
8.3	No Pending Action 32
8.4	No Bankruptcy..... 32
8.5	Material Consents 32
8.6	Delivery of the University Closing Documents 32
8.7	Delivery of Other Agreements 32
9.	CONDITIONS PRECEDENT TO OBLIGATIONS OF THE UNIVERSITY 32
9.1	Regulatory Approvals..... 32
9.2	Accuracy of Warranties; Performance of Covenants 32
9.3	No Pending Action 33
9.4	No Bankruptcy..... 33
9.5	Material Consents 33
9.6	Delivery of PHCS Closing Documents 33
9.7	Delivery of Other Agreements 33
10.	CLOSING 33
10.1	Closing Date; Closing..... 33
10.2	Pre-Closing Actions..... 33
10.3	Closing Document Deliveries..... 34
10.4	Modification of Schedules and Exhibits..... 34
11.	POST-CLOSING COVENANTS OF THE UNIVERSITY 35
11.1	PHCS Transaction 35
11.2	Capital Commitments; Evaluation and Approval..... 35
11.3	Indebtedness and Assumption of Certain Obligations 36

TABLE OF CONTENTS
(continued)

	Page
11.4	Charity Care and Community Obligations 36
11.5	Foundation; Charitable Assets 36
11.6	Medical Staff Matters 37
11.7	PHCS and PHCS Affiliate Employees 37
11.8	Residency Programs 38
11.9	Centralized Services and Intercompany Allocations 38
11.10	Research Support 38
11.11	EHR Access and Services Agreement 38
11.12	Branding 38
12.	TERMINATION 38
12.1	Termination Upon Certain Events 38
12.2	Effect of Termination 39
13.	GENERAL PROVISIONS 39
13.1	Closing Date Representations and Warranties; Survival 39
13.2	Performance of Undertakings 39
13.3	Enforcement of Agreement 39
13.4	Notices 39
13.5	Cost of Transaction 40
13.6	No Brokerage 40
13.7	Non-Assignment 41
13.8	No Third Party Beneficiaries 41
13.9	Additional Assurances 41
13.10	Severability 41
13.11	Applicable Law 41
13.12	Headings; Cross References 41
13.13	Construction 41
13.14	Waiver of Terms 41
13.15	Counterparts; Signatures 42
13.16	Time is of the Essence 42
13.17	Access to Records and Information 42

TABLE OF CONTENTS
(continued)

	Page
13.18 Communications.....	42
13.19 Publicity.....	42
13.20 Entire Agreement; Amendment.....	42
13.21 Interpretation	42

LIST OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A	Definitions
B	Amended and Restated cERTIFICATE of Incorporation of PHCS
C	Amended and Restated Bylaws of PHCS
D	Amended and Restated Articles of Incorporation of the Medical Center
E	Amended and Restated Bylaws of the Medical Center
F	Amended and Restated Bylaws of Penn Medicine
G	Initial Two PHCS' Penn Medicine Board Nominees
H	Initial Project Plan
I	Map of Central Jersey
J	Material Consents

LIST OF SCHEDULES

<u>SCHEDULE</u>	<u>DESCRIPTION</u>
Schedule 3.2.1	Initial Penn Medicine's PHCS Board Representatives
Schedule 3.2.2	Current PHCS Board
Schedule 4.1	Equity or Membership Interests of PHCS and the Medical Center
Schedule 4.4.1	PHCS Violations
Schedule 4.4.2	PHCS Required Approvals
Schedule 4.5.2	PHCS Nonconformity with GAAP
Schedule 4.5.3	Material Changes to PHCS Accounting Methods or Practices
Schedule 4.5.4	Additional PHCS Liabilities and Obligations
Schedule 4.5.5	Restricted PHCS Assets
Schedule 4.7	PHCS Permitted Interim Changes
Schedule 4.8	PHCS and PHCS Affiliate Legal Proceedings
Schedule 4.9.1	Material PHCS Licenses and Permits
Schedule 4.9.2(a)	Action Against PHCS Licenses and Permits (ongoing)
Schedule 4.9.2(b)	Action Against PHCS Licenses and Permits
Schedule 4.11.1	PHCS Owned Real Property and Ground Lease Real Property
Schedule 4.11.2	PHCS Violations of Environmental Laws
Schedule 4.12	Title to PHCS Assets
Schedule 4.14	PHCS Insurance Policies and Programs of Self-Insurance
Schedule 4.15	PHCS Tax Return Inaccuracies
Schedule 4.16.1	PHCS Benefit Plans
Schedule 4.16.2	PHCS Benefit Plan Matters
Schedule 4.16.4	PHCS Benefit Plan Obligations
Schedule 4.16.7	Effects on PHCS Benefit Plans
Schedule 4.17	PHCS Labor Relations Compliance
Schedule 4.18	PHCS Payment Program Matters
Schedule 4.18.5	PHCS Open or Unresolved Cost Reports
Schedule 4.18.6	PHCS Payment Program Billing Matters
Schedule 4.18.7	PHCS Audits, Investigations, Adverse Actions and Proceedings
Schedule 4.19	PHCS Accreditation Matters
Schedule 4.20	PHCS Material Contract Matters
Schedule 4.21	PHCS Compliance Program Matters
Schedule 4.22	PHCS Excluded Individuals
Schedule 4.23	PHCS Medical Staff Matters
Schedule 4.24	PHCS Human Subject Research
Schedule 4.25	PHCS Intellectual Property
Schedule 4.26	PHCS Restricted Charitable Funds
Schedule 5.3.1	University Violations
Schedule 5.3.2	University Required Approvals
Schedule 5.5	University Legal Proceedings
Schedule 5.6.3	Material Changes to University Accounting Methods or Practices
Schedule 5.6.4	Additional University Liabilities and Obligations
Schedule 5.7	Penn Medicine and UPHS Compliance with Applicable Laws

Schedule 5.8.2	UPHS Audits, Investigations, Adverse Actions and Proceedings
Schedule 5.9	UPHS Compliance Program Matters
Schedule 5.10	UPHS Excluded Individuals

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT is made and entered into as of December 22, 2016 (the “**Execution Date**”), by and among **PRINCETON HEALTHCARE SYSTEM HOLDING, INC.**, a New Jersey nonprofit corporation (“**PHCS**”), **PRINCETON HEALTHCARE SYSTEM, A NEW JERSEY NONPROFIT CORPORATION** (“**Medical Center**”), and **THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA** (the “**University**”).

RECITALS:

WHEREAS, the University is an independent non-sectarian research institution of higher education chartered under the laws of the Commonwealth of Pennsylvania and an organization recognized by the IRS as tax-exempt under Section 501(c)(3) of the Code;

WHEREAS, the University owns and operates UPHS;

WHEREAS, the University established a single governance structure within the University, known as Penn Medicine, to oversee, coordinate, and govern UPHS and the Perelman School of Medicine, subject to certain reserve powers of the University;

WHEREAS, PHCS has no members and is governed by a self-perpetuating governing board;

WHEREAS, PHCS is the sole member of the Medical Center, which owns and operates a general acute care hospital located in Princeton, New Jersey and both of which are organizations recognized by the IRS as tax-exempt under Section 501(c)(3) of the Code;

WHEREAS, PHCS is the sole member of Princeton Care Givers, Inc. (“**PCG**”), Princeton Medical Properties, Inc. (“**PMP**”), Princeton HealthCare System Foundation, Inc. (the “**Foundation**”), Princeton Health, Inc. (“**PHI**”), and Princeton Urban Renewal, LLC (“**PUR**”); and

WHEREAS, the University, PHCS and the Medical Center consider it to be consistent with their purposes, including their charitable purposes under Section 501(c)(3) of the Code, and in the best interests of their respective organizations and the communities they serve to become affiliated as described herein, and for PHCS and the PHCS Affiliates to join UPHS.

NOW, THEREFORE, for and in consideration of the premises above, and the agreements, covenants, representations and warranties hereafter set forth, and other good and valuable consideration, the receipt and adequacy of which are forever acknowledged and confessed, and in reliance upon the Recitals set forth above, which are incorporated herein by reference, the Parties agree as follows:

1. GUIDING PRINCIPLES; AFFILIATION GOALS AND OBJECTIVES. PHCS’ mission is to provide comprehensive care for the communities it serves, continually improving the quality of the health care services it provides to patients, and promoting medical and scientific research. Penn Medicine is a world-renowned academic medical center that strives to

improve the health and well-being of people through research, education, clinical care and community service. As a means of furthering their common and unifying charitable missions, the PHCS Board and the Penn Medicine Board have elected to pursue the Affiliation. The Parties have identified the following objectives as the guiding principles for the Affiliation:

- (a) Improving the quality of clinical programs and services;
- (b) Ensuring that the healthcare needs of the communities that they serve are met through high-quality, coordinated care and services that are reasonably-priced;
- (c) Operating a fully-integrated, responsive, innovative, data-driven and patient health-focused health system;
- (d) Providing for a community voice in the decisions impacting the health of the communities served;
- (e) Building a strong, financially-sound health system;
- (f) Providing patient access to a broader continuum of services over an expanded service area;
- (g) Improving facilities, equipment and information technology platforms;
- (h) Strengthening physician recruitment, retention and integration initiatives;
- (i) Partnering with physicians in a manner that assures clinical and financial alignment in service to patients and in a manner that is attractive to payors;
- (j) Enhancing the Parties' ability to develop and implement value-based pricing mechanisms, providing enough scale in Central Jersey to be able to responsibly manage risk contracts, and expanding and improving relationships with payors and employers;
- (k) Creating operational efficiencies designed to improve performance and reduce costs;
- (l) Maintaining a strong academic and research platform that is essential to fostering clinical excellence and innovation;
- (m) Developing and maintaining an integrated delivery system in which patient care is coordinated across a full continuum of healthcare providers, thereby providing a foundation for responding to the opportunities and challenges posed by federal health reform legislation;
- (n) Achieving "employer of choice" status, ensuring that employees have opportunities to attain their professional goals in a supportive work environment;

(o) Enhancing the Foundation's ability to achieve its objectives in the most efficient and effective manner possible; and

(p) Providing responsible stewardship of charitable assets, ensuring that PHCS and Penn Medicine collectively will maintain a strong financial profile to enable them to achieve their charitable objectives long into the future.

2. DEFINITIONS. All capitalized terms used in this Agreement are defined in Exhibit A hereto.

3. TRANSFER OF MEMBERSHIP AND GOVERNANCE.

3.1 Transfer of Membership in PHCS. Subject to the terms and conditions of this Agreement, effective as of the Effective Time, PHCS shall take all necessary actions to: (a) adopt and file with the Secretary of State of the State of New Jersey the Amended and Restated Articles of Incorporation of PHCS in the form attached hereto as Exhibit B; and (b) adopt the Amended and Restated Bylaws of PHCS in the form attached hereto as Exhibit C. Such Amended and Restated Articles of Incorporation and Bylaws of PHCS shall name the University as the sole member of PHCS, and such Amended and Restated Bylaws of PHCS shall set forth, as more particularly described in Section 3.2, the composition and authority of the PHCS Board and authority reserved to the University, through Penn Medicine, as the sole member of PHCS. Notwithstanding any other provision of this Agreement, the governing documents, governance and operations of PHCS will be consistent with PHCS's status as a Section 509(a)(3) supporting organization to the Medical Center.

3.2 Governance of PHCS.

3.2.1 Composition of the PHCS Board. From and after the Effective Time, the PHCS Board shall be comprised of seven (7) to thirty-five (35) trustees of which two (2) will be appointed by Penn Medicine ("Penn Medicine's PHCS Board Representatives"); provided that Penn Medicine's PHCS Board Representatives shall at the time of appointment be Penn Medicine executives or members of the Penn Medicine Board. The PHCS CEO shall serve as an *ex-officio* member of the PHCS Board, with the right to vote. During the first three (3) years following the Closing Date, Penn Medicine's PHCS Board Representatives shall be the UPHS CEO and a senior executive physician of Penn Medicine who is reasonably acceptable to PHCS. Penn Medicine's PHCS Board Representatives as of the Effective Time are listed on Schedule 3.2.1. After the first three (3) years following the Closing Date, Penn Medicine's PHCS Board Representatives shall include at least one (1) senior physician of Penn Medicine.

3.2.2 Appointment of Trustees to the PHCS Board. The members of the Current PHCS Board shall serve out the balance of their current terms on the PHCS Board. Upon expiration of such terms, successors shall be elected by the PHCS Board, it being the intent of the Parties that the members of the Current PHCS Board continue to serve as PHCS trustees through the System Integration Period; provided, however, that Penn Medicine shall have the right to approve all new trustees elected by the PHCS Board to the PHCS Board. In the event that Penn Medicine does not approve one or more new trustees, the PHCS Board shall designate

an alternative trustee as applicable, for Penn Medicine's review and approval. The members of the Current PHCS Board, as approved by Penn Medicine, are listed on Schedule 3.2.2.

3.2.3 Removal and Vacancies. Except with respect to Penn Medicine's PHCS Board Representatives, the PHCS Board shall have the sole right to remove, replace and fill vacancies created with respect to any PHCS Board trustee, PHCS Board trustee position and PHCS' Penn Medicine Board Nominees; except that: (a) Penn Medicine shall have the right to approve any individuals selected by PHCS to replace or fill vacancies as described above; and (b) Penn Medicine shall have the right to remove members of the PHCS Board and those PHCS' Penn Medicine Board Nominees for "cause" (as defined in the applicable Bylaws). At all times, Penn Medicine shall have the right to remove, replace or fill vacancies with respect to Penn Medicine's PHCS Board Representatives.

3.2.4 PHCS Board Chair. The PHCS Board will biennially elect the PHCS Chair, who shall serve for a term of two (2) years, subject to the approval of Penn Medicine, as set forth in the PHCS Bylaws. No PHCS Chair shall serve as the PHCS Chair for a consecutive period longer than (3) successive two (2) year terms.

3.2.5 PHCS Chief Executive Officer. The PHCS Board shall have the right to approve Penn Medicine's selection of, and provide guidance and recommendations as to Penn Medicine's evaluation of, the individual who from time to time shall serve as the PHCS CEO (who shall also serve as the chief executive officer of the Medical Center). The PHCS CEO shall report directly to the UPHS CEO for at least the first two (2) years after the Effective Time and may be removed by the UPHS CEO with prior advice and consultation from the PHCS Board. The PHCS CEO shall serve as an *ex-officio* member of the PHCS Board, with the right to vote.

3.2.6 PHCS Committees.

(a) Following the Effective Time, the Strategic Planning Committee of the PHCS Board (the "**Strategic Planning Committee**") shall be composed of seven (7) voting members, all of whom shall be trustees serving on the PHCS Board, including both of Penn Medicine's PHCS Board Representatives. Following the Effective Time, the individual who from time-to-time is employed as Penn Medicine's Senior Vice President, Business Development (or Penn Medicine's most senior business development officer if there is no one holding the title of Senior Vice President, Business Development), shall serve as a non-voting member of the PHCS Board's Strategic Planning Committee. Following the Effective Time, all actions of the Strategic Planning Committee shall be taken by a majority vote of Penn Medicine's PHCS Board Representatives and a majority vote of the remaining voting members of the Strategic Planning Committee.

(b) Following the Effective Time: (i) Penn Medicine's PHCS Board Representatives shall serve on PHCS Board's finance committee; and (ii) the individual who from time-to-time is employed as Penn Medicine's Chief Financial Officer (or Penn Medicine's most senior finance officer if there is no one holding the title of Chief Financial Officer), shall serve as a non-voting member of the PHCS Board's finance committee.

(c) Following the Effective Time, one of Penn Medicine's PHCS Board Representatives, designated by Penn Medicine, shall serve on the PHCS Board's executive committee.

3.2.7 Penn Medicine Reserved Powers. Following the Effective Time, the PHCS Board shall generally govern the business and affairs of PHCS and the PHCS Affiliates, subject at all times to the powers specifically reserved to Penn Medicine. The powers reserved to Penn Medicine shall be: (a) approval of PHCS Board-approved amendments to, alterations to or repeal of the Governing Documents of PHCS or the PHCS Affiliates; (b) approval of PHCS Board-approved annual operating and capital budgets for PHCS and the Medical Center; (c) approval of PHCS Board-approved strategic plans for PHCS and the Medical Center; (d) approval of fundamental change transactions involving PHCS or any PHCS Affiliate's liquidation and dissolution, and any Change of Control Transaction or Asset Sale; (e) establishment of certain material third party relationships by PHCS or any PHCS Affiliate related to academic affiliations, service line affiliations, joint ventures, branding arrangements or other arrangements which have significant financial or strategic implications for Penn Medicine, or are otherwise with a competitor of Penn Medicine; (f) the hiring, termination, renewal and determination of terms of employment of the PHCS CEO, with the prior advice and consultation from the PHCS Board; and (g) prior approval of the PHCS Board's election of the PHCS Board Chair as set forth in Section 3.2.4 (collectively, the "**Reserved Powers**"). It is understood by the Parties that certain of the Reserved Powers will be exercised by both the Penn Medicine Board and the University, as set forth in the Bylaws of Penn Medicine from time to time.

3.2.8 PHCS Board Powers.

(a) Subject to the Reserved Powers to be exercised by the University and Penn Medicine, at all times following the Closing, the duties and responsibilities of the PHCS Board shall include, but not be limited to, the following:

(i) Adopt vision, mission and values statements and develop policies consistent with the Penn Medicine vision, mission and values;

(ii) Approve and implement standards for patient care for PHCS and the PHCS Affiliates, with guidance from Penn Medicine;

(iii) Approve and oversee quality improvement related actions with respect to PHCS and the PHCS Affiliates, with guidance from Penn Medicine;

(iv) Approve and oversee PHCS' and the PHCS Affiliates' promotion of access to care in the communities they serve;

(v) Approve and oversee community health needs and community service goals and priorities in the communities served by PHCS and the PHCS Affiliates;

(vi) Oversee and have authority with respect to PHCS' and the PHCS Affiliates' credentialing of medical staff;

(vii) Approve any amendment to the Medical Staff Bylaws of the Medical Center and the PHCS Affiliates;

(viii) Except with respect to Penn Medicine's PHCS Board Representatives, appoint the individuals who will serve on the PHCS Board, the boards of the PHCS Affiliates (including the Foundation), and their respective board committees, subject to the approval of the Penn Medicine Board, as more particularly set forth in Section 3.2.2, above, and the applicable Governing Documents;

(ix) Recommend and approve proposed operating and capital budgets, Projects and Project Plans for PHCS and the PHCS Affiliates (subject to the further approval of Penn Medicine);

(x) Promote PHCS' and the PHCS Affiliates' fundraising and development efforts in coordination with Penn Medicine and the University;

(xi) Provide guidance and recommendations to Penn Medicine in regard to the evaluation of the PHCS CEO and approve any changes made within the first two years after the Effective Time to the PHCS CEO's reporting requirements with respect to Penn Medicine, UPHS or the University;

(xii) Approve any modification or amendment of any of PHCS' and the PHCS Affiliates' charity care policies and procedures;

(xiii) Make recommendations for adjustments to PHCS' and the PHCS Affiliates' overall employee compensation and benefits;

(xiv) Assist in monitoring and reporting on clinical quality with respect to PHCS and the PHCS Affiliates;

(xv) Approve any amendment to or restatement of the Governing Documents of PHCS or any PHCS Affiliate, and approve the number, or a change to the number, of PHCS trustees (within the range specified by the first sentence of Section 3.2.1) or a change to the number of members of the Strategic Planning Committee (as set forth in Section 3.2.6(a));

(xvi) Review and have input into any substantive changes in the services provided by PHCS and PHCS Affiliates;

(xvii) Participate in annual review of the strategic plan and goals of PHCS and PHCS Affiliates and monitor progress toward achievement of those strategic goals;

(xviii) Review disaster plans that deal with both internal (*e.g.*, fire) and external disasters;

(xix) Evaluate and make recommendations regarding recruitment needs to ensure adequate medical staff capacity to continue to meet community needs; and

(xx) Enforce any of PHCS' rights under this Agreement.

(b) In addition, during the System Integration Period, subject to the powers reserved to the University and Penn Medicine, the PHCS Board shall also have the right and power to:

(i) Appoint the individuals who will serve as the chair, vice-chair, secretary and treasurer of the PHCS Board and the boards of the PHCS Affiliates, subject to the approval of the Penn Medicine Board;

(ii) Recommend and approve strategic plans for PHCS and the PHCS Affiliates, consistent with the strategic plans for Penn Medicine (subject to the further approval of Penn Medicine);

(iii) Approve any closure or relocation of PHCS' and the PHCS Affiliate's programs or services;

(iv) Approve the addition of new or expanded service lines within PHCS' and the PHCS Affiliates' service areas;

(v) Approve the execution, termination, renewal and non-renewal of exclusive agreements with hospital-based physician groups on the Plainsboro Campus;

(vi) Approve the termination, renewal and non-renewal of agreements with existing tenants (as of the Effective Time) who lease space on the Plainsboro Campus; and

(vii) Approve a change in the shareholder of Princeton Medicine, and any actions or transactions that would result in any physician employees of Princeton Medicine being employed by a different entity.

3.3 Governance of PHCS Affiliates.

3.3.1 Governance of the Medical Center. Subject to the terms and conditions of this Agreement, effective as of the Effective Time, the Medical Center and PHCS, as the sole member of the Medical Center, shall take all necessary actions to: (a) adopt and file with the Secretary of State of New Jersey the Amended and Restated Articles of Incorporation of the Medical Center in the form attached hereto as Exhibit D; and (b) adopt the Amended and Restated Bylaws of the Medical Center in the form attached hereto as Exhibit E. Such Amended and Restated Articles of Incorporation and Bylaws of the Medical Center shall provide: (i) that the Board of Directors of the Medical Center shall be comprised of the same directors who from time-to-time serve on the PHCS Board; (ii) that the PHCS Board Chair shall serve as the Chair of the Board of the Medical Center; and (iii) that the powers of the Board of Directors of the Medical Center shall be subject to the same Reserved Powers of the University and Penn Medicine as govern PHCS.

3.3.2 Governance of other PHCS Affiliates. Subject to the terms and conditions of this Agreement, effective as of the Effective Time, PHCS and the PHCS Affiliates shall take all necessary actions to adopt (and, as necessary, to file with the Secretary of State of the State of New Jersey) such amendments to the governing documents of the PHCS Affiliates other than the Medical Center as may be necessary to effect the governance structure and to implement the transactions contemplated by this Agreement.

3.4 Participation in Penn Medicine Governance. Prior to the Closing, subject to the terms and conditions of this Agreement, conditioned upon and effective as of the Effective Time, the University and Penn Medicine shall take all necessary actions to amend the Governing Documents of Penn Medicine in substantially the forms attached as Exhibit F to provide for representation from the PHCS Board on the Penn Medicine Board as provided for in Section 3.4.1, and to provide for any other amendments as may be necessary to effect the governance structure and to implement the transactions contemplated by this Agreement.

3.4.1 Representation on the Penn Medicine Board.

(a) From and after the Effective Time, the PHCS Board shall nominate two (2) members of the PHCS Board, acceptable to Penn Medicine, to be voting members of the Penn Medicine Board. Such two (2) members of the PHCS Board shall be elected to the Penn Medicine Board for a three (3) year term as soon as reasonably practicable after such nomination and any vacancies in the two (2) Penn Medicine Board positions held by PHCS' Penn Medicine Board Nominees shall be filled utilizing the same process as described in this Section 3.4.1. The initial two (2) PHCS' Penn Medicine Board Nominees, who shall be elected to the Penn Medicine Board as soon as practicable after the Closing and no later than the first meeting of the Board of Trustees of the University at which quorum is present after the Closing, are listed on Exhibit G. From the Effective Time until such time as PHCS' Penn Medicine Board Nominees are elected to the Penn Medicine Board, the PHCS' Penn Medicine Board Nominees shall be invited and permitted to attend and participate in (without vote) in all Penn Medicine Board meetings, Executive Committee meetings, Regional Planning Committee meetings and Finance Committee meetings.

(b) PHCS' Penn Medicine Board Nominees shall be eligible to serve on the Penn Medicine Board for two (2) successive three (3) year term renewals.

(c) From and after the Effective Time, PHCS' Penn Medicine Board Nominees shall serve on Penn Medicine's Regional Planning Committee and Finance Committee (with vote). During the Initial Ten Year Period, one of PHCS' Penn Medicine Board Nominees selected by the PHCS Board and acceptable to Penn Medicine shall serve on Penn Medicine's Executive Committee (with vote).

(d) Each PHCS Board trustee serving on the Penn Medicine Board pursuant to this Section 3.4.1 shall owe his/her fiduciary duties: (i) to Penn Medicine in his/her capacity as a member of the Penn Medicine Board; and (ii) to PHCS in his/her capacity as a member of the PHCS Board.

3.4.2 Reorganization of Penn Medicine. During the System Integration Period, the governance rights granted to the PHCS Board under this Agreement and the Governing Documents of each of PHCS and Penn Medicine will not, except with PHCS Board approval, be changed by any Penn Medicine affiliation transactions with other parties or as a result of any organizational or corporate reorganization with respect to Penn Medicine and/or UPHS. Thereafter, in the event that the University implements an organizational or corporate reorganization with respect to Penn Medicine and/or UPHS, the University will use its best efforts to replicate the substance of the governance arrangement set forth in this Article 3, in such reorganized organizational or corporate structure.

4. REPRESENTATIONS AND WARRANTIES OF PHCS AND THE MEDICAL CENTER. Subject to the exceptions set forth in the disclosure schedules attached hereto, which shall qualify all of the representations and warranties herein, and which shall be updated in accordance with the provisions of Section 10.4, PHCS and the Medical Center represent and warrant to the University that the statements contained in this Article 4 are correct and complete as of the Execution Date and will be correct and complete in all material respects as of the Closing Date.

4.1 Affiliates and Subsidiaries. PHCS has the requisite power and authority with respect to all PHCS Affiliates to cause such entities to comply with all of the responsibilities and obligations imposed upon them by this Agreement. Neither PHCS nor the Medical Center has any equity or membership interest in any other entity other than: (a) the PHCS Affiliates; (b) through passive investments (it being understood and agreed that any investment in a real estate limited partnership or development company shall not be considered a passive investment for the purposes of this Section 4.1); and (c) the entities listed on Schedule 4.1 hereto.

4.2 Organization; Good Standing; Power.

4.2.1 Each of PHCS and the Medical Center is: (a) duly formed as a New Jersey nonprofit corporation; (b) in good standing under the laws of the State of New Jersey; and (c) has the corporate power and authority to own, operate or hold under lease its property and assets and to carry on its respective business and operations as presently conducted.

4.2.2 Each PHCS Affiliate other than the Medical Center, is validly existing and in good standing under the laws of the State of New Jersey, or the laws of such other jurisdiction where domesticated, as applicable (in which case such PHCS Affiliate is qualified and in good standing as a foreign business entity in the State of New Jersey), and has the corporate power and authority to own, operate or hold under lease its respective properties and assets and to carry on its respective business and operations as presently conducted.

4.2.3 PHCS and each PHCS Affiliate has registered with the proper governmental authorities all assumed names under which PHCS or such PHCS Affiliate operates its respective business and has continuously maintained all such filings in good standing.

4.3 Corporate Authorization.

4.3.1 Subject to the required approvals of their respective members, which approvals shall be obtained prior to the Closing Date, each of PHCS and the Medical Center has

the full corporate power and authority to enter into and to perform its respective obligations under this Agreement.

4.3.2 Subject to the required approvals of their respective members and boards of trustees, which approvals shall be obtained prior to the Closing Date, the execution, delivery and performance of this Agreement by each of PHCS and the Medical Center has been duly and properly authorized by all necessary corporate action in accordance with its respective Governing Documents.

4.3.3 This Agreement constitutes a valid and legally binding obligation of PHCS and the Medical Center, enforceable against PHCS and the Medical Center in accordance with its terms, except as enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally.

4.4 No Violation; Approvals.

4.4.1 Except to the extent specified in Schedule 4.4.1, the execution, delivery and performance of this Agreement shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any indebtedness or other obligation of PHCS or any PHCS Affiliate, and are not prohibited by, do not violate or conflict with any provision of, and do not constitute a material default under or material breach of any Material Contract, indenture, mortgage, material permit or license, approval or other material commitment to which PHCS or any PHCS Affiliate is a party or is subject or by which any such corporation is bound, or any Applicable Law.

4.4.2 Except to the extent specified in Schedule 4.4.2, and except for filings required pursuant to the HSR Act, if applicable, no approval, authorization, registration, consent, order, filing or other action that has not occurred or been obtained with or from any Person, including any court, administrative agency or other governmental authority, is required for the execution and delivery by PHCS and the Medical Center of this Agreement or the consummation by PHCS and the PHCS Affiliates of the transactions contemplated or required hereby.

4.5 Financial Statements.

4.5.1 PHCS has delivered to Penn Medicine true and correct copies of: (a) the PHCS Audited Financial Statements; and (b) the PHCS Unaudited Financial Statements. From the Execution Date to the Closing Date, by the fifteenth (15th) day of each month, PHCS shall provide Penn Medicine with the PHCS Interim Financial Statements, except in the case of year-end PHCS Interim Financial Statements which PHCS shall provide not later than forty-five (45) days after the end of PHCS' Fiscal Year.

4.5.2 The PHCS Financial Statements are: (a) true, correct and complete in all material respects and present fairly the financial position of PHCS, and the results of the respective operations of PHCS and PHCS Affiliates at the dates and for the periods indicated; and (b) are in conformity with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology, except: (i) as

otherwise disclosed on Schedule 4.5.2; and (ii) that the PHCS Unaudited Financial Statements and the PHCS Interim Financial Statements do not contain any of the footnotes or other year-end adjustments required to comply with GAAP.

4.5.3 Except as set forth in Schedule 4.5.3, from and after the date of the most recent Audited Financial Statements, neither PHCS nor any PHCS Affiliate has made any material changes to its accounting methods or practices, including methods or practices used to:

- (a) Establish reserves on any patient, notes and accounts receivable;
- (b) Establish estimates of any third-party settlements;
- (c) Determine the value of any other accounts that require subjective determinations; and
- (d) Establish malpractice, general liability or other self-insurance reserves, including claims incurred but not reported.

4.5.4 PHCS and the PHCS Affiliates have no liabilities or obligations of any kind, whether contingent or absolute, direct or indirect, or matured or unmatured, that are not shown or provided for in the PHCS Financial Statements provided to Penn Medicine or its advisors prior to the Execution Date, other than: (a) claims covered by insurance, or reserved by a specific or general reserve made and documented in the PHCS Financial Statements, and any individual liability or obligation of less than Two Hundred and Fifty Thousand Dollars (\$250,000) provided such liabilities and obligations in the aggregate do not exceed One Million Dollars (\$1,000,000); (b) liabilities arising in the ordinary course of business that are reflected on the PHCS Interim Financial Statements; and (c) liabilities disclosed on Schedule 4.5.4.

4.5.5 Except as disclosed on Schedule 4.5.5, none of the assets of PHCS or PHCS Affiliates are subject to restrictions imposed by the donors of specific funds or other assets.

4.6 **Accounts Receivable.** All accounts receivable reflected on the PHCS Financial Statements, including all the PHCS Interim Financial Statements, represent and constitute *bona fide* indebtedness owing to PHCS or PHCS Affiliates for services actually performed or for goods or supplies actually provided in the amounts indicated on the PHCS Financial Statements with no known set offs, deductions, compromises or reductions other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of PHCS and that are taken into consideration in the preparation of the PHCS Financial Statements. PHCS has provided to Penn Medicine a complete and accurate aging report of all such accounts receivable and a schedule of all accounts receivable, whether recorded or unrecorded, that have been assigned to collection agencies or are otherwise held or assigned for collection.

4.7 **Interim Changes.** Except for matters expressly permitted or authorized by this Agreement and except as set forth on Schedule 4.7, there has not been, after the date of the most recent PHCS Audited Financial Statements:

- 4.7.1** Any Material Adverse Change in regard to PHCS and the PHCS Affiliates;

4.7.2 Any disposition by PHCS or any PHCS Affiliate of any property, rights or other assets owned by or employed in the operations of PHCS or the PHCS Affiliates, except for dispositions in the usual and ordinary course of the business;

4.7.3 Any amendment or termination of any Material Contract; and

4.7.4 Any adoption or material amendment of any bonus, profit sharing, incentive or severance agreement or arrangement, or any PHCS Benefit Plan.

4.8 Legal Proceedings. Except as disclosed on Schedule 4.8, neither PHCS nor any PHCS Affiliate: (a) is a defendant in, or, to the Knowledge of PHCS, has been threatened with any action, suit, proceeding, complaint, charge, hearing or arbitration that could result in a Material Adverse Change; (b) has received notice of any investigation or threatened investigation by any Federal, state or local governmental or regulatory agency, including those involving its business practices and policies, that could result in a Material Adverse Change (without exclusion of the factors excluded by the proviso in the definition of “**Material Adverse Change**”) in PHCS and the PHCS Affiliates; or (c) is a party to or intends to institute any claim against any third party the result of which action could result in a Material Adverse Change.

4.9 Licenses and Permits.

4.9.1 The Medical Center holds a current, valid and unrestricted license to operate an acute care hospital in the State of New Jersey. PHCS and each PHCS Affiliate holds, and is in compliance with, all Licenses and Permits, noncompliance with which could result in a Material Adverse Change in its business and operations. The Licenses and Permits are current, unrestricted and valid. Schedule 4.9.1 sets forth a true and complete list of the Licenses and Permits that are material to the operations of PHCS and the PHCS Affiliates.

4.9.2 Except as set forth on Schedule 4.9.2(a) and as it pertains to PHCS or any PHCS Affiliate, during the past six (6) years, no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions or any revocation, termination, suspension or limitation of any of the Licenses and Permits has been issued, received, proposed or, to the Knowledge of PHCS or the Medical Center, threatened, which remains uncured and for which any actual or potential payment or other obligation continues to exist. Except as set forth on Schedule 4.9.2(b) and as it pertains to PHCS or any PHCS Affiliate, during the past three (3) years, no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions or any revocation, termination, suspension or limitation of any of the Licenses and Permits has been issued, received, proposed or, to the Knowledge of PHCS or the Medical Center, threatened.

4.10 Compliance with Law. PHCS and each PHCS Affiliate is in compliance with all Applicable Laws except as such would not result in a Material Adverse Change. Notwithstanding the foregoing, the representation and warranties contained in this Section 4.10 shall not apply to compliance with the applicable laws described in Sections 4.9, 4.11.1(a), 4.11.2, 4.13, 4.15, 4.16, 4.17, 4.18, 4.21, 4.22, 4.24, and 4.26.

4.11 Title to Owned Real Property, Ground Leased Real Property, Operating Leases and Other Assets.

4.11.1 Schedule 4.11.1 lists all Owned Real Property and Ground Leased Real Property by common address and property identification number, together with all Operating Leases by common address, suite number and square footage leased. Schedule 4.11.1 lists all leases of Owned Real Property with any tenant and leases of Ground Leased Real Property with any tenant or other Person that provides healthcare services or items (*i.e.*, practitioner, supplier or provider) and includes a description of the rental amount, suite number, and square footage leased. Except as set forth on Schedule 4.11.1, either PHCS or a PHCS Affiliate is the sole and exclusive owner of all right, title and interest in and has good and marketable fee simple title to the Owned Real Property and good and marketable leasehold title to the Ground Leased Real Property free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than Permitted Encumbrances. Except as set forth in Schedule 4.11.1, neither PHCS nor a PHCS Affiliate has assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in any leasehold or subleasehold under any lease or agreement to which PHCS or a PHCS Affiliate is a party and under which it is a lessee of any real property. The Owned Real Property includes all real estate owned by PHCS or a PHCS Affiliate. The Ground Leased Real Property includes all real estate ground leased by PHCS or a PHCS Affiliate. The Operating Leases include all leases of space to PHCS or a PHCS Affiliate. Except as set forth in Schedule 4.11.1, neither PHCS nor a PHCS Affiliate has leased or otherwise granted to any Person the right to use any Owned Real Property, Ground Leased Real Property or any portion thereof. Except as described in Schedule 4.11.1, there are no outstanding options, rights of first refusal or rights of first offer to purchase any Owned Real Property, Ground Leased Real Property or any portion thereof or interest therein. Except as described on Schedule 4.11.1, with respect to the Owned Real Property and Ground Leased Real Property:

(a) During the past four (4) years, neither PHCS nor a PHCS Affiliate has received written notice of a violation of any Applicable Law which has not been remedied, and, neither PHCS nor a PHCS Affiliate has received written notice of condemnation or assessment relating to any part of the Owned Real Property, Ground Leased Real Property or the operation thereof;

(b) There is no lien on any part of the Owned Real Property or Ground Leased Real Property except for any liens that are Permitted Encumbrances;

(c) There are no tenants or other Persons occupying any space in the Owned Real Property or Ground Leased Real Property, or, to the Knowledge of PHCS, claiming any possession, adverse or not, to any portion of the Owned Real Property or Ground Leased Real Property, other than pursuant to written tenant leases with PHCS or a PHCS Affiliate, as applicable;

(d) Each parcel of Owned Real Property or Ground Leased Real Property is either: (i) exempt from real property or *ad valorem* taxation and PHCS has furnished Penn Medicine with true and complete copies of determinations of exempt status and annual certification thereafter for such Owned Real Property or Ground Leased Real Property and

neither PHCS or a PHCS Affiliate has received written notice nor has Knowledge that the status of such Owned Real Property or Ground Leased Real Property will change from exempt to taxable; or (ii) separately assessed for real estate tax purposes and is not combined with any land or real estate that is not a part of the Owned Real Property or Ground Leased Real Property, as applicable, for real estate tax assessment purposes for each parcel of Owned Real Property or Ground Leased Real Property, as applicable, that is not exempt from real property taxation, neither PHCS nor a PHCS Affiliate have received any written notice of change in assessed value that is not reflected in Owned Real Property or Ground Leased Real Property, as applicable, tax bills furnished to Penn Medicine;

(e) No Owned Real Property or Ground Leased Real Property is located within a 100 year flood plain or an area identified by the Secretary of Housing and Urban Development as having “special flood hazards,” as such term is used in the National Flood Insurance Act of 1968, as amended and supplemented by The Flood Disaster Protection Act of 1973, and in regulations, interpretations and rulings thereunder;

(f) All permanent certificates of occupancy and all other licenses, permits, authorizations, consents, certificates and approvals required by all governmental authorities having jurisdiction and the requisite certificates of the local board of fire underwriters (or other body exercising similar functions), which, if not obtained, would result in a Material Adverse Change in PHCS and the PHCS Affiliates, have been issued for the Owned Real Property (and all individual items constituting the Owned Real Property) or Ground Leased Real Property, have been paid for, are in full force and effect, and, to the Knowledge of PHCS, will not be invalidated, violated or otherwise adversely affected by any change of control of PHCS;

(g) During the past four (4) years, neither PHCS nor a PHCS Affiliate has received any written notice of any existing, proposed or contemplated plans to modify or realign any street or highway or any existing, proposed or contemplated eminent domain proceeding that would result in the taking of all or any part of the Owned Real Property or Ground Leased Real Property or that would adversely affect the current use of any part of the Owned Real Property or Ground Leased Real Property;

(h) Upon consummation of the transactions contemplated by this Agreement, the current owners of the Owned Real Property and the lessees of the Ground Leased Real Property will be entitled to continue to use any Owned Real Property or Ground Leased Real Property that is currently occupied by PHCS or a PHCS Affiliate in the conduct of its operations as currently conducted; and

(i) The Owned Real Property and, to the Knowledge of PHCS, the Ground Leased Real Property are subject to no easements, conditions, restrictions, ordinances, or other limitations that would make such property unusable for its current use or the title to such property unmarketable or materially restrict or impair the current use or operation of the business in a manner consistent with the current use, or that would require the removal of any improvements, except for Permitted Encumbrances.

4.11.2 Except as set forth on Schedule 4.11.2, to the Knowledge of PHCS:
(a) the Owned Real Property and Ground Leased Real Property is not in material violation of any

Environmental Laws; (b) neither PHCS nor a PHCS Affiliate has received any written notice within the past four (4) years alleging or asserting either a material violation of any Environmental Law or a legal obligation to investigate, assess, respond to, remove, or remediate a condition involving Hazardous Substances from any part or all of the Owned Real Property or Ground Leased Real Property under or pursuant to any Environmental Law, in each case, that is outstanding or unresolved; (c) neither PHCS nor a PHCS Affiliate has possessed, managed, processed, released, handled or disposed of or discharged Hazardous Substances at, on or from the Owned Real Property or Ground Leased Real Property (including groundwater), except in material compliance with applicable Environmental Law; (d) PHCS has no Knowledge that any prior owners, operators or occupants of the Owned Real Property or Ground Leased Real Property have caused or allowed any Hazardous Substances to be discharged, possessed, managed, processed, released, or otherwise handled on the Owned Real Property or Ground Leased Real Property in material violation of any Environmental Law; (e) PHCS and PHCS Affiliates are complying in all material respects with all applicable Environmental Laws; (f) to the Knowledge of PHCS, the Owned Real Property and Ground Leased Real Property do not contain material amounts of asbestos in such form or condition for which abatement, repair, response, or removal is required by applicable Environmental Law; and (g) there are no, nor to the Knowledge of PHCS have there ever been any dumps, pits or surface impoundments located on the Owned Real Property or Ground Leased Real Property, in each case, which were or are maintained or utilized for the disposal or containment of Hazardous Substances. Except as set forth on Schedule 4.11.2, to the Knowledge of PHCS, neither PHCS nor a PHCS Affiliate has sent, arranged for disposal or treatment, arranged with a transporter for transport for disposal or treatment, transported, or accepted for transport any Hazardous Substances, to a facility, site or location, that, pursuant to CERCLA or any similar state or local law: (i) has been placed or has been publicly proposed by authorities having jurisdiction to be placed, on the National Priorities List or its state equivalent; or (ii) is subject to a claim, administrative order or other demand to take removal or remedial action by any Person having jurisdiction and authority in any such matter. Except as set forth on Schedule 4.11.2, neither PHCS nor a PHCS Affiliate has received any written requests for information, potentially responsible party letters, general or special notices or violation notices, in each case, that are outstanding or unresolved, alleging that any of PHCS Affiliates is or may be liable under CERCLA or any other Environmental Law(s). Without in any way limiting the generality of the foregoing: (y) a list of all current underground storage tanks located on the Owned Real Property or Ground Leased Real Property of which PHCS has Knowledge is set forth on Schedule 4.11.2; and (z) all existing underground storage tanks used by PHCS or a PHCS Affiliate to store Hazardous Substances are in compliance in all material respects with applicable Environmental Law.

4.12 Title to Assets. Except as disclosed on Schedule 4.12, other than Owned Real Property and Ground Leased Real Property that is provided for in Section 4.11, PHCS and each PHCS Affiliate has good and defensible title to all of its assets of every kind, character and description, whether personal, tangible or intangible, used in connection with the operation of the businesses of the respective entity, free and clear of all liens, mortgages, security interests, options, pledges, charges, covenants, conditions, restrictions and other encumbrances and claims of any kind or character whatsoever, other than liens and encumbrances which are Permitted Encumbrances.

4.13 Tax Exempt Status. PHCS, the Medical Center, and the Foundation, PMP and PCG are Tax Exempt Organizations. The IRS has not taken or, to the Knowledge of PHCS, proposed to take, any action to revoke the tax-exemption of PHCS or any of the tax-exempt PHCS Affiliates, and has not determined in writing or, to the Knowledge of PHCS, proposed to announce, that PHCS or any of the tax-exempt PHCS Affiliates is a “private foundation” within the meaning of Section 509(a) of the Code. PHCS has no Knowledge of any change in the organization or operation of PHCS or any of the tax-exempt PHCS Affiliates that could reasonably result in a loss of PHCS’s or a tax-exempt PHCS Affiliate’s status as a Tax Exempt Organization. PHCS and each of the tax-exempt PHCS Affiliates has received a determination letter from the IRS confirming its status as a Tax Exempt Organization and each such determination letter has not been modified, limited or revoked and remains in full force and effect. Neither PHCS nor any of the tax-exempt PHCS Affiliates has received any indication that the IRS is considering the revocation or modification of any of their determination letters. PHCS and each tax-exempt PHCS Affiliate is in material compliance with all terms, conditions and limitations, if any, contained in its determination letter from the IRS and the facts and circumstances which form the basis of each such determination letter continue substantially to exist as originally represented to the IRS. None of PHCS or any tax-exempt PHCS Affiliate has: (a) changed its purposes, character, activities or methods of operation in a material way since receipt of its determination letter; (b) diverted a substantial portion of its corpus or income for a purpose other than the purpose for which it is organized and operated; (c) operated since its organization in a manner that could result in its being classified as an “action” organization within the meaning of Section 1.501(c)(3) - (1)(c)(3) of the regulations promulgated under the Code; or (d) engaged in any “excess benefit transaction” as defined in Section 4958(c)(i)(A) of the Code. All federal and other applicable tax or information statements, certificates and reports of PHCS and each tax-exempt PHCS Affiliate required by law to be filed in order to establish and maintain the exemptions from taxation under the applicable federal tax law have been duly filed.

4.14 Insurance. Schedule 4.14 sets forth an accurate, correct and complete list (including the name of the insurer, coverage, premium and expiration date) of all Insurance Policies and programs of self-insurance. Except as set forth on Schedule 4.14, no written notice of cancellation or termination has been received by PHCS or any PHCS Affiliate with respect to any Insurance Policy listed on Schedule 4.14 and all such Insurance Policies are in full force and effect. There is not outstanding any requirement or recommendation by any insurance company that issued any such Insurance Policy or by any Board of Fire Underwriters or other similar body exercising similar functions or by any governmental authority exercising similar functions which requires or recommends any repairs or other work to be done to any of the assets or properties of PHCS or any PHCS Affiliate. Except as set forth on Schedule 4.14, PHCS and each PHCS Affiliate has given to its insurer in a timely manner all notices required to be given under its Insurance Policies with respect to all claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions or reserved its rights in respect of or rejected any such claims.

4.15 Taxes. PHCS and each PHCS has filed, or shall file, has caused to be filed or will cause to file all Returns for all periods ending before the Closing Date for PHCS and all PHCS Affiliates. Except as set forth on Schedule 4.15, as of the time of filing, the Returns correctly reflected, and Returns prepared or being prepared but not yet filed as of the Closing Date, shall correctly reflect, the income, business, assets, operations, activities and status of PHCS and PHCS

Affiliates and any other information required to be shown therein. Except as set forth on Schedule 4.15, during the last five (5) tax periods, PHCS and each PHCS Affiliate has timely paid or made provision for all Taxes shown as due and payable on its Returns required to be filed or sent prior to the Execution Date and has made provision for timely payment of all Taxes that shall be shown as due and payable on its Returns required to be filed or sent by it after the Execution Date and relating to any period prior to the Closing Date.

4.16 Employee Benefits.

4.16.1 Schedule 4.16.1 sets forth an accurate and complete list of all PHCS Benefit Plans. Prior to the Execution Date, PHCS has delivered or made available for inspection by Penn Medicine the following for each PHCS Benefit Plan: (a) true, correct and complete copies of each PHCS Benefit Plan, and any trust, insurance, or annuity contracts maintained in connection therewith, including all amendments thereto; (b) the three (3) most recently filed annual report (Form 5500 series, including all schedules and financial statements attached thereto); (c) the three (3) most recent actuarial valuation reports, if any; (d) the most recent summary plan description and all summaries of material modifications thereto; (e) the most recent determination, opinion or advisory letter issued by the IRS with respect to each PHCS Benefit Plan that is intended to be qualified under Section 401(a) of the Code; (f) all personnel, payroll, and employment manuals and policies; (g) all contracts with third party administrators, actuaries, investment managers, consultants, and other independent contractors that relate to any of the PHCS Benefit Plans currently in force or for which PHCS or any ERISA Affiliate currently has any liability; (h) all reports, including all discrimination testing reports submitted within the two (2) years preceding the date hereof by third party administrators, actuaries, investment managers, consultants, or other independent contractors with respect to any PHCS Benefit Plan currently in force or for which any PHCS Affiliate has any liability; (i) a form of all notifications given with respect to the PHCS Benefit Plans within the three (3) years preceding the date hereof to Employees of their rights under Section 601 *et seq.* of ERISA, Section 4980B of the Code, Section 9801 *et seq.* of the Code; (j) all notices or reports that were given by PHCS or any ERISA Affiliate or the PHCS Benefit Plans to the Internal Revenue Service (“**IRS**”), the Pension Benefit Guaranty Corporation (“**PBGC**”) or the Department of Labor (“**DOL**”), pursuant to statute, within the four (4) years preceding the date hereof; and (k) all notices that were given by the IRS, the PBGC, or the DOL to any PHCS Affiliate, or their respective PHCS Benefit Plans within the three (3) years preceding the date hereof.

4.16.2 Except as disclosed on Schedule 4.16.2, with respect to each PHCS Benefit Plan: (a) such PHCS Benefit Plan has been maintained, administered and funded in all material respects in accordance with its terms and in material compliance with Applicable Law, including, without limitation, ERISA, the Code and the Accountable Care Act; (b) all reports, returns, notices and other documents required to be filed with any government agency or distributed to any PHCS Benefit Plan participant or beneficiary has been duly and timely filed or distributed; (c) all contributions, premiums and other payments due or required under Applicable Law to be paid to (or with respect to) such PHCS Benefit Plan have been paid on or before their respective due dates, or, if not yet due, have been accrued as a liability on the applicable PHCS Financial Statements; (d) there are no actions, suits or claims (other than routine claims for benefits) pending or, to the Knowledge of PHCS, threatened with respect to, or against the assets of, any PHCS Benefit Plan, and no PHCS Benefit Plan is currently under investigation, audit or review

by any governmental authority; and (e) no transaction or event has occurred or is threatened or about to occur (including, without limitation, any of the transactions contemplated in or by this Agreement) with respect to any PHCS Benefit Plan that constitutes or could constitute a prohibited transaction under Section 406 or Section 407 of ERISA or under Section 4975 of the Code for which an exemption is not available.

4.16.3 Each PHCS Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and is the subject of a current favorable determination letter from the IRS or, with respect to a prototype or volume submitter plan, can rely on a current opinion or advisory letter, as applicable, from the IRS to the prototype or volume submitter plan sponsor, to the effect that such PHCS Benefit Plan is so qualified and that such PHCS Benefit Plan and any trust related thereto are exempt from Federal income tax under Section 401(a) and Section 501(a), respectively, of the Code. No such determination, opinion or advisory letter has been revoked nor has revocation been threatened, and nothing has occurred or is reasonably expected to occur that could adversely affect the qualification of such PHCS Benefit Plan or the exemption of any trust related thereto.

4.16.4 Except as disclosed on Schedule 4.16.4, neither PHCS or any PHCS Affiliate nor any ERISA Affiliate has sponsored, maintained or had any obligation to contribute to: (a) a “multiemployer plan” as defined in Section 3(37) of ERISA; (b) a plan providing health or welfare benefits with respect to any retired or former employees of PHCS or any PHCS Affiliate or with respect to any active employees of PHCS or any PHCS Affiliate following such employee’s termination of employment, except to the extent required under the continuation of coverage provisions of COBRA or similar state law; (c) a “multiple employer welfare arrangement” as defined in Section 3(40) of ERISA; (d) a “voluntary employees’ beneficiary association” as defined in Section 501(c)(9) of the Code; or (e) an employee benefit plan subject to Title IV of ERISA or Section 412 of the Code.

4.16.5 Neither PHCS nor any PHCS Affiliate is a party to any agreement (including this Agreement), contract, arrangement or plan that has resulted or could result, separately or in the aggregate, in the payment of: (a) any “excess parachute payment” within the meaning of Section 280G of the Code (or any corresponding provision of state, local or foreign Tax law); or (b) any amount that will be subject to withholding pursuant to the imposition of any excise Tax under Section 4999 of the Code (or any corresponding provision of state, local or foreign Tax law).

4.16.6 Each Benefit Plan or other agreement or arrangement that provides deferred compensation subject to Section 409A, Section 457(b) or Section 457(f) of the Code, (a) materially complies, and at all times since December 31, 2008 has materially complied, in form and operation with the applicable requirements of Section 409A, Section 457(b) and Section 457(f), respectively, of the Code and the guidance thereunder and will not result in an additional tax under any of such sections of the Code; and (b) between January 1, 2005 and December 31, 2008 was operated and maintained in accordance with a good faith, reasonable interpretation of Section 409A of the Code and its purpose, as determined under applicable guidance of the Department of the Treasury and the IRS. Neither PHCS nor any PHCS Affiliate or ERISA Affiliate has any actual or potential obligation to reimburse or otherwise “gross up” any Person for the interest or additional tax under Section 409A or Section 457(f) of the Code.

4.16.7 Except as disclosed on Schedule 4.16.7, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated under this Agreement will: (a) accelerate vesting, increase any benefits otherwise payable, or result in any payment (whether of severance pay, change-of-control benefits, or otherwise) under any PHCS Benefit Plan; or (b) materially impair the rights of PHCS or any PHCS Affiliate or ERISA Affiliate with respect to any PHCS Benefit Plan including, without limitation, the right to amend or terminate any PHCS Benefit Plan in accordance with Applicable Law.

4.17 Labor Relations. Except as set forth on Schedule 4.17, PHCS and each PHCS Affiliate has complied in all material respects with all Applicable Laws relating to the employment of its employees and independent contractors, including provisions relating to wages, hours, immigration, classification of employees as exempt or non-exempt, classification of workers as independent contractors, equal opportunity, collective bargaining, and the collection and payment of Social Security and other Taxes, as applicable. Neither PHCS nor any PHCS Affiliate has entered into any collective bargaining agreements or received notice that any of its employees are represented by, or notice of any claim that any of its employees is entitled to be represented by, a collective bargaining agent. There are no strikes, lockouts, work stoppages or slowdowns, or, to the Knowledge of PHCS or the Medical Center, jurisdictional disputes or organizing activity occurring or threatened which could result in a Material Adverse Change. In the last six (6) years, none of PHCS nor any PHCS Affiliate has incurred, liabilities, penalties or other charges under the WARN Act.

4.18 Payment Programs. PHCS has provided to Penn Medicine, or its advisors, a list of all of the Payment Programs. Except as set forth on Schedule 4.18:

4.18.1 Neither PHCS nor a PHCS Affiliate is engaged in termination proceedings as to its respective participation in any Payment Program, nor has PHCS or a PHCS Affiliate received written notice that its current participation in any Payment Program is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements;

4.18.2 Neither PHCS nor a PHCS Affiliate has taken or committed to any action, entered into any agreement, contract or undertaking, or taken or omitted to take any other action of any nature whatsoever that was or is in violation of any applicable Payment Program condition of participation, contract, standard, policy, rule, regulation, procedure or other requirement, that would result in a Material Adverse Change;

4.18.3 During the past six (6) years, all billing and collection practices of PHCS, PHCS Affiliates, and any billing and/or collection agent acting on behalf of PHCS or any PHCS Affiliate, have been in material compliance with all Health Care Laws and the conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements of all Payment Programs;

4.18.4 During the past six (6) years, all cost reports and cost statements submitted by PHCS or any PHCS Affiliate to any Payment Program have been true, accurate and complete in all material respects and have been prepared and submitted in accordance with cost and accounting principles consistently applied that materially comply with all applicable Payment

Program conditions for participation, contracts, standards, policies, rules, regulations, manuals, procedures and requirements, including, without limitation, Payment Program interpretations and guidance;

4.18.5 No cost reports or cost statements are open and unresolved;

4.18.6 During the past six (6) years, to the Knowledge of PHCS and the Medical Center, neither PHCS nor a PHCS Affiliate has taken any of the following actions: (a) submitted to any Payment Program any false, fraudulent, abusive or improper claim for payment; (b) billed any Payment Program for any service not rendered or not rendered as claimed; or (c) received and retained any payment or reimbursement from any Payment Program in excess of the proper amount allowed by Applicable Law and applicable contracts or agreements with the Payment Programs; excluding, in each case, amounts and claims for payment identified in ordinary course audits and reconciliations of less than One Hundred Thousand Dollars (\$100,000) each that have been otherwise settled or resolved as of the Execution Date;

4.18.7 There is no audit, investigation, adverse action, or civil, administrative, or criminal proceeding pending or, to the Knowledge of PHCS or the Medical Center, threatened relating to participation in any Payment Program by PHCS or a PHCS Affiliate; and there is no basis for any such adverse action by the Payment Program against PHCS or any PHCS Affiliate other than payment denials occurring in the ordinary course of business; and

4.18.8 No Payment Program has requested or, to the Knowledge of PHCS or the Medical Center, threatened any recoupment, refund, or set off from PHCS or any PHCS Affiliate, or imposed any fine, penalty or other sanction on PHCS or any PHCS Affiliate.

4.19 Accreditation. PHCS has provided to Penn Medicine, or its advisors, a list of current Accreditations for each PHCS Affiliate. Except as set forth on Schedule 4.19: (a) all of the Accreditations for each PHCS Affiliate have been duly obtained, are held by the respective PHCS Affiliate, are current and valid, and are in full force and effect; (b) to the Knowledge of PHCS, no event has occurred or other fact exists with respect to the Accreditations that allows, or after notice or lapse of time or both would allow, revocation, suspension, restriction, limitation or termination of any of the Accreditations or would result in any other impairment of the rights of the holder of any of the Accreditations; (c) no notice from any accreditation organization in respect to the revocation, suspension, restriction, limitation or termination of any Accreditations has been issued, received or, to the Knowledge of PHCS or the Medical Center, proposed or threatened; and (d) except as set forth on Schedule 4.19, no statement of deficiencies, survey report, inspection report, notice of audit, audit results, complaint or other notice of noncompliance with the requirements, standards or other conditions of any Accreditation has been issued, received or, to the Knowledge of PHCS or the Medical Center, proposed or threatened by any accreditation organization, for which any actual or potential payment or other obligation exists.

4.20 Contracts and Other Commitments. PHCS has provided Penn Medicine with copies of, or otherwise disclosed to Penn Medicine, all Material Contracts to which PHCS or any PHCS Affiliate is a party. Each Material Contract is a valid and binding obligation of PHCS or a PHCS Affiliate and is a valid and binding obligation of the other party or parties thereto, and to the Knowledge of PHCS, enforceable in accordance with its terms (subject to bankruptcy,

insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and except for limitations upon the availability of equitable remedies, including specific performance). Except as listed on Schedule 4.20, none of the transactions contemplated by this Agreement creates in any party to any such Material Contract the right to revise the terms of, to terminate, to accelerate any obligation of PHCS or any PHCS Affiliate, or otherwise to declare that such Material Contract has been breached. Except as listed on Schedule 4.20, neither PHCS nor a PHCS Affiliate is in breach or default in any material respect under any term or provision of any Material Contract.

4.21 Compliance Program. PHCS has provided to Penn Medicine a copy of current Compliance Program materials for PHCS and PHCS Affiliates. Except as set forth on Schedule 4.21, neither PHCS nor a PHCS Affiliate: (a) is a party to a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services; (b) has reporting obligations pursuant to any settlement agreement entered into with any Federal, state or local government entity; (c) to the Knowledge of PHCS, has been the subject of any government payer program investigation conducted by any Federal or state enforcement agency within the past five (5) years; (d) to the Knowledge of PHCS, been a defendant in any sealed or unsealed *qui tam*/False Claims Act litigation within the past five (5) years; (e) has been served with or received, within the past three (3) years, any search warrant, subpoena, civil investigative demand, contact letter, or, to the Knowledge of PHCS, telephone or personal contact by or from any Federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by PHCS Affiliates); or (f) has received any written complaints within the past five (5) years from employees, independent contractors, vendors, physicians, or any other Person that to the Knowledge of PHCS have resulted in a claim being filed with a Federal, state or local government entity, and that remains outstanding, alleging that PHCS or a PHCS Affiliate has violated any law or regulation.

4.22 Exclusion from Health Care Programs. PHCS and the PHCS Affiliates have programs in place to determine whether any of their respective employees, agents or independent contractors has been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere*, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. Except as set forth on Schedule 4.22, none of PHCS, any PHCS Affiliate or any of their respective officers, directors, employees, agents or independent contractors has been: (i) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (ii) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere*, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (iii) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (iv) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury.

4.23 Medical Staff Matters. PHCS has provided to Penn Medicine true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of the Medical Center as well as a list of all current members of the medical staff of the Medical Center. Except as set forth in Schedule 4.23: (a) there are no adverse actions with respect to any medical staff members of the Medical Center or any applicant thereto for which a medical staff member or applicant has requested a hearing that has not been scheduled or has been scheduled but has not been completed; (b) there are no pending or, to the Knowledge of PHCS or the Medical Center, threatened disputes with applicants, staff members, or health professional affiliates, and PHCS and the Medical Center know of no basis therefore; and (c) all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Notwithstanding the foregoing provisions of this Section 4.23, PHCS and the Medical Center shall not be required to disclose any information pursuant to this Section 4.23 where such disclosure is prohibited by state law or where such disclosure would, in PHCS's or the Medical Center's reasonable discretion, potentially jeopardize any applicable privilege that would protect the disclosure of such information to third parties.

4.24 Experimental Procedures. No PHCS Affiliate has performed or permitted the performance of any experimental or research procedures or studies involving patients of PHCS Affiliate not authorized and conducted in accordance with the procedures of the applicable Institutional Review Board and substantially in compliance with all contract(s) funding or sponsoring such research and Applicable Law. All human subject research (as that phrase is defined by Federal law), or research governed by the federal Animal Welfare Act, involving PHCS or any PHCS Affiliate is identified on Schedule 4.24. No current member of the medical staff of a PHCS Affiliate or current employee of a PHCS Affiliate who conducts human subject research is listed on the FDA's Clinical Investigator-Disqualification Proceedings as Disqualified, Totally Restricted, or Restricted, or is listed on the Public Health Services' Administrative Action Report in a status that does not allow the conduct of human subject research.

4.25 Intellectual Property: Computer Software. Schedule 4.25 lists all Intellectual Property owned or used by PHCS or any PHCS Affiliate. No proceedings are pending or, to the Knowledge of PHCS or the Medical Center, threatened that challenge the validity of the ownership by PHCS or a PHCS Affiliate of any Intellectual Property. Neither PHCS nor a PHCS Affiliate has licensed anyone to use such Intellectual Property, and PHCS and the Medical Center have no Knowledge of the use or the infringement of any such Intellectual Property by any other Person. Either PHCS or a PHCS Affiliate owns (or possesses adequate and enforceable licenses or other rights to use) all Intellectual Property and all computer software programs and similar systems used in the conduct of their businesses.

4.26 Charitable Funds. PHCS and each PHCS Affiliate has solicited, received, held, invested, expended and applied charitable funds donated to it in accordance with all restrictions placed thereon by donors, the terms of any applicable solicitation and Applicable Laws. None of PHCS or any PHCS Affiliate has received written notice of any, whether actual or alleged, misuse of funds, failure to comply with any donor-imposed restriction, breach of duty related to the funds, or violation of any Applicable Laws, nor to the Knowledge of PHCS, has any such misuse, failure, breach or violation occurred. Except as disclosed on Schedule 4.26, none of the assets of the Foundation are subject to material restrictions imposed by the donors of specific funds or other assets.

4.27 Hill-Burton Loan. Neither PHCS nor a PHCS Affiliate has any outstanding financial obligations to repay any loans, grants, or loan guarantees pursuant to the Hill-Burton Act (42 U.S.C. §§ 291a, *et seq.*).

5. REPRESENTATIONS AND WARRANTIES OF THE UNIVERSITY. Subject to the exceptions set forth in the University's disclosure schedules attached hereto, which shall qualify all of the representations and warranties herein, and which shall be updated in accordance with the provisions of Section 10.4, the University hereby represents and warrants to PHCS that the statements contained in this Article 5 are correct and complete as of the Execution Date and will be correct and complete in all material respects as of the Closing Date:

5.1 Organization; Good Standing; Power.

5.1.1 The University is duly formed as a Pennsylvania nonprofit educational corporation. The University is validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate power and authority to own, operate or hold under lease its properties and assets and to carry on its business and operations as presently conducted in all material respects. The University has registered with the proper governmental authorities all assumed names under which the University operates its respective businesses and has continuously maintained all such filings in good standing.

5.2 Corporate Authorization.

5.2.1 The University has the requisite power and authority with respect to Penn Medicine to cause it to comply with all of the responsibilities and obligations imposed upon it by this Agreement. The University has the full corporate power and authority to enter into and to perform its obligations under this Agreement and shall cause Penn Medicine to do the same.

5.2.2 The execution, delivery and performance of this Agreement by the University has been duly and properly authorized by all necessary corporate action in accordance with its Governing Documents and the Governing Documents of Penn Medicine.

5.2.3 This Agreement constitutes a valid and legally binding obligation of the University, enforceable against it in accordance with its terms, except as enforceability may be limited by: (a) general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law; and (b) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally.

5.3 No Violation; Approvals.

5.3.1 Except to the extent specified in Schedule 5.3.1, the execution, delivery and performance of this Agreement shall not result in the creation of any lien, charge, or encumbrance of any kind or the termination or acceleration of any indebtedness or other obligation of the University, and are not prohibited by, do not violate or conflict with any provision of, and do not constitute a material default under or material breach of any contract material to University or Penn Medicine, indenture, mortgage, material permit or license, approval or other material commitment to which the University is a party or is subject or by which it is bound, or any Applicable Law.

5.3.2 Except to the extent specified in Schedule 5.3.2, and except for filings required pursuant to the HSR Act, if applicable, no approval, authorization, registration, consent, order, filing or other action that has not occurred or been obtained with or from any Person, including any court, administrative agency or other governmental authority, is required for the execution and delivery by the University of this Agreement or the consummation by the University of the transactions contemplated or required hereby.

5.4 Tax Exempt Status. The University is a Tax Exempt Organization. The IRS has not taken, or, to the Knowledge of the University, proposed to take, any action to revoke the tax-exemption of Penn Medicine, and has not determined in writing or, to the Knowledge of the University, proposed to announce, that the University is a “private foundation” within the meaning of Section 509(a) of the Code. The University does not have Knowledge of any change in the organization or operation of the University that could reasonably result in a loss of the University’s status as a Tax Exempt Organization. The University has received a determination letter from the IRS confirming its status as a Tax Exempt Organization and such determination letter has not been modified, limited or revoked and remains in full force and effect. The University has not received any indication that the IRS is considering the revocation or modification of its determination letter. The University is in material compliance with all terms, conditions and limitations, if any, contained in its determination letter from the IRS and the facts and circumstances which form the basis of such determination letter continue substantially to exist as originally represented to the IRS. The University has not: (a) changed its purposes, character, activities or methods of operation in a material way since receipt of its determination letter; (b) diverted a substantial portion of its corpus or income for a purpose other than the purpose for which it is organized and operated; (c) operated since its organization in a manner that could result in its being classified as an “action” organization within the meaning of Section 1.501(c)(3) - (1)(c)(3) of the regulations promulgated under the Code; or (d) engaged in any “excess benefit transaction” as defined in Section 4958(c)(i)(A) of the Code. All federal and other applicable tax or information statements, certificates and reports of the University required by law to be filed in order to establish and maintain the exemption from taxation under the applicable federal tax law have been duly filed.

5.5 Legal Proceedings. Except as disclosed on Schedule 5.5, the University is not a defendant in, or, to the Knowledge of the University, threatened with, any action, suit, proceeding, complaint, charge, hearing, arbitration or state or Federal governmental investigation that would result in a Material Adverse Change. Except as disclosed on Schedule 5.5, the University has not received notice of any investigation or threatened investigation by any Federal, state or local

governmental or regulatory agency, including those involving its business practices and policies that could result in a Material Adverse Change.

5.6 Financial Statements.

5.6.1 The University has delivered to PHCS true and correct copies of: (a) the UPHS Audited Financial Statements; and (b) the UPHS Unaudited Financial Statements. From the Execution Date to the Closing Date, by the fifteenth (15th) Business Day of the following month, the University shall provide PHCS with the UPHS Interim Financial Statements, except in the case of year-end UPHS Interim Financial Statements which the University shall provide not later than forty-five (45) days after the end of UPHS' Fiscal Year.

5.6.2 The UPHS Financial Statements are: (a) true, correct and complete in all material respects and present fairly the financial position of UPHS, and the results of the operations of UPHS at the dates and for the periods indicated; and (b) are in conformity with GAAP, applied consistently for the periods specified, including the consistent use of assumptions, practices, procedures and terminology, except that the UPHS Unaudited Financial Statements and the UPHS Interim Financial Statements need not contain any of the footnotes or other year-end adjustments required to comply with GAAP.

5.6.3 Except as set forth in Schedule 5.6.3, from and after the date of the most recent Audited Financial Statements, the University has not made any material changes to its accounting methods or practices, including methods or practices used to:

- (a) Establish reserves on any patient, notes and accounts receivable;
- (b) Establish estimates of any third-party settlements;
- (c) Determine the value of any other accounts that require subjective determinations ; and
- (d) Establish malpractice, general liability or other self-insurance reserves, including claims incurred but not reported.

5.6.4 UPHS has no liabilities or obligations of any kind, whether contingent or absolute, direct or indirect, or matured or unmatured, that are not shown or provided for in UPHS Financial Statements provided to PHCS or its advisors prior to the Execution Date, other than: (a) claims covered by insurance, or reserved by a specific or general reserve made and documented in the UPHS Financial Statements, and any individual liability or obligation of less than Ten Million Dollars (\$10,000,000) provided such liabilities and obligations would not result in a Material Adverse Change; (b) liabilities arising in the ordinary course of business that are reflected on the UPHS Interim Financial Statements; and (c) liabilities disclosed on Schedule 5.6.4.

5.6.5 Except for matters expressly permitted or authorized by this Agreement, there has not been any Material Adverse Change in UPHS after the date of the UPHS Audited Financial Statements.

5.7 Compliance with Law. Except disclosed on Schedule 5.7, Penn Medicine and UPHS are in compliance with all Applicable Laws, including, without limitation, all Health Care Laws, in all material respects, except as such would not be reasonably expected to result in a Material Adverse Change.

5.8 Payment Programs.

5.8.1 The University is not engaged in termination proceedings as to UPHS's participation in any Payment Program, nor has UPHS received written notice that its current participation in any Payment Program is subject to any contest, termination or suspension as a result of alleged violations or any noncompliance with participation requirements.

5.8.2 Except as set forth in Schedule 5.8.2, there is no audit, investigation, adverse action, or civil, administrative, or criminal proceeding pending or, to the Knowledge of the University, threatened seeking the termination of participation in any Payment Program by UPHS; and, to the Knowledge of the University, there is no basis for any such adverse action by the Payment Program against UPHS.

5.9 Compliance Program. Except as set forth on Schedule 5.9, UPHS: (a) is not a party to a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services; (b) has no reporting obligations pursuant to any settlement agreement entered into with any Federal, state or local government entity; (c) to the Knowledge of UPHS, has not been the subject of any government payer program investigation conducted by any Federal or state enforcement agency within the past three (3) years; (d) to the Knowledge of UPHS, has not been a defendant in any sealed or unsealed *qui tam*/False Claims Act litigation within the past three (3) years; (e) has not been served with or received, within the past three (3) years, any search warrant, subpoena, civil investigative demand, contact letter, or, to the Knowledge of UPHS, telephone or personal contact by or from any Federal or state enforcement agency (except in connection with medical services provided to third parties who may be defendants or the subject of investigation into conduct unrelated to the operation of the health care businesses conducted by UPHS), except as would not be reasonably expected to result in a Material Adverse Change; and (f) to the Knowledge of UPHS, has not received any written complaints within the past three (3) years from employees, independent contractors, vendors, physicians, or any other Person that resulted in a claim being filed with a Federal, state or local government entity alleging that UPHS has violated any law or regulation, except as would not be reasonably expected to result in a Material Adverse Change.

5.10 Exclusion from Health Care Programs. UPHS has programs in place to determine whether any of their respective employees, agents or independent contractors has been: (a) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (b) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere*, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (c) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (d) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury. Except as set forth on Schedule 5.10, none of UPHS or any of its respective officers, directors, employees, agents or independent contractors has been:

(i) excluded from participating in any Federal Health Care Program (as defined in 42 U.S.C. § 1320a 7b(f)); (ii) subject to sanction or been indicted or convicted of a crime, or pled *nolo contendere*, in connection with any allegation of violation of any Federal Health Care Program requirement or Health Care Law; (iii) debarred or suspended from any Federal or state procurement or nonprocurement program by any government agency; or (iv) designated a Specially Designated National or Blocked Person by the Office of Foreign Asset Control of the U.S. Department of Treasury.

6. PRE-CLOSING COVENANTS OF PHCS AND THE MEDICAL CENTER. PHCS and the Medical Center shall perform and fully discharge the following covenants and agreements:

6.1 Interim Conduct of Business. From the Execution Date to the Closing Date:

6.1.1 Each of PHCS and the Medical Center shall, and PHCS shall cause each PHCS Affiliate, including the Medical Center, to:

(a) Operate its business as a going concern, consistent with prior practices and not other than in the ordinary course of business; and

(b) Use reasonable commercial efforts to preserve the goodwill of all individuals and entities having business or other relations with it or them, including, without limitation, physicians, employees, patients, customers, donors and suppliers.

6.1.2 PHCS shall provide Penn Medicine with PHCS Interim Financial Statements by the fifteenth (15th) day of the month following the month to which they relate.

6.1.3 None of PHCS, the Medical Center, or any other PHCS Affiliate shall do any of the following without the prior written consent of Penn Medicine:

(a) Make any changes, or permit any changes to be made, in its respective Governing Documents, except for changes expressly authorized by this Agreement and changes required to be made by Applicable Law;

(b) Enter into (or amend existing) agreements for employment, indemnity, retention, severance, change-in-control, employee lease, deferred compensation, or incentive compensation with, or agreements regarding loans or advances to, Key Management Personnel;

(c) Make any intentional changes to the Key Management Personnel;

(d) Except with respect to those Review Contracts entered into, amended or terminated in the ordinary course of business and which do not have a dollar value or liability greater than One Million Dollars (\$1,000,000), enter into any new, or amend or terminate any existing, Review Contract without providing Penn Medicine at least ten (10) business days advance written notice thereof including a copy of such Review Contract; or

(e) Enter into any transaction or contractual obligation that would adversely affect PHCS' or a PHCS Affiliate's ability to perform its obligations under this Agreement.

6.2 Preserve Accuracy of Representations and Warranties. From the Execution Date to the Closing Date:

6.2.1 Subject to PHCS' rights and obligations pursuant to Section 10.4, PHCS and the Medical Center shall use commercially reasonable efforts to take no action that would render any representation or warranty of either of them contained in this Agreement inaccurate or untrue as of the Closing Date.

6.2.2 PHCS and the Medical Center shall promptly notify the University of any lawsuits, claims, administrative actions or other proceedings asserted or commenced against PHCS or any PHCS Affiliate, or any of their respective officers, directors or member that could result in a Material Adverse Change.

6.2.3 PHCS and the Medical Center shall promptly notify the University in writing of any facts or circumstances that come to their attention and that cause, or through the passage of time would reasonably cause, any of the representations and warranties made by them and contained in this Agreement to be untrue or misleading at any time from the Execution Date to the Closing Date.

6.2.4 PHCS and the Medical Center shall promptly notify the University should PHCS obtain Knowledge, prior to the Closing Date, of any lien, written notice, litigation, or threat of litigation relating to any alleged or actual unauthorized release of any Hazardous Substance with respect to any part of the Owned Real Property or Ground Leased Real Property.

6.3 Access to Information.

6.3.1 From the Execution Date to the Closing Date, PHCS and the Medical Center shall give, or cause to be given by the relevant PHCS Affiliate, to Penn Medicine and to its representatives, reasonable access, except as may be limited by Applicable Law and regulations, during normal business hours, to all properties, books, records and contracts and other materials pertaining to the businesses, properties and assets of PHCS and the PHCS Affiliates, as may be reasonably requested and appropriate in order for Penn Medicine to perform its obligations hereunder (and in accordance with guidelines approved by the Parties' antitrust counsel), subject to reasonable advance notice and provided that Penn Medicine shall not exercise such rights of access in such manner as would unduly interfere with the operations of PHCS, any PHCS Affiliate, PHCS' or any PHCS Affiliate's personnel or the activities of PHCS Affiliate's patients or guests.

6.3.2 PHCS and the Medical Center shall cooperate in keeping Penn Medicine fully informed and shall promptly notify Penn Medicine of any Material Adverse Change regarding PHCS and the PHCS Affiliates.

6.4 Maintain Books and Accounting Practices. From the Execution Date to the Closing Date, PHCS and the Medical Center shall maintain the books of account of PHCS and the

PHCS Affiliates in the usual, regular and ordinary manner in accordance with GAAP consistently applied and on a basis consistent with prior years, including, without limitation, the consistent use of assumptions, practices, procedures and terminology, and, except as otherwise required by GAAP, and PHCS and the Medical Center shall not make or cause to be made any material changes in the accounting methods or practices of any of them or any PHCS Affiliate, including, without limitation, as applicable, methods or practices:

6.4.1 Establishing reserves on any patient, notes and accounts receivable;

6.4.2 Establishing reserves for all third-party settlements; and

6.4.3 Determining the value of any other material accounts that are subjectively determined.

6.5 Compliance with Laws. From the Execution Date to the Closing Date, PHCS and the Medical Center shall, and PHCS shall cause the PHCS Affiliates to:

6.5.1 Materially comply with all Applicable Laws; and

6.5.2 Keep, hold and maintain all material certificates, certificates of exemption, accreditation, licenses and other permits necessary for the conduct and operation of such entity.

6.6 No Merger or Consolidation. From the Execution Date to the Closing Date, neither PHCS nor any PHCS Affiliate shall acquire material assets intended for use in a new business or clinical service lines by PHCS or the PHCS Affiliates, sell material assets, merge or consolidate with any other entity, including any Asset Sale or Change of Control Transaction, except: (a) in the ordinary course of business; or (b) with respect to confidential transactions underway as of the Execution Date that: (i) have been disclosed in writing to Penn Medicine; and (ii) that Penn Medicine has approved in writing. PHCS and the Medical Center agree to work in good faith expeditiously towards Closing. Unless and until this Agreement is terminated in accordance with Section 12 hereof, each of PHCS and the Medical Center agree that it will not take any action to solicit or entertain offers from, negotiate with, or encourage, discuss, accept or consider any proposal from any Person relating to the merger, consolidation, member substitution or other affiliation of PHCS or any PHCS Affiliate.

6.7 Third Party Authorizations. From the Execution Date to the Closing Date, PHCS and the Medical Center shall, and PHCS shall cause the relevant PHCS Affiliate to, use commercially reasonable efforts to obtain expeditiously all consents, approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under Applicable Law and under all contracts, agreements and commitments to which such entity is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement PHCS or a PHCS Affiliate. PHCS and the Medical Center also shall reasonably assist the University in obtaining any authorizations required under Section 7.5.

6.8 Confidentiality of Penn Medicine's Information. The Confidentiality Agreement shall remain in full force and effect, except to the extent necessary to implement the provisions of this Agreement.

7. PRE-CLOSING COVENANTS OF THE UNIVERSITY. The University shall perform and fully discharge the following covenants and agreements:

7.1 Interim Conduct of Business. From the Execution Date to the Closing Date:

7.1.1 The University shall cause Penn Medicine to:

(a) Operate its businesses as a going concern, consistent with prior practices; and

(b) Use reasonable commercial efforts to preserve the goodwill of all individuals and entities having business or other relations with it or them, including, without limitation, physicians, employees, patients, customers and suppliers.

7.1.2 The University shall cause Penn Medicine to provide PHCS with UPHS Interim Financial Statements by the fifteenth (15th) day of the month following the month to which they relate.

7.1.3 Neither the University nor Penn Medicine shall, without the prior written consent of PHCS, enter into any transaction or contractual obligation that would materially and adversely affect the University's ability to perform its obligations under this Agreement.

7.2 Preserve Accuracy of Representations and Warranties. From the Execution Date to the Closing Date:

7.2.1 Subject to the University's rights and obligations pursuant to Section 10.4, the University shall use commercially reasonable efforts to take no action that would render any representation or warranty of the University contained in this Agreement inaccurate or untrue as of the Closing Date.

7.2.2 The University shall promptly notify PHCS of any lawsuits, claims, administrative actions or other proceedings asserted or commenced against the University, or its officers, directors or members that could result in a Material Adverse Change.

7.2.3 The University shall promptly notify PHCS in writing of any facts or circumstances that come to its attention and that cause any of the representations and warranties contained in this Agreement to be untrue or misleading at any time from the Execution Date to the Closing Date.

7.3 Access to Information.

7.3.1 From the Execution Date to the Closing Date, the University shall cause Penn Medicine to give PHCS and its representatives reasonable access, during normal business hours, to all properties, books, records and contracts and other materials pertaining to the businesses, properties and assets of Penn Medicine, as may be reasonably requested (and in accordance with guidelines approved by the Parties' antitrust counsel), subject to reasonable

advance notice and provided that PHCS shall not exercise such rights of access in such manner as would unduly interfere with the operations of Penn Medicine or the work of Penn Medicine's personnel or the activities of Penn Medicine's patients or guests.

7.3.2 The University shall cooperate in keeping PHCS fully informed and shall promptly notify PHCS of any Material Adverse Change regarding the University and its Affiliates.

7.4 Compliance with Laws. From the Execution Date to the Closing Date, the University shall:

7.4.1 Material comply with all Applicable Laws; and

7.4.2 Keep, hold and maintain all material certificates, certificates of exemption, accreditation, licenses and other permits necessary for the conduct and operation of Penn Medicine.

7.5 Third Party Authorizations. From the Execution Date to the Closing Date, the University shall, or shall cause Penn Medicine to, use commercially reasonable efforts to obtain expeditiously all consents, approvals and authorizations of third parties, whether governmental or private, make all filings, and give all notices which may be necessary or appropriate under Applicable Law and under all contracts, agreements and commitments to which the University is a party or is bound, or to the extent necessary for the valid execution, delivery and performance of this Agreement by the University. Penn Medicine also shall reasonably assist PHCS in obtaining any authorizations required under Section 6.7.

7.6 No Merger or Consolidation. Unless and until this Agreement is terminated in accordance with Section 12 hereof, the University agrees that it will not take any action to solicit or entertain offers from, negotiate with, or encourage, discuss, accept or consider any proposal from any Person relating to the merger, consolidation, member substitution or other similar affiliation in Central Jersey. Without limiting the foregoing, Penn Medicine, to the extent consistent with applicable law, will keep PHCS informed of any strategic affiliation discussions in which it engages with any third parties related to healthcare businesses or services that would reasonably be expected to materially impact healthcare businesses or services within Central Jersey.

7.7 Confidentiality of PHCS's Information. The Confidentiality Agreement shall remain in full force and effect, except to the extent necessary to implement the provisions of this Agreement.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF PHCS AND THE MEDICAL CENTER. Notwithstanding anything herein to the contrary, the obligations of PHCS and the Medical Center to consummate the transaction contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by PHCS and the Medical Center at the Closing:

8.1 Regulatory Approvals. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained without Excepted Conditions on or before the Closing Date, except for any documents required to be filed, or consents, authorization orders, or approvals required to be issued on or after the Closing Date.

8.2 Accuracy of Warranties; Performance of Covenants. The representations and warranties of the University contained in this Agreement shall be accurate in all material respects as if made on and as of the Closing Date. The University, either directly or through Penn Medicine, shall have materially performed all of the obligations and materially complied with each and all of the covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

8.3 No Pending Action. No action or proceeding before any court or governmental body shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded.

8.4 No Bankruptcy. The University shall not: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the Federal bankruptcy law or any other similar law or statute of the United States or any state, nor shall any such petition have been filed against the University.

8.5 Material Consents. All Material Consents shall have been obtained on or before the Closing Date unless otherwise waived in writing by Penn Medicine.

8.6 Delivery of the University Closing Documents. The University shall have delivered, on or before the Closing Date, the University Closing Documents.

8.7 Delivery of Other Agreements. The University shall have executed and delivered or caused Penn Medicine to have executed and delivered such other agreements as the Parties agree are necessary to consummate the transactions contemplated by this Agreement.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE UNIVERSITY.

Notwithstanding anything herein to the contrary, the obligations of the University to consummate the transaction contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of the following conditions precedent unless (but only to the extent) waived in writing by the University at the Closing:

9.1 Regulatory Approvals. All regulatory consents and approvals required for the consummation of the transactions contemplated or required by this Agreement shall have been obtained without Excepted Conditions on or before the Closing Date, except for any documents required to be filed or consents, authorization orders or approvals required to be issued after the Effective Time.

9.2 Accuracy of Warranties; Performance of Covenants. The representations and warranties of PHCS and the Medical Center contained in this Agreement shall be accurate in all material respects as if made on and as of the Closing Date. PHCS and the Medical Center shall have materially performed, or PHCS shall have caused the relevant PHCS Affiliate to materially perform, all of the obligations and materially complied with each of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing Date.

9.3 No Pending Action. No action or proceeding before any court or governmental body shall be pending or threatened wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded.

9.4 No Bankruptcy. Neither PHCS nor a PHCS Affiliate shall: (a) be in receivership or dissolution; (b) have made any assignment for the benefit of creditors; (c) have admitted in writing its inability to pay its debts as they mature; (d) have been adjudicated bankrupt; or (e) have filed a petition in voluntary bankruptcy, a petition or answer seeking reorganization or an arrangement with creditors under the Federal bankruptcy law or any other similar law or statute of the United States or any state; and nor shall any such petition have been filed against PHCS or any PHCS Affiliate.

9.5 Material Consents. All Material Consents shall have been obtained on or before the Closing Date unless otherwise waived in writing by the Parties.

9.6 Delivery of PHCS Closing Documents. PHCS shall have delivered, on or before the Closing Date, the PHCS Closing Documents.

9.7 Delivery of Other Agreements. PHCS shall, or shall have caused the relevant PHCS Affiliate to, have executed and delivered such other agreements as the Parties agree are necessary to consummate the transactions contemplated by this Agreement.

10. CLOSING.

10.1 Closing Date; Closing. The Parties shall close the Affiliation and the other transactions contemplated by the Agreement on the Closing Date. The Closing shall occur within five (5) business days following the satisfaction or waiver of all conditions precedent or on such other date as may be agreed to by the Parties, at the offices of Wiggin and Dana LLP, Two Liberty Place, 50 South 16th Street, Philadelphia, Pennsylvania or any other location agreed to by the Parties. All documents to be executed and actions to be taken, pursuant to this Agreement, at the Closing, shall be deemed to have been executed and to have been taken substantially concurrently, and no action shall be deemed to be complete until all are completed. Unless the Parties otherwise agree in writing, the Affiliation and other transactions contemplated herein to become effective as of the Effective Time, shall become so effective, provided that, as of the Closing Date, all of the Closing conditions (except for any Closing condition which has been waived in writing by the Party(ies) entitled to do so) have occurred, including the delivery by each Party of each of the Closing documents required to be delivered by such Party hereunder.

10.2 Pre-Closing Actions. Prior to the Closing, the Parties shall take and cause to be taken all actions necessary or appropriate on their respective parts to implement the transactions contemplated herein on the Closing Date, including the following:

10.2.1 Actions by the University. Prior to the Closing Date, the University shall and shall cause Penn Medicine to approve the execution of any and all agreements and other documents and the taking of any and all other actions necessary or appropriate to consummate the transactions contemplated or required by this Agreement to be taken by the University on or before the Closing Date, including approval of the amended and restated Governing Documents of the University and Penn Medicine.

10.2.2 Actions by PHCS. Prior to the Closing Date, the boards of directors of PHCS and the Medical Center, as required, shall approve the execution of any and all agreements and other documents, and the taking of any and all other actions necessary or appropriate to consummate the transactions contemplated or required by this Agreement to be taken by PHCS or the Medical Center on or before the Closing Date, including approval of the amended and restated Governing Documents of PHCS and the Medical Center.

10.3 Closing Document Deliveries.

10.3.1 University Closing Documents. At the Closing, the University shall deliver University Closing Documents.

10.3.2 PHCS Closing Documents. At the Closing, PHCS shall deliver PHCS Closing Documents.

10.4 Modification of Schedules and Exhibits. During the period from the Execution Date to the date that is fifteen (15) business days prior to the Closing Date, an Amending Party may amend any one or more of the Schedules that they delivered on the Execution Date by delivering one or more Amended Documents to the Receiving Party. Upon receipt of an Amended Document that sets forth an amendment to the Schedules that, either alone, or when taken in the aggregate with all prior Amended Documents delivered by such Amending Party, would cause the Amending Party to suffer a Material Adverse Change (a “**Material Amendment**”), the Receiving Party shall have seven (7) business days to notify the Amending Party that it disapproves of any Material Amendment (each a “**Disapproved Item**” or collectively, the “**Disapproved items**”). The Amending Party shall have the right, but not the obligation, within five (5) business days following its receipt of notice of one or more Disapproved Items, to elect to cure each such Disapproved Item by the delivery of an appropriate notice to the Receiving Party. The Amending Party’s notice shall set forth its proposed manner of cure of the Disapproved Items and the anticipated period of time necessary to complete the cure for each such Disapproved Item. The Receiving Party shall have five (5) business days after receipt of the Amending Party’s notice of cure to approve or disapprove such cure. If the Receiving Party fails to disapprove the Amending Party’s cure notice within this five-business day period, the Receiving Party shall be deemed to have approved the manner of cure specified in the cure notice. Upon approval of a cure notice, the Amending Party shall use reasonable commercial efforts to effectuate the cure specified in the cure notice. If the Amending Party completes the agreed upon cure actions by Closing, the cured Disapproved Items shall not be placed on the Amending Party’s

Schedules, and the Receiving Party shall have no right to terminate this Agreement as a result of such cured Disapproved Items. If: (a) the Amending Party refuses to cure one or more Disapproved Items that includes a Material Amendment; (b) the Parties are unable to agree upon an appropriate cure such that the Amending Party shall suffer a Material Adverse Change; or (c) if the agreed-upon cure has not been completed by Closing such that the Amending Party shall suffer a Material Adverse Change, the Receiving Party may: (x) elect to close over the Disapproved Items; (y) elect to terminate this Agreement pursuant to Section 12.1 by providing notice to the Amending Party or (z) elect to delay the Closing by up to sixty (60) days to seek agreement on or completion of an appropriate cure. In the event the Receiving Party elects to delay the Closing under clause (z), above, the Outside Termination Date shall be extended if and as necessary to accommodate such delay. If the Receiving Party elects to close over the Disapproved Item, the Disapproved Items shall be deemed a modification to the Schedule or Exhibit or Amended Document delivered by the Amending Party prior to the Closing Date.

11. POST-CLOSING COVENANTS OF THE UNIVERSITY.

11.1 PHCS Transaction. For the Initial Ten Year Period, neither the University nor Penn Medicine will enter into a direct or indirect Change of Control Transaction or Asset Sale with respect to PHCS as a whole or with respect to the PHCS Affiliate then operating the University Medical Center of Princeton at Plainsboro, unless such transaction is approved by the PHCS Board.

11.2 Capital Commitments; Evaluation and Approval. The University and Penn Medicine shall develop and implement a strategic plan for PHCS and PHCS Affiliates that provides funding for strategic capital projects and expansion of services (collectively, “**Projects**”) in the amounts as set forth in Section 11.2.1 and Section 11.2.2. Projects to be funded under this Section 11.2 may be identified by the PHCS Board or by Penn Medicine, subject to the approvals described in Section 3.2.7(b) and Section 3.2.8(a). The Parties recognize that to bring about the desired result, each Project and the capital needed for such Project must be evaluated and approved based on its strategic merit and return on investment toward fulfillment of the Parties’ goals for the Affiliation and PHCS after Closing in accordance with the standards established by Penn Medicine for its affiliates generally. Projects so evaluated and approved for implementation shall be set forth in the then current project plan for PHCS (the “**Project Plan**”). The initial Project Plan setting forth the Projects approved as of the Execution Date and those currently being evaluated is set forth in Exhibit H, which Project Plan shall be updated as appropriate as of the Closing Date and thereafter during the System Integration Period at least annually. In the event that Penn Medicine determines, subsequent to such evaluation and approval and prior to full implementation, that the strategic merit and/or return on investment has materially changed, it may modify the Project and the Project Plan accordingly, following consultation with and approval by the PHCS Board; provided that the Project Plan, as so modified, shall implement the commitment set forth in Section 11.2.1 and Section 11.2.2.

11.2.1 Strategic Capital Improvements. The University shall cause Penn Medicine to spend on the Plainsboro Campus and in Central Jersey, collectively, at least Two Hundred Million Dollars (\$200,000,000) between the Effective Time and the fifth (5th) anniversary of the Effective Time (the “**Capital Commitment Period**”) to fund PHCS’ or PHCS Affiliates’ strategic capital projects approved as Projects and set forth from time to time in the

Project Plan for the benefit of the residents of the communities served by PHCS and to improve the financial performance of PHCS and the PHCS Affiliates (the “**Strategic Capital Commitment**”). The intent of the Strategic Capital Commitment is to invest in approved Projects necessary to address the demand for inpatient, outpatient, emergent, urgent and behavioral health care services in Central Jersey. It will be of the magnitude necessary to assure that PHCS and the PHCS Affiliates remain as healthcare providers offering comprehensive, accessible, quality care, and to meet the guiding principles and objectives described in Section 1 of this Agreement. Notwithstanding the foregoing, if following the Closing Date, extreme adverse macroeconomic circumstances or other material challenges to implementation of Projects arise which the University and Penn Medicine believe would make it imprudent to expend the full amount of the Strategic Capital Commitment within the Capital Commitment Period, then, with the advice and prior consent of the Strategic Planning Committee, the Capital Commitment Period may be extended by the period consented to by the Strategic Planning Committee. If the Strategic Planning Committee does not consent to the extension of the Capital Commitment Period, then the University shall cause Penn Medicine to spend the Strategic Capital Commitment on Projects within original Capital Commitment Period. If the Capital Commitment Period is extended past the sixth (6th) year following the Closing Date, then: (i) the rights and powers of the PHCS Board set forth in Section 3.2.8(b) shall be extended until expiration of the Capital Commitment Period; and (ii) Penn Medicine shall ensure that such rights and powers are not adversely affected by any transaction or reorganization under Section 3.4.2.

11.2.2 Routine Capital Expenditures. In addition to the amounts set forth in Section 11.2.1, the University shall cause Penn Medicine to spend at least Twelve Million Dollars (\$12,000,000) per year during the first five (5) years after the Effective Time (the end of each such year to be based on the anniversary of the Effective Time versus the calendar year) to fund routine capital expenditures on the Plainsboro Campus in support of PHCS and the PHCS Affiliates. If, at the end of any of such first five (5) years after the Effective Time, the Twelve Million Dollar (\$12,000,000) commitment for the applicable year has not been fully spent despite Penn Medicine’s best efforts, then any unspent amounts for such year shall accrue and be spent on routine or strategic capital Projects within eight (8) years after the Effective Time. During any such extended period (i) the rights and powers of the PHCS Board set forth in Section 3.2.8(b) shall be extended until such time as the commitments within this Section 11.2.2 are satisfied; and (ii) Penn Medicine shall ensure that such rights and powers are not adversely affected by any transaction or reorganization under Section 3.4.2.

11.3 Indebtedness and Assumption of Certain Obligations. As of the Closing, Penn Medicine shall assume financial responsibility for PHCS’ outstanding debt and pension obligations, which shall not count towards Penn Medicine’s satisfaction of the Strategic Capital Commitment amount set forth in Section 11.2.1 or the routine capital commitment described in Section 11.2.2.

11.4 Charity Care and Community Obligations. The University acknowledges that the Medical Center and other PHCS Affiliates have historically provided significant levels of care for indigent and low-income patients and has also provided care through a variety of community-based health programs. During the System Integration Period, PHCS’ charity care policies shall not be rescinded, amended, or superseded by any Penn Medicine policies, except following the approval of the PHCS Board. Penn Medicine also will support the provision of care through

PHCS community-based health programs, including cooperation with local organizations that sponsor healthcare initiatives to address identified community needs and improve the health status of the elderly, poor, and other at-risk populations in the community.

11.5 Foundation; Charitable Assets.

11.5.1 The Foundation shall remain a nonprofit, Tax Exempt Organization with a mission devoted exclusively to the support of the Medical Center.

11.5.2 The Foundation may engage in fundraising only on behalf of PHCS and PHCS Affiliates in a manner consistent with the mission and the strategy of PHCS. All funds raised by the Foundation through local fundraising efforts shall be used locally for the benefit of PHCS and the PHCS Affiliates, consistent with the mission and the strategy of PHCS. The expenditure of any funds held or raised by the Foundation shall not count towards Penn Medicine's satisfaction of the Strategic Capital Commitment amount set forth in Section 11.2.1 or the routine capital commitment described in Section 11.2.2.

11.5.3 All funds held by the Foundation as of the Closing Date shall continue to be held at the Foundation. All restricted funds held by the Foundation, including with respect to commitments or pledges made prior to the Closing Date, that are restricted as to use or manner of investment shall continue to be so restricted following the Closing Date, and the Foundation shall honor donor intent with respect thereto.

11.5.4 Bequests, gifts, and endowments of a PHCS Affiliate as of the Closing Date or received by a PHCS Affiliate following the Closing Date, including with respect to commitments or pledges made prior to the Closing Date, that are restricted as to use or manner of investment shall continue to be so restricted following the Closing Date, and such PHCS Affiliate shall honor donor intent with respect thereto. All gifts and bequests shall be used to support PHCS's or a PHCS Affiliate's charitable purposes as set forth in the relevant Governing Documents, and in accordance with the applicable Governing Documents.

11.6 Medical Staff Matters.

11.6.1 Penn Medicine will support PHCS' efforts to maintain a community-based open medical staff structure that effectively collaborates with physicians employed by Princeton Medicine and physicians in private practice, both of which are critical to fulfilling PHCS' and Penn Medicine's charitable missions, which medical staff structure will not require physicians to become employed by any organization affiliated with UPHS or Penn Medicine.

11.6.2 Penn Medicine commits that, as of Closing, it will not change the credentialing standards of the medical staff or require PHCS and the PHCS Affiliates to amend the Medical Staff Bylaws.

11.6.3 Penn Medicine commits to supporting the recruitment and retention of a quality medical staff for existing and new service lines as advised by the PHCS Board in a manner consistent with the Penn Medicine approved strategic plans and budgets for PHCS.

11.6.4 Penn Medicine shall, with the prior guidance and advice of PHCS and the Medical Center's medical staff, establish protocols to ensure the appropriate coordination and continuity of care for patients of physicians on the Medical Center's medical staff who are referred to other UPHS constituents.

11.7 PHCS and PHCS Affiliate Employees. The Parties intend for the transaction to result in advancement and educational opportunities for PHCS and PHCS Affiliate employees across a broader, combined healthcare enterprise. Penn Medicine will credit employees of PHCS and the PHCS Affiliates for their service to PHCS and the PHCS Affiliates for purposes of determining eligibility and vesting in employee benefit plans; it being understood that the present intention is to provide employee benefits through PHCS-sponsored plans. No changes will be made as of the Closing with respect to the benefit or pension programs currently offered to employees of PHCS and the PHCS Affiliates.

11.8 Residency Programs. Penn Medicine will maintain and continue to support a residency training program on the Plainsboro Campus. If, following the Closing, the current sponsor of the PHCS residency program terminates its sponsorship, or such sponsorship is otherwise terminated by PHCS, Penn Medicine will use its best efforts to fill all vacant residency spots (in the existing specialties) resulting from such termination such that the residency program is consistent with the program at Penn Medicine.

11.9 Centralized Services and Intercompany Allocations. Following the Effective Time, Penn Medicine will establish a process to plan for, prioritize and develop a timeline for integration of Penn Medicine corporate services at PHCS and the PHCS Affiliates in a way that allows for consultation with, and participation of, the CEOs of all of Penn Medicine's hospitals, including the PHCS CEO, before implementation. Penn Medicine shall allocate intercompany costs related to any such corporate services provided to the PHCS Affiliates exclusively in accordance with a fair and transparent methodology that is consistent for all hospitals within the Penn Medicine system. The Parties agree that any and all such intercompany costs allocated to the PHCS Affiliates shall be based on the PHCS Affiliates' proportional use of such corporate services in relation to Penn Medicine's system-wide costs related to such corporate services.

11.10 Research Support. Following the Effective Time, the Parties shall identify and pursue research opportunities for PHCS and the PHCS Affiliates.

11.11 EHR Access and Services Agreement. The Parties have entered into an EHR Access and Services Agreement (the "**EPIC Agreement**") of even date herewith pursuant to which the EPIC medical records platform will be implemented at PHCS and the PHCS Affiliates as described therein. Penn Medicine will not reduce or otherwise modify in a material way the scope or scale of the EPIC Agreement, but may modify the means or methods of implementing the EPIC platform with the consent of the PHCS CEO.

11.12 Branding. The Parties will use good faith efforts to develop a mutually-agreed-upon branding strategy or a branding assessment strategy for PHCS and the PHCS Affiliates.

12. TERMINATION.

12.1 Termination Upon Certain Events. Unless earlier terminated pursuant to this Agreement, this Agreement shall terminate upon the date twenty (20) years after the Closing Date. The University or PHCS may, at or prior to Closing, terminate this Agreement under any one of the following circumstances:

12.1.1 Conditions Precedent to Closing. If the conditions of this Agreement to be complied with or performed by any Party at or before the Closing shall not have been complied with or performed on or before the Outside Termination Date, and such noncompliance or nonperformance shall have not been waived by the Party affected by such noncompliance or nonperformance; or

12.1.2 Material Adverse Change. If at any time prior to the Closing, there has been a Material Adverse Change with respect to the other Party; or

12.1.3 Amended Documents. A Party may terminate this Agreement prior to Closing in accordance with Section 10.4.

12.1.4 Outside Termination Date. A party may terminate this Agreement if the Closing has not occurred by the second (2nd) anniversary of the Execution Date (the “**Outside Termination Date**”).

12.2 Effect of Termination. Upon termination of this Agreement, all obligations of the Parties shall cease and shall be extinguished except for the following provisions Section 6.8, Section 7.7, Section 12.2 and Article 13, which shall survive termination. Notwithstanding the foregoing, the termination of this Agreement shall not relieve a Party of its liability for a breach by it of a covenant occurring prior to termination, nor affect the other Party’s rights or remedies with respect thereto.

13. GENERAL PROVISIONS.

13.1 Closing Date Representations and Warranties; Survival. PHCS, the Medical Center and the University shall be deemed to have remade all of their representations and warranties contained in this Agreement on the Closing Date with the same effect as if originally made on the Closing Date. Notwithstanding the foregoing provision in this Section 13.1, the representations and warranties contained in this Agreement shall not survive, and shall lapse on, the Closing Date or the date that this Agreement is terminated (as applicable). The covenants and commitments set forth in Article 3, Section 6.8 and Section 7.7, Article 11 and Article 13 shall survive the Closing until termination of this Agreement in accordance with Section 12.1 of this Agreement.

13.2 Performance of Undertakings. The Parties agree that, unless otherwise expressly stated, the standard that shall apply to the Parties’ performance of all covenants and undertakings contained in this Agreement and in any and every document executed and delivered hereunder is a commercially reasonable standard.

13.3 Enforcement of Agreement. The Parties agree that immediate and irreparable harm will occur which cannot be wholly remedied through the payment of monetary damages in the event that any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached. It is accordingly agreed that, except where an alternative remedy is specifically set forth in this Agreement, the Parties shall be entitled to seek an injunction or injunctions to prevent or remedy breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction without the need to post bond or other security, this being in addition to any other remedy to which they are entitled at law or in equity.

13.4 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent designated for overnight delivery by nationally recognized overnight air courier (such as Federal Express, UPS or DHL), one (1) Business Day after mailing; and (c) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the addresses set forth below, or to such other address as any Party shall provide by like notice to the other Parties:

PHCS and/or the Medical Center: Barry S. Rabner
President and Chief Executive Officer
Princeton HealthCare System Holding, Inc.
One Plainsboro Road
Plainsboro, NJ 08536

with a simultaneous copy to: John M. Callahan, Esq.
McDermott Will & Emery LLP
227 West Monroe Street
Chicago, IL 60606

Penn Medicine: Ralph Muller
Chief Executive Officer
University of Pennsylvania Health System
399 South 34th Street, 21st Floor
Philadelphia, PA 19104

and: Lee J. Dobkin, Esq.
Chief Counsel, Penn Medicine
Deputy General Counsel, University of
Pennsylvania
3539 Locust Walk
Philadelphia, PA 19104

with a simultaneous copy to: Merton G. Gollaher, Esq.
Wiggin and Dana, LLP
One Century Tower
265 Church Street
New Haven, CT 06508-1832

13.5 Cost of Transaction. Each Party shall be responsible for and bear all of its own respective costs and expenses, including without limitation expenses of its legal counsel, accountants and other representatives, incurred at any time in connection with pursuing the Affiliation. However, if the Parties agree to oppose a legal challenge which may be made to the Affiliation and enter into a joint defense agreement related thereto, then legal fees and expenses incurred by the Parties relating to a challenge, if any, will be borne fifty percent (50%) by Penn Medicine and fifty percent (50%) by PHCS. In addition, the Parties shall share equally the fees charged by any governmental agency in connection with notices or other filings as may be required under the HSR Act, and the fees and costs of consultants retained by or for the Parties with the consent and approval of both Parties.

13.6 No Brokerage. Except for PHCS's engagement of Wells Fargo, the Parties represent to each other that no broker has in any way been contacted in connection with the transactions herein contemplated.

13.7 Non-Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns and legal representatives, but no Party may assign its rights in this Agreement or delegate its duties under this Agreement to a third party by any means without first obtaining the prior written consent of the other Parties.

13.8 No Third Party Beneficiaries. Except as expressly set forth herein, this Agreement shall not confer any rights or remedies upon any Person or other third party other than the Parties and their respective successors and permitted assigns.

13.9 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties except as may be herein specifically provided to the contrary.

13.10 Severability. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or in part, for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of any remaining provision of this Agreement, which shall be and remain in full force and effect, and binding and enforceable in accordance with its terms.

13.11 Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware; provided, however, that the conflicts of law principles of the State of Delaware shall not apply to the extent they would operate to apply the laws of another state. Notwithstanding the foregoing, the laws of the State of New Jersey shall govern provisions applicable to charitable trusts in New Jersey and the laws of the Commonwealth of Pennsylvania shall govern provisions applicable to charitable trusts in Pennsylvania.

13.12 Headings; Cross References. Headings of Articles and Sections in this Agreement and the table of contents hereof are solely for convenience or reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. Unless

indicated otherwise, references in this Agreement to Articles, Sections, Schedules and Exhibits are to articles, sections, schedules and exhibits of this Agreement.

13.13 Construction. Each Party has had the opportunity to engage separate independent legal counsel and independent advisors to provide advice and guidance to such Party. This Agreement and all documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting Party shall not be applicable to this Agreement.

13.14 Waiver of Terms. The failure of any Party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or thereunder or of the future performance of any such term, covenant or condition, but the obligations of the Parties with respect thereto shall continue in full force and effect. A waiver by one Party of the performance of any covenant, condition, representation or warranty of the other Party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation or warranty. A waiver by any Party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

13.15 Counterparts; Signatures. The Parties agree that this Agreement may be executed in multiple originals, each of which shall be considered an original for all purposes and, collectively, shall be considered to constitute this Agreement. The Parties further agree that signatures transmitted by facsimile or in Portable Document Format (pdf) may be considered an original for all purposes, including, without limitation, the execution of this Agreement and enforcement of this Agreement.

13.16 Time is of the Essence. Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement and any other agreements determined by the Parties to be necessary or appropriate to be entered into in connection with the transactions contemplated by this Agreement.

13.17 Access to Records and Information. If and to the extent applicable to this Agreement and to any agreement contemplated hereunder or entered into pursuant hereto between or among the Parties, the Parties agree to comply with the requirements of Public Law 96-499, Section 952 (Section 1861(v)(1)(1) of the Social Security Act) and regulations promulgated thereunder.

13.18 Communications. The Parties shall promptly advise the other Parties of all material communications received by a Party from governmental agencies or authorities.

13.19 Publicity. Except as required by law, the timing and content of all press releases or other public communications of any sort regarding the transactions contemplated herein, and the method of the release for publication thereof, will be subject to the approval of all Parties.

13.20 Entire Agreement; Amendment. This Agreement, including all Schedules and Exhibits required hereunder, supersedes all previous agreements, oral or written, and constitutes the entire agreement among the Parties respecting the subject matter of this Agreement, and no Party shall be entitled to benefits other than those specified herein. Each Exhibit and Schedule referenced in this Agreement shall be considered a part hereof as if set forth herein in full. As among the Parties, oral statements or prior written materials which are not specifically incorporated herein shall not 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 no others. Except as set forth in Section 10.4, this Agreement may be amended or modified only by an agreement in writing signed by all Parties.

13.21 Interpretation. Any reference to any federal, national, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” and similar words shall mean including without limitation. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular article, section or other subdivision. References in this Agreement to “provisions of this Agreement” refer to the terms, conditions and promises contained in this Agreement taken as a whole. Unless otherwise specified herein, all references to days, months, quarters or years are references to calendar days, calendar months, calendar quarters, or calendar years. References to the singular include the plural. All references to “\$” or “dollars” are to U.S. dollars.

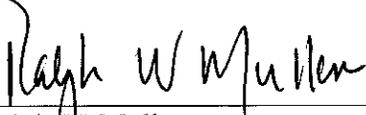
[remainder of page left intentionally blank]

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have executed this Affiliation Agreement as of the Execution Date.

**THE TRUSTEES OF THE UNIVERSITY
OF PENNSYLVANIA**

By: 
J. Larry Jameson, M.D., Ph.D.
Executive Vice President, University of
Pennsylvania for the Health System

**UNIVERSITY OF PENNSYLVANIA
HEALTH SYSTEM**

By: 
Ralph W. Muller,
Chief Executive Officer

**PRINCETON HEALTHCARE SYSTEM
HOLDING, INC.**

By: 
Barry S. Rabner
President and Chief Executive Officer

**PRINCETON HEALTHCARE SYSTEM,
A NEW JERSEY NONPROFIT
CORPORATION**

By: 
Barry S. Rabner
President and Chief Executive Officer

EXHIBIT A DEFINITIONS

Set forth below is a glossary of defined terms used in this Agreement.

“**Accreditations**” means accreditations by various accreditation organizations, including, without limitation, Joint Commission.

“**Affiliate**” means any entity which is under the Control of, or which is under common Control with, the subject entity.

“**Affiliation**” means the corporate affiliation contemplated by this Agreement whereby PHCS and the PHCS Affiliates become constituents of UPHS, in order to enhance the integrated health care delivery system operated by Penn Medicine and the University.

“**Agreement**” means this Affiliation Agreement among the Parties.

“**Amended Document**” or “**Amended Documents**” means one or more amended Schedules or Exhibits delivered by an Amending Party.

“**Amending Party**” means the University, on the one hand, or PHCS or the Medical Center, on the other, as the case may be, when delivering an Amended Document or Amended Documents.

“**Applicable Law**” means all applicable Federal, state and local laws, statutes, ordinances, rules, regulations, codes and any judgment, decree, order, writ or injunction of any court or regulatory authority.

“**Asset Sale**” means the sale, conveyance, or transfer of all or substantially all of the assets of PHCS or any PHCS Affiliate to a third party (whether in a single transaction or in a series of transactions).

“**Business Day**” means any day excluding Saturday, Sunday and any day that is a legal holiday in the Commonwealth of Pennsylvania.

“**Capital Commitment Period**” shall have the meaning ascribed to such term in Section 11.2.1.

“**Central Jersey**” means the geographical area depicted on Exhibit I.

“**CERCLA**” means the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

“**Change of Control Transaction**” means a member substitution, merger, or other form of transfer or change of control transaction with a third party with respect to PHCS or any PHCS Affiliate.

“**Closing**” means the consummation of the transactions contemplated by and described in this Agreement following satisfaction or waiver of all conditions precedent to Closing set forth herein. The Closing shall be effective as of the Effective Time.

“**Closing Date**” means the date on which the Closing occurs following the satisfaction or waiver of all conditions precedent to Closing set forth herein.

“**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Compliance Program**” means provider programs of the type described in the compliance guidance published by the Office of Inspector General of the Department of Health and Human Services.

“**Confidentiality Agreement**” means the Mutual Confidentiality and Non-Disclosure Agreement by and between the University and PHCS, dated November 2, 2015.

“**Control**” means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or otherwise.

“**Current PHCS Board**” means the Board of Directors of PHCS immediately prior to Closing.

“**Disapproved Item**” or “**Disapproved Items**” shall have the meanings set forth in Section 10.4.

“**DOL**” shall have the meaning set forth in Section 4.16.1.

“**Effective Time**” means 12:01 a.m. Eastern Standard Time or Eastern Daylight Time, as applicable, on the Closing Date.

“**EPIC Agreement**” shall have the meaning set forth in Section 11.11.

“**Environmental Law**” means all Federal, state or local statutes and ordinances, and all rules and regulations promulgated thereunder, common law, orders, consent decrees, permits, and binding judicial and administrative interpretations thereof, pertaining or relating to: (a) natural resources and the environment; (b) public (to the extent related to exposure to or management of Hazardous Substances) and worker health, safety and welfare; and (c) the identification, assessment, reporting, generation, manufacture, processing, distribution, use, treatment, storage, disposal, emission, discharge, release, transport or other handling of any Hazardous Substances, including, without limitation, CERCLA and RCRA.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**ERISA Affiliate**” means any employer that is treated as a single employer with PHCS or any PHCS Affiliate, as applicable, under Section 414 of the Code.

“**Excepted Conditions**” means one or more conditions which, individually or together with any other condition, is not consistent with the terms of the Affiliation as memorialized in this Agreement and which (i) would result in a Material Adverse Change with respect to either Party; (ii) would result in a material increase to either Party in the cost or expense of consummating the Affiliation or operating PHCS as a constituent of Penn Medicine; (iii) would result in a material

change to the governance rights afforded to either of the Parties under Article 3 of this Agreement; or (iv) would require either of the Parties to engage an independent third-party monitor to oversee or assess all or a portion of the business of either Party.

“**Execution Date**” shall have the meaning set forth in the Preamble.

“**Facilities**” means all land, leasehold interests, and buildings and all fixtures and equipment (as defined in the Pennsylvania Uniform Commercial Code or equivalent statute) of a Person.

“**Fiscal Year**” means: (i) with respect to PHCS and the PHCS Affiliates prior to the Closing Date any twelve-month period beginning on January 1 of any calendar year and ending on December 31 of such year; and (ii) with respect to the University prior to the Closing Date any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the following calendar year.

“**Foundation**” means Princeton HealthCare System Foundation, Inc., a New Jersey nonprofit corporation that is exempt from federal taxation pursuant to Section 501(c)(3) of the Code.

“**GAAP**” means Generally Accepted Accounting Principles.

“**Governing Documents**” shall mean the articles of incorporation, certificate of incorporation, bylaws, partnership agreement, operating agreement, committee charters, or other documents by and through which a business organization is formed and governed.

“**Ground Leased Real Property**” shall mean real property ground leased to PHCS or any PHCS Affiliate.

“**Hazardous Substances**” shall mean petroleum or petroleum products, polychlorinated biphenyls, asbestos containing materials, lead-based paint, radon, radioactive materials, medical wastes, and any substances, materials, chemicals, pollutants, constituents, wastes or noxious substances regulated by any Environmental Law.

“**Health Care Laws**” shall mean all Federal, state and local laws, statutes, rules, regulations, ordinances and codes applicable to health care providers and facilities; Federal and state health care program conditions of participation, standards, policies, rules, procedures and other requirements; and accreditation standards of any applicable accrediting organization. Health Care Laws include, without limitation, the following laws: the Federal (Title XIX of the Social Security Act) and state Medicaid programs and their implementing regulations, the Medicare Program (Title XVIII of the Social Security Act) and its implementing regulations, the Federal False Claims Act (31 U.S.C. §§3729 et seq.), the Federal Health Care Program Anti Kickback Statute (42 U.S.C. §1320a 7b(b)), the Federal Physician Self Referral Law (42 U.S.C. §1395nn), the Federal Administrative False Claims Law (42 U.S.C. §1320a 7b(a)), HIPAA and the HIPAA Privacy Rule, the HIPAA Security Rule and the HIPAA Standards for Transactions and Code Sets (42 U.S.C. 1320d 1329d 8; 45 CFR Parts 160 and 164), the Federal Confidentiality of Alcohol and Drug Abuse Patient Records Act (42 U.S.C. 290ee 3), the Rehabilitation Act, the Americans with Disabilities Act, the Occupational Safety and Health Administration statutes and regulations for blood borne pathogens and workplace risks, and any state and local laws that address the same or similar subject matter. Health Care Laws also include Federal, state and

local laws applicable to health care provider and facilities, including, without limitation, laws related to: Federal and state health care program billing, cost reporting, revenue reporting, payment and reimbursement; Federal and state health care program fraud, abuse, theft or embezzlement; procurement of health care services, human and social services, and other health related services; employee background checks and credentialing of employees; credentialing and licensure of facilities or providers of such services; zoning, maintenance, safety and operations of group homes, residential facilities and day programs, and other building health and safety codes and ordinances; certificate of need laws; state law restrictions on the corporate practice of medicine (or the corporate practice of any other health related profession); eligibility for Federal and state health care program contracting, including any requirements limiting contracting to nonprofit or tax exempt entities; patient information and medical record confidentiality, including psychotherapy and mental health records; splitting of health care fees; patient brokering, patient solicitation, patient capping, and/or payment of inducements to recommend or refer, or to arrange for the recommendation or referral of, patients to health care providers or facilities; standards of care, quality assurance, risk management, utilization review, peer review, and/or mandated reporting of incidents, occurrences, diseases and events; advertising or marketing of health care services; and the enforceability of restrictive covenants on health care providers.

“**HIPAA**” means the Health Insurance Portability and Accountability Act of 1996, as amended.

“**HUP**” shall have the meaning set forth in the definition of UPHS.

“**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act.

“**Information System(s)**” means both computer hardware and software applications based on mainframe, mini, personal or hand held computers generally connected through a network and designed to provide access to and management of a health care organization’s financial and clinical information.

“**Initial Ten Year Period**” means the ten (10) year period from the Closing Date.

“**Institutional Review Board**” means a specially constituted review body established or designated by an entity to protect the welfare of human subjects recruited to participate in biomedical or behavioral research.

“**Insurance Policies**” means binders and policies of insurance maintained by PHCS and PHCS Affiliates, under which PHCS or a PHCS Affiliate is a named insured or that otherwise insure assets used primarily in connection with the operation of PHCS or PHCS Affiliates.

“**Intellectual Property**” means material trademarks, service marks, trade names, patents, copyrights, and applications therefore (whether registered or common law) currently owned or used by PHCS or PHCS Affiliates.

“**IRS**” means the Internal Revenue Service.

“**Joint Commission**” shall mean The Joint Commission.

“Key Management Personnel” means: (a) with respect to PHCS or any PHCS Affiliate, Barry Rabner, Guilherme Valladares, James Demetriades, Nancy Fletcher and Marcia Telthorster; or (b) with respect to the University, Ralph Muller, Keith Kasper, Lee Dobkin, Philip Okala and J. Larry Jameson, M.D., PhD.

“Knowledge”, “known”, “knowingly”, “to the Knowledge” or any variant thereof shall, when qualifying any representation, warranty or other statement in this Agreement, means: (a) all information received by a Party pursuant to written notice; and (b) the actual knowledge of the Key Management Personnel after reasonable inquiry and investigation.

“Licenses and Permits” means governmental licenses, permits, certificates, consents, or approvals required to own or operate PHCS Facilities and Services.

“Material Adverse Change” means an event, change or circumstance which, individually or together with any other event, change or circumstance would be reasonably expected to have a material adverse effect on the business, assets, liabilities, financial condition or results of operations of such Party and its Affiliates, taken as a whole, or such an effect that materially impairs the ability of such Party or Affiliate to perform its obligations under, or to consummate the transactions contemplated by, this Agreement, whether such effect would be realized before or after the Closing; provided, however, that a Material Adverse Change shall not include: (a) changes in the financial or operating performance due to or caused by the announcement of the transaction contemplated by this Agreement or seasonal changes; (b) changes or proposed changes to any Applicable Law, reimbursement rates or policies of governmental agencies or bodies not specific to, or disproportionately affecting, a Party; (c) requirements, reimbursement rates, policies or procedures of third party payors or accreditation commissions or organizations not specific to, or disproportionately affecting, a Party; (d) general business, industry or economic conditions, including such conditions related to the business of a Party and its Affiliates, taken as a whole, that do not disproportionately affect the applicable entities; (e) local, regional, national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack, that do not disproportionately affect a Party and its Affiliates, taken as a whole; (f) changes in financial, banking or securities markets (including any disruption thereof and any decline in the price of any security or any market index) that do not disproportionately affect a Party and its Affiliates, taken as a whole; or (g) changes in GAAP.

“Material Amendment” shall have the meaning set forth in Section 10.4.

“Material Consents” means any consents, approvals or authorizations of third parties set forth on Exhibit J.

“Material Contracts” means the following contracts, leases (capital and operating), and other agreements entered into by or on behalf of PHCS or the PHCS Affiliates which are in effect:

(a) Any management contracts whereby any PHCS Affiliate or any of its officers or employees provide management services to other hospitals, educational, or other healthcare institutions with (1) a dollar value or liability greater than (or expected to be greater than) One

Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(b) All management or consulting agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(c) All service contracts, shared service agreements, joint purchasing agreements, or similar agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(d) All leases of space and/or equipment with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(e) All agreements for the sale or acquisition of capital assets involving assets of more than One Million Dollars (\$1,000,000) in the aggregate;

(f) All construction agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(g) All service agreements, maintenance agreements and warranties with respect to assets of PHCS or any PHCS Affiliate with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(h) All installment payment agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(i) All agreements with third party administrators with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(j) All supply agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(k) All collection agency, brokers' or finders' agreements with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(l) All debt, bond, credit, mortgage, pledge, or other lien or encumbrance agreements and all documents evidencing negative pledges or other covenant or transfer restrictions on the assets of PHCS or any PHCS Affiliate, with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(m) All leases of real property in which PHCS or any PHCS Affiliate is either a lessor or lessee, including, without limitation, all agreements pursuant to which any department of any PHCS Affiliate is operated under a lease arrangement, with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually;

(n) All joint venture agreements or shareholder agreements to which PHCS or any PHCS Affiliate is a party or involving any PHCS Affiliate's program or operations;

(o) All agreements with physicians or any source of patient referrals, including allied health professionals or other professional personnel (excluding any agreements entered into in the ordinary course of business with at-will employees), corporations or partnerships comprised of or owned by them or the relatives of any of them, including, without limitation, all employment agreements, contracts to provide administrative or professional services, recruitment, retention, relocation or income guarantee agreements, loans and guarantees, and acquisitions of private professional practices or their assets (each a "**New Physician Contract**");

(p) All agreements or commitments related to physician hospital organizations ("**PHOs**"), medical services organizations ("**MSOs**"), physician networks, community care networks, integrated delivery networks, or other health care delivery systems or networks;

(q) All agreements (excluding any agreements entered into in the ordinary course of business with at-will employees) for employment, indemnity, retention, severance, change-in-control, employee lease, deferred compensation, or incentive compensation with, and agreements regarding loans or advances to, Key Management Personnel of any PHCS Affiliate;

(r) All Payment Program contracts with a term of greater than one (1) year and payments in excess of One Million Dollars (\$1,000,000) annually;

(s) All Insurance Policies, trust agreements and other related agreements, including, without limitation, stop-loss and self-insurance arrangements, with: (i) premium payments greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually (excluding renewals of existing policies at the normal renewal date and with the same or substantially similar terms);

(t) License and sublicense agreements with respect to any computer software with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually; and

(u) Any other agreement with: (i) a dollar value or liability greater than (or expected to be greater than) One Million Dollars (\$1,000,000), in the aggregate; or (ii) a term of greater than one (1) year and payments in excess of Two Hundred and Fifty Thousand Dollars (\$250,000) annually.

“**Medical Center**” has the meaning set forth in the Preamble.

“**MSOs**” shall have the meaning set forth in the definition of Material Contract.

“**National Priorities List**” means the United States Environmental Protection Agency’s list of the most serious uncontrolled or abandoned hazardous waste sites identified for possible long-term remedial action under CERCLA, which is updated each year.

“**New Physician Contract**” shall have the meaning set forth in the definition of Material Contract.

“**Officer’s Certificate**” means a certificate signed, in the case of a certificate delivered by a corporation, by the President or any Vice-President (or such other officer of the corporation holding an office described in the corporate bylaws or other organizing documents of such corporation and having authority to bind the corporation).

“**Operating Leases**” means all leases of space to PHCS or any PHCS Affiliate.

“**Outside Termination Date**” shall have the meaning ascribed to it in Section 12.1.4.

“**Owned Real Property**” means real property owned by PHCS or any PHCS Affiliate.

“**Party**” means the University, PHCS or the Medical Center, as applicable.

“**Parties**” means the University, PHCS and the Medical Center, as applicable.

“**Payment Programs**” means the private, commercial and governmental payment and procurement programs with which PHCS and PHCS Affiliates are participating providers (including, without limitation, Medicare, Medicaid and Tricare).

“**PCG**” shall have the meaning set forth in the recitals.

“**Penn Medicine**” means the separate governing structure established by the University to operate, oversee, and coordinate the academic, research and clinical operations of UPHS and the School of Medicine.

“**Penn Medicine Board**” means the Board of Penn Medicine as constituted by the University.

“**Penn Medicine’s PHCS Board Representatives**” shall have the meaning ascribed to such term in Section 3.2.1.

“**PBGC**” shall have the meaning set forth in Section 4.16.1.

“**Pennsylvania Hospital**” shall have the meaning set forth in the definition of UPHS.

“**Permitted Encumbrances**” means encumbrances for Taxes not yet due and payable or being diligently contested in good faith and for which appropriate reserves have been established in accordance with GAAP (provided that Permitted Encumbrances shall not apply to omitted or reassessed Taxes imposed due to incorrect, false or misleading real estate tax exemption applications or annual exemption certifications filed); liens for inchoate mechanics’ and materialmen’s liens for construction in progress and workmen’s, repairmen’s, warehousemen’s and carriers’ liens arising in the ordinary course of business; easements, restrictive covenants, rights of way and other similar restrictions of record that do not impair in any material respect the value of the assets or the continued conduct of the business of PHCS or PHCS Affiliate or its continued use of its assets in the manner currently used; zoning, building and other similar restrictions that do not impair in any material respect the continued conduct of the business of PHCS or PHCS Affiliate or its continued use of its assets in the manner currently used; encumbrances, encroachments and other imperfections of title, licenses or encumbrances, if any, of record that do not impair in any material respect the value of the asset or the continued conduct of the business of PHCS or PHCS Affiliate or its continued use of its assets in the manner currently used; encumbrances arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and in the case of leased property, all matters, whether or not of record, affecting the title of the lessor (and any underlying lessor) of the leased property. Notwithstanding anything contained herein to the contrary, Permitted Encumbrances shall not include any liens, mortgages, security interests, options, pledges, charges or other monetary encumbrances on any Owned Real Property, Ground Lease Real Property or Operating Leases securing the indebtedness of PHCS or any PHCS Affiliate.

“**Person**” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“**PHCS**” has the meaning set forth in the preamble to this Agreement.

“**PHCS Affiliates**” means the Medical Center, the Foundation, PCG, PHI, PMP and PUR.

“**PHCS Audited Financial Statements**” means audited consolidated financial statements of PHCS including PHCS for the three (3) Fiscal Years ended immediately prior to the Execution Date, for which audited financial statements are available.

“**PHCS Benefit Plans**” means “employee welfare benefit plans” (as defined in Section 3(1) of ERISA), “employee pension benefit plans” (as defined in Section 3(2) of ERISA), and all other employee benefit plan agreements and arrangements, stock-based benefit plans, employee benefit policies, fringe benefit plans, deferred compensation, employment, profit-sharing, bonus or other incentives, vacation and paid time off arrangements, retention, severance or change-of-control agreements, whether funded or unfunded, qualified or nonqualified, written or unwritten

subject to ERISA or not, maintained or contributed to (or required to be contributed to) by PHCS, a PHCS Affiliate or any ERISA Affiliate, or in effect within the six (6) year period immediately prior to the Effective Time, for the benefit of any of its officers, employees, former employees or other persons.

“**PHCS Board**” means the Board of Directors of PHCS, the members of which shall also form the Board of the Medical Center, as of and after the Effective Time.

“**PHCS Board Chair**” means the Chair of the PHCS Board.

“**PHCS CEO**” means the President and Chief Executive Officer of PHCS.

“**PHCS Closing Documents**” means:

(a) Certificates of the President of each of PHCS and the Medical Center, dated as of the Closing Date, certifying as to the continued accuracy and completeness of representations and warranties of each of PHCS and the Medical Center and its respective performance of the covenants and conditions precedent set forth in this Agreement;

(b) Certificates of the Secretary of each of PHCS and the Medical Center, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of the resolutions of its respective Board and members approving the actions and transactions required or contemplated, by this Agreement;

(c) Copies of the Amended and Restated Articles of Incorporation of PHCS and the Medical Center, as filed with the Secretary of State of the State of New Jersey, to be effective as of the Effective Time; and

(d) Copies of the Amended and Restated Bylaws of PHCS and the Medical Center as approved by their respective Boards and members, to be effective as of the Effective Time.

“**PHCS Facilities and Services**” means the facilities and services owned and operated by PHCS or PHCS Affiliates.

“**PHCS Financial Statements**” means PHCS Audited Financial Statements, PHCS Unaudited Financial Statements, and PHCS Interim Financial Statements, collectively.

“**PHCS Interim Financial Statements**” means monthly unaudited financial statements of PHCS and each PHCS Affiliate for the immediately preceding month on a consolidated and individual basis.

“**PHCS Unaudited Financial Statements**” means unaudited financial statements of PHCS for the interim period from January 1, 2016, through the most recent month end date for which financial statements were available prior to the Execution Date.

“**PHCS’ Penn Medicine Board Nominees**” means the nominees of the PHCS Board to the Penn Medicine Board as described in Section 3.4.1(a).

“**PHI**” shall have the meaning set forth in the recitals.

“**PHOs**” shall have the meaning set forth in the definition of Material Contract.

“**Plainsboro Campus**” means the campus of the University Medical Center of Princeton at Plainsboro.

“**PMP**” shall have the meaning set forth in the recitals.

“**Presbyterian**” shall have the meaning set forth in the definition of UPHS.

“**Princeton Medicine**” means Princeton HealthCare Affiliated Physicians, P.C., d/b/a Princeton Medicine.

“**Project**” shall have the meaning ascribed to such term in Section 11.2.

“**Project Plan**” shall have the meaning ascribed to such term in Section 11.2.

“**Property**” means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible, and wherever situated, except where otherwise specifically provided.

“**Property, Plant and Equipment**” means all Property of PHCS Affiliates which is classified as property, plant and equipment under GAAP.

“**PUR**” shall have the meaning set forth in the recitals.

“**RCRA**” means the Resource Conservation and Recovery Act, as amended.

“**Receiving Party**” means the University or PHCS and the Medical Center, as the case may be, when receiving an Amended Document or Amended Documents.

“**Reserved Powers**” shall have the meaning ascribed to it in Section 3.2.7.

“**Returns**” means returns, declarations, and reports and all information returns and statements required to be filed or sent with respect to all Taxes.

“**Review Contract**” means such contracts, leases (capital and operating), and other agreements entered into, or proposed to be entered into by or on behalf of PHCS or the PHCS Affiliates which if in effect would be within subsections (a), (b), (c), (h), (l), (n), (o), (p) or (q) of the definition of Material Contract.

“**Schedules**” means the disclosure schedules delivered by a Party pursuant to this Agreement.

“**School of Medicine**” means the Raymond and Ruth Perelman School of Medicine at the University of Pennsylvania.

“**Strategic Capital Commitment**” shall have the meaning ascribed to such term in Section 11.2.1.

“**Strategic Planning Committee**” shall have the meaning ascribed to it in Section 3.2.6.

“**System Integration Period**” means the first six (6) years following the Closing.

“**Tax Agreements**” means any tax exemption agreement or similar agreement entered into by a Person in respect to the establishment, maintenance and preservation of the tax-exempt status of any indebtedness the interest on which is determined to be exempt from Federal taxation under applicable provisions of the Internal Revenue Code at the time of issuance.

“**Tax Exempt Organization**” means an entity organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which is exempt from Federal income taxation under Section 501(a) of the Code, and, which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of Federal income tax laws from time to time in effect.

“**Taxes**” means all Federal, state, county, local and other taxes of every kind.

“**University**” shall have the meaning set forth in the Preamble.

“**University Closing Documents**” means:

(a) A certificate of the President of the University, dated as of the Closing Date, certifying as to the continued accuracy and completeness of representations and warranties of the University, and its performance of the covenants and conditions precedent, set forth in this Agreement;

(b) A certificate of the Secretary of the University, dated as of the Closing Date, certifying as to the due adoption and continued effectiveness of, and attaching a copy of, the resolutions of the University approving the actions and transactions required or contemplated by this Agreement; and

(c) Copies of the amended and restated Bylaws of Penn Medicine reflecting the amendments contemplated by Section 3.4.

“**UPHS**” means The University of Pennsylvania Health System which consists of certain operating divisions of the University and affiliated entities, including: (a) The Hospital of the University of Pennsylvania (“**HUP**”), a 814 licensed bed (including 32 bassinets) quaternary care hospital and academic medical center located on the campus of the University in the West Philadelphia area of Philadelphia, Pennsylvania; (b) Presbyterian Medical Center of the University of Pennsylvania Health System (“**Presbyterian**”), d/b/a Penn Presbyterian Medical Center, a 331 licensed bed acute care hospital located adjacent to the campus of the University in the West Philadelphia area of Philadelphia, Pennsylvania; (c) Pennsylvania Hospital of the University of Pennsylvania Health System (“**Pennsylvania Hospital**”), a 567 licensed bed (including 50 bassinets) acute care hospital located in the Center City area of Philadelphia, Pennsylvania; (d) the Clinical Practices of the University of Pennsylvania (“**CPUP**”), the approved faculty practice plan for the clinical practices of the medical faculty of the University’s School of Medicine; (e) Clinical Care Associates of the University of Pennsylvania Health

System (“**CCA**”), a community based physician network currently employing approximately 219 physicians at 48 office locations in Southeastern Pennsylvania and through its New Jersey affiliate in Southern New Jersey; (f) **Wissahickon Hospice** (“**Wissahickon Hospice**”), a hospice care facility serving the terminally ill, with facilities in Bala Cynwyd and Center City Philadelphia, Pennsylvania; (g) The Chester County Hospital and Health System, the parent company of The Chester County Hospital, a 245 licensed bed hospital located in West Chester, Pennsylvania, and its affiliates; and (h) Lancaster General Health, the parent company of Lancaster General Hospital, a 533 licensed bed hospital located in Lancaster, Pennsylvania, and its affiliates.

“**UPHS Audited Financial Statements**” means audited consolidated financial statements of UPHS for the three (3) Fiscal Years ended immediately prior to the Execution Date, for which audited financial statements are available.

“**UPHS CEO**” means the Chief Executive Officer of UPHS.

“**UPHS Financial Statements**” means the UPHS Audited Financial Statements, the UPHS Unaudited Financial Statements, and the UPHS Interim Financial Statements, collectively.

“**UPHS Interim Financial Statements**” means monthly unaudited financial statements of UPHS for the immediately preceding month.

“**UPHS Unaudited Financial Statements**” means unaudited financial statements of UPHS for the interim period from July 1, 2016, through the most recent month-end date for which financial statements were available prior to the Execution Date.

“**WARN Act**” means the Workers Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 *et seq.*

“**Wissahickon Hospice**” shall have the meaning set forth in the definition of UPHS.

EXHIBIT B

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
PRINCETON HEALTHCARE SYSTEM HOLDING, INC.

THIS AMENDED AND RESTATED CERTIFICATE OF INCORPORATION is executed pursuant to the provisions of Title 15A of the New Jersey Revised Statutes, The New Jersey Nonprofit Corporation Act, as amended, (the “Act”) and as such, amends and restates the Amended and Restated Certificate of Incorporation of Princeton HealthCare System Holding, Inc.

FIRST: The name of the Corporation is Princeton Healthcare System Holding, Inc. (the “Corporation”).

SECOND: The Corporation shall be organized and operated exclusively as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and the regulations issued pursuant thereto, as amended or superseded from time to time (the “Code”). The specific purposes of the Corporation shall be to operate exclusively for the benefit of, and to perform the functions of, as well as carry out the purposes of, Princeton HealthCare System, a New Jersey nonprofit corporation, which is qualified as a federally tax exempt public charity by virtue of Section 501(c)(3) of the Code, and those of its affiliates that are described in Code Section 509(a)(1) or Code Section 509(a)(2), including without limitation the Trustees of the University of Pennsylvania, and to enhance the quality of life and benefit the inhabitants of the community served by Princeton HealthCare system, a New Jersey nonprofit corporation, and the surrounding areas by the promotion of efficient and quality health care through involvement in and coordination of various health care and related activities, the conduct of health planning, resource allocation, provision of services and guidance, and all other methods appropriate to the objectives and purposes of the Corporation.

THIRD: The Corporation shall have and exercise all powers, rights and privileges granted to nonprofit corporations organized under the laws of the State of New Jersey now or hereafter in effect; provided, however, that the Corporation may not exercise any power, either express or implied, in such a manner as to disqualify the Corporation from exemption from income tax under Section 501(c)(3) of the Code or in a manner inconsistent with this Certificate of Incorporation or the Bylaws of the Corporation (the “Bylaws”).

FOURTH: The Corporation shall not be conducted or operated for profit. No trustee or officer of the Corporation shall, as such, receive or become entitled to receive at any time any part of the net earnings or other net income of the Corporation, nor shall any part of the net earnings of the Corporation inure to the benefit of any person, except as reasonable compensation for services rendered and reimbursement for expenses incurred in conducting its affairs and carrying out its purposes, nor shall the Corporation carry on propaganda or otherwise attempt to influence legislation, nor shall the Corporation participate or intervene in any political campaign on behalf of any candidate for public office.

FIFTH: Consistent with the Corporation being a constituent of Penn Medicine (as defined in the Bylaws), the Corporation shall operate in a manner consistent with the educational, research and patient care mission of the Trustees of the University of Pennsylvania, the sole member of the Corporation, as carried out by the member pursuant to its reserved powers set forth in, and as otherwise contemplated by, the Bylaws.

SIXTH: During any period when the Corporation may be classified as a private foundation within the meaning of Section 509 of the code, the Corporation shall distribute its income at such time and in such manner as to avoid taxation under Section 4942 of the Code, and the Corporation shall not engage in any act of self-dealing (as defined in Section 4941(d) of the Code), shall not retain any excess business holdings (as defined in Section 4943(c) of the Code), shall not make any investments in such manner as to subject the Corporation to tax under Section 4944 of the Code, and shall not make any taxable expenditures (as defined in Section 4945(d) of the Code).

SEVENTH: The Corporation shall have one member, The Trustees of the University of Pennsylvania. The qualifications, if any, powers and duties of the member shall be as set forth in the Bylaws.

EIGHTH: The management of the Corporation shall be vested in a Board of Trustees, the number, qualifications, terms of office, manner of election, powers and duties of which shall be as set forth in the Bylaws. The number of Trustees currently serving on the Board of Trustees of the Corporation is ____ (___). The names and addresses of the persons who are currently serving as Trustees are set forth on Exhibit 1.

NINTH: The address of the registered office of the Corporation is _____, _____, New Jersey 08540. The name of the registered agent of the Corporation at such address is _____.

TENTH: In the event of dissolution or final liquidation of the Corporation, the Board of Trustees shall, after paying or making provision for the payment of all of the lawful debts of the Corporation, distribute all of the assets of the Corporation to Princeton HealthCare System, a New Jersey nonprofit corporation, if then in existence and qualified as exempt under Section 501 (c)(3) of the Code; if not, then to, as determined by the Board of Trustees of the Corporation and approved by the sole member of the Corporation, a nonprofit organization or organizations which is created to succeed the Corporation, provided that such organization or each of such organizations shall then qualify as a governmental unit under Section 170(c) of the Code or as an organization exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the code. In the event neither a successor to the Corporation exists nor any of the aforementioned corporations qualify as an exempt organization under the Code, the Corporation shall distribute all of the assets and property of the Corporation to a nonprofit organization or organizations having similar aims and objectives as the Corporation and which may be selected as an appropriate recipient of such assets, as long as each such organization shall then qualify as a governmental unit under Section 170(c) of the Code or as an organization exempt from federal income taxation under Section 501(a) of the code as an organization described in Section 501(c)(3) of the Code.

ELEVENTH: No Trustee or officer of the Corporation shall be personally liable to the Corporation for damages for breach of any duty owed to the Corporation; provided however, that no such Trustee or officer shall be relieved from such liability for any breach of duty based upon any act or omission (i) in breach of such person's duty of loyalty to the Corporation; (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt by such person of an improper personal benefit. The Corporation shall indemnify every corporate agent as defined in, and to the fullest extent permitted by, the Act (or any successor thereto), and to the fullest extent otherwise permitted by law.

TWELFTH: This Amended and Restated Certificate of Incorporation shall become effective on _____, 2016.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation is made this ____ day of _____, 2018.

PRINCETON HEALTHCARE
SYSTEM HOLDING, INC.

By: _____
Name: Barry S. Rabner
Title: President

Exhibit 1

Current Board of Trustees

<u>Name</u>	<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>

EXHIBIT C

AMENDED AND RESTATED

BYLAWS

OF

PRINCETON HEALTHCARE SYSTEM HOLDING, INC.

ARTICLE I

NAME, SEAL AND OFFICES

1.01 Name. The name of this corporation is Princeton Healthcare System Holding, Inc. (the “*Corporation*”). The Corporation has been organized as a non-governmental, nonprofit organization under the New Jersey Nonprofit Corporation Act (the “*Act*”).

1.02 Seal. The seal of the Corporation shall have inscribed thereon the name of the Corporation, the year of its creation and the words “Corporate Seal New Jersey.” The Board of Trustees of the Corporation (the “*Board*”) may change the form of the seal or the inscription thereon at its pleasure.

1.03 Offices. The principal office of the Corporation shall be located in Plainsboro, New Jersey. The Corporation may also have offices at such other places as the Board may from time to time determine.

ARTICLE II

PURPOSES

2.01 Purposes. The Corporation shall have such purposes as are now or may hereafter be set forth in the Certificate of Incorporation of the Corporation (the “*Certificate*”), and shall have and exercise such powers in furtherance of such purposes that are now or may hereafter be set forth in that document. Consistent with the Corporation being a constituent of Penn Medicine (as defined in Section 3.04, below), the Corporation shall operate in a manner consistent with the educational, research and patient care mission of the Trustees of the University of Pennsylvania, a corporation organized and existing under a charter granted by various sovereigns governing what is now the Commonwealth of Pennsylvania (the “*University*” or the “*Member*”), as owner and operator of the University of Pennsylvania Health System (“*UPHS*”), as carried out by the Member pursuant to its reserved powers in Section 3.03 and as otherwise contemplated by that certain Affiliation Agreement, dated _____, 2016, among the Corporation, Princeton Healthcare System, a New Jersey corporation (the “*Medical Center*”) and the University (the “*Affiliation Agreement*”).

ARTICLE III

SOLE MEMBER OF THE CORPORATION

3.01 Sole Member. The sole member of the Corporation shall be the University.

3.02 Membership Fees; Compensation for Services. Without limiting any of its obligations or commitments as set forth in the Affiliation Agreement, the Member shall not be required to pay any fee to serve as a member of the Corporation, and the Member shall receive no compensation for serving as such. The Member may, however, serve the Corporation and related corporations in other capacities and receive compensation for such services.

3.03 Rights, Powers and Privileges of the Member.

(a) Reserved Powers. The Member shall have the rights, powers and privileges expressly reserved by law to a member of a New Jersey nonstock, nonprofit corporation under the Act, and that are not otherwise conferred upon the Board thereby, or by the Certificate or by these Bylaws, including the right to approve the election of the members of the Board in accordance with these Bylaws. Notwithstanding anything herein or in the Act to the contrary, the powers set forth in this Section 3.03(a) are specifically reserved to the Member:

(i) approval of fundamental change transactions involving the Corporation or any Corporation Affiliate's (as defined in Section 4.01) liquidation and dissolution, and any member substitution, merger, or other form of transfer or change of control transaction with a third party with respect to the Corporation or any Corporation Affiliate, or any sale, conveyance, or transfer of all or substantially all of the assets of the Corporation or any Corporation Affiliate to a third party (whether in a single transaction or in a series of transactions);

(ii) approval of Corporation-approved amendments to, alterations to or repeal of the Certificate, these Bylaws or other documents by and through which a business organization is formed and governed, of the Corporation or Corporation Affiliates;

(iii) approval of Corporation-approved annual operating budgets of the Corporation and the Medical Center (including consolidated or combined budgets of the Corporation and subsidiary organizations of the Corporation);

(iv) approval of Corporation-approved annual capital budgets of the Corporation and the Medical Center (including consolidated or combined budgets of the Corporation and subsidiary organizations of the Corporation);

(v) approval of aggregate operating or capital expenditures on an annual basis that exceed approved operating or capital budgets by a materiality threshold determined from time to time by the Member;

(vi) establishment of material third party relationships by the Corporation or any Corporation Affiliate related to academic affiliations, service line affiliations, joint ventures, branding arrangements or other arrangements which have significant financial or strategic implications for Penn Medicine;

(vii) establishment of material third party relationships by the Corporation or any Corporation Affiliate with a competitor of Penn Medicine;

(viii) approval of Corporation-approved strategic plans for the Corporation and the Medical Center;

(ix) approval of the creation of, or a material change in the business of, any subsidiary or affiliate of the Corporation (other than a Corporation Affiliate) not reflected in a Member-approved strategic plan;

(x) the hiring, termination, renewal and determination of terms or employment (including compensation) of the President and Chief Executive Officer of the Corporation (the “**President**”), with the prior advice and consultation from the Board; and

(xi) prior approval of the Board’s election of the Chair of the Board, consistent with Section 6.01.

3.04 Action by the Member. Pursuant to the Statutes of the Trustees of the University of Pennsylvania (the “*University Statutes*”), the University has established Penn Medicine (“*Penn Medicine*”), a unified governance structure for the University’s medical education, research, and clinical health care constituents. Subject to certain powers reserved to the University, the University has delegated responsibility for oversight and governance of UPHS and its constituents to Penn Medicine. To the extent consistent with the University Statutes and the Bylaws of Penn Medicine, and subject to any powers reserved to the University, Penn Medicine shall exercise the powers of the University as sole member of the Corporation.

3.05 Recording of Action by Member.

(a) Minutes. Minutes of any meeting at which any action is taken on behalf of the University as the Member of the Corporation, signed by or on behalf of the University by an authorized agent, shall be maintained by the Member and shall be available to the Secretary of the Corporation.

(b) Informal Action. Any action which may be taken by the University as the Member of the Corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by or on behalf of the University by an agent authorized in accordance with Section 3.04 of these Bylaws and shall be maintained by the Member and shall be available to the Secretary of the Corporation.

3.06 Annual Meeting. The annual meeting of the Member shall, to the extent practicable, be held to coincide with the time and place of the annual meeting that has been scheduled by the Board pursuant to Section 4.08 for the approval of the Board's election of Board members, if applicable, and for the transaction of such other business as may properly come before the meeting. Notice of the time, place and purposes of the annual meeting of the Board shall be given or served to the Member, either personally or by mail or by telephone, not less than ten (10) days nor more than forty (40) days prior to the date of the meeting. If the annual meeting of the Member shall not be called and held within four (4) months after the last day of February, the Member may call such meeting at any time thereafter subject to any requirements of the Act with respect to such meetings

ARTICLE IV

BOARD OF TRUSTEES

4.01 Powers.

(a) The Board shall generally govern the business and affairs of the Corporation, including with respect to the exercise of any of the Corporation's membership or ownership rights with respect to its direct and indirect corporate subsidiaries and affiliates, including the Medical Center, the Princeton HealthCare System Foundation, Princeton Care Givers, Inc., Princeton Health, Inc., Princeton Medical Properties, Inc. and Princeton Urban Renewal, LLC (collectively, the "Corporation Affiliates") and those other subsidiaries or organizations in which the Corporation has a direct or indirect membership or ownership interest, and exercise all of those responsibilities and duties reserved to the Board under the Act, subject to the powers specifically reserved to the Member in accordance with Section 3.03(a) of these Bylaws.

(b) Subject to the powers reserved to the Member under these Bylaws, the Certificate or the laws of the State of New Jersey, the business and affairs of the Corporation shall be vested in and managed by the Board. Consistent with the foregoing, the Board shall:

(i) Adopt vision, mission and values statements and develop policies consistent with the Penn Medicine vision, mission and values;

- (ii) Approve and implement standards for patient care for the Corporation and the Corporation Affiliates, with guidance from Penn Medicine;
- (iii) Approve and oversee quality improvement related actions with respect to the Corporation and the Corporation Affiliates, with guidance from Penn Medicine;
- (iv) Approve and oversee the Corporation's and the Corporation Affiliates' promotion of access to care in the communities they serve;
- (v) Approve and oversee community health needs and community service goals and priorities in the communities served by the Corporation and the Corporation Affiliates;
- (vi) Oversee and have authority with respect to the Corporation's and the Corporation Affiliates' credentialing of medical staff;
- (vii) Approve any amendment to the Medical Staff Bylaws of the Medical Center and the Corporation Affiliates;
- (viii) Except with respect to the Penn Medicine Designees (as defined in Section 4.04(b), below), appoint the individuals who will serve on the Board, the boards of the Corporation Affiliates, and their respective board committees, subject to the approval of Penn Medicine, as more particularly set forth in Section 4.04, below, and the applicable governing documents;
- (ix) Recommend and approve proposed operating and capital budgets, Projects and Project Plans (as defined in the Affiliation Agreement) for the Corporation and the Corporation Affiliates (subject to the further approval of Penn Medicine);
- (x) Promote the Corporation's and the Corporation Affiliates' fundraising and development efforts in coordination with Penn Medicine and the University;
- (xi) Provide guidance and recommendations to Penn Medicine in regard to the evaluation of the President and approve any changes made within the first two years after the Effective Time (as defined in the Affiliation Agreement) to the President's reporting requirements with respect to Penn Medicine, UPHS or the University;
- (xii) Approve any modification or amendment of any of the Corporation's and its subsidiaries' charity care policies and procedures;
- (xiii) Make recommendations for adjustments to the Corporation's and the Corporation Affiliates' overall employee compensation and benefits;
- (xiv) Assist in monitoring and reporting on clinical quality with respect to the

Corporation and the Corporation Affiliates;

(xv) Approve any amendment to or restatement of the Certificate, these Bylaws or other documents by and through which a business organization is formed and governed, of the Corporation or Corporation Affiliates, and approve the number, or a change to the number, of members on the Board (within the range specified by the first sentence of Section 4.02) or a change to the number of members of the Strategic Planning Committee (as set forth in Section 5.02);

(xvi) Review and have input into any substantive changes in the services provided by the Corporation and the Corporation Affiliates;

(xvii) Participate in annual review of the strategic plan and goals of the Corporation and the Corporation Affiliates and monitor progress toward achievement of those strategic goals;

(xviii) Review disaster plans that deal with both internal (*e.g.*, fire) and external disasters;

(xix) Evaluate and make recommendations regarding recruitment needs to ensure adequate medical staff capacity to continue to meet community needs; and

(xx) Enforce any of the Corporation's rights under the Affiliation Agreement.

(c) In addition, during the System Integration Period (as defined in the Affiliation Agreement), subject to the powers reserved to the Member, the Board shall also have the right and power to:

(i) Appoint the individuals who will serve as the chair, vice-chair, secretary and treasurer of the Board and the boards of the Corporation Affiliates, subject to the approval of the Penn Medicine Board;

(ii) Recommend and approve strategic plans for the Corporation and the Corporation Affiliates, consistent with the strategic plans for Penn Medicine (subject to the further approval of Penn Medicine);

(iii) Approve any closure or relocation of the Corporation's and the Corporation Affiliates' programs or services;

(iv) Approve the addition of new or expanded service lines within the Corporation's and the Corporation Affiliates' service areas;

(v) Approve the execution, termination, renewal and non-renewal of exclusive

agreements with hospital-based physician groups on the Corporation's Plainsboro Campus;

(vi) Approve the termination, renewal and non-renewal of agreements with existing tenants (as of the Effective Time) who lease space on the Plainsboro Campus; and

(vii) Approve changes in the shareholder of Princeton HealthCare Affiliated Physicians, P.C. ("***Princeton Medicine***"), and any actions or transactions that would result in any physician employees of Princeton Medicine being employed by a different entity.

Under the Affiliation Agreement, the timing of certain strategic and routine capital commitments made by the University to the Corporation may be extended, as further described in Section 11.2.1 and 11.2.2 of the Affiliation Agreement. In the event of any such extension, the foregoing Board powers in this Section 4.01(c) shall be extended beyond the System Integration Period, in accordance with Section 11.2.1 and 11.2.2 of the Affiliation Agreement, as applicable.

4.02 Number of Trustees. The number of trustees shall be such number (but not less than seven (7) nor more than thirty-five (35)), including *ex-officio* trustees, as the Board shall determine from time to time. The holders of the offices set forth in Section 4.04(c) hereof shall serve as trustees as provided in such Section. The remainder of the trustees shall be elected as set forth in Section 4.04(a) or appointed by Penn Medicine in accordance with Section 4.04(b).

4.03 Qualification of Trustees. Any person over the age of eighteen (18) years shall be eligible for membership on the Board. In addition, the Board may establish from time to time additional qualifications for membership on the Board, subject to the Corporation's Certificate and these Bylaws. Trustees need not be residents of New Jersey.

4.04 Election of Trustees.

(a) The elected members of the Board shall be divided into three (3) classes, as nearly equal in size as is practicable. One (1) class shall be elected each year by the Board at the Annual Meeting of the Board, to serve for a term of three (3) years and until its successors are elected and qualified. Two (2) members of each class shall be members of the Senior Attending or Attending Medical Staff of the Medical Center. No member of the Senior Attending or Attending Medical Staff who is an officer of the Medical Staff shall be eligible for election as a trustee, and if any Medical Staff member is elected an officer of the Medical Staff, his or her membership as an elected trustee shall automatically terminate upon his or her acceptance of Medical Staff office. No trustee shall be elected without Penn Medicine's approval; provided that it is the intent of the Corporation and the Member that the members of the Board as of the Effective Time will continue to serve as trustees through the System Integration Period. In the event that Penn Medicine does not approve one or more new trustees, the Board shall designate an alternative trustee

as applicable, for Penn Medicine's review and approval.

(b) Two trustees shall be appointed by Penn Medicine (the "***Penn Medicine Designees***"); provided that the Penn Medicine Designees shall at the time of appointment be Penn Medicine executives or members of the Penn Medicine Board. During the first three (3) years following the Effective Time, the Penn Medicine Designees shall be (i) the Chief Executive Officer of UPHS and (ii) a senior executive physician of Penn Medicine who is reasonably acceptable to PHCS. After the first three (3) years following the Effective Time, the immediately preceding sentence shall no longer apply and the Penn Medicine Designees shall include at least one (1) senior physician of Penn Medicine.

(c) The following persons shall serve *ex officio* and shall be counted as regular members of the Board and shall be entitled to vote as such members, except for the Chairman Emeritus of the Medical Center who shall serve *ex officio* without vote:

- (i) President of the Corporation;
- (ii) President and Chief Executive Officer of the Medical Center;
- (iii) Chairman of Princeton HealthCare System Foundation, Inc.;
- (iv) President of the Medical Center's Medical Staff; and
- (v) Chairman Emeritus of the Corporation.

4.05 Term Limit. Trustees may serve for up to three (3) consecutive terms. Thereafter, a person shall not be eligible for election as a trustee until the Annual Meeting of the Board following the Annual Meeting of the Board at which such person's term expired. For purposes of this section, a partial term of two (2) years or more shall be counted as a full term; a partial term of less than two (2) years shall be disregarded. Notwithstanding the forgoing, during the System Integration Period, the Board may vote to waive the foregoing term limits on a case by case basis for term-limited members. The Penn Medicine Designees and the trustees serving *ex officio* shall not be subject to these limits.

4.06 Removal of Trustees. Except with respect to Penn Medicine Designees, the Board shall have the right to remove any trustee (other than the Penn Medicine Designees) from office, and may do so with or without cause, or to suspend any trustee pending final determination that Cause exists for removal, by the affirmative vote of a majority of all trustees then in office. Penn Medicine shall also have the right to remove members of the Board for Cause. For purposes of these Bylaws, "Cause" shall mean any of the following: (i) a plea of guilty or nolo contendere, or the indictment or conviction of any felony; (ii) the cancellation, revocation or non-renewal by the insurer of directors and officers liability insurance coverage for the trustee; (iii) a trustee's having been proven to have committed fraud or embezzlement; (iv) violation

of the trustee's fiduciary duties, duty of confidentiality, or a conflict of interest policy applicable to such trustee which has been made available to such trustee; (v) a trustee's suspension or exclusion from Medicare or Medicaid; which, as to subsections (ii) and (iv) shall apply only after such individual has received prior written notice and an opportunity to cure such actions and so long as such opportunity to cure does not exceed thirty (30) days from the date of delivery of such notice, provided however that the foregoing cure period shall not apply with respect to any of the foregoing occurrences that are not reasonably capable of being cured within such thirty (30) day period. Penn Medicine shall have the sole right to remove the Penn Medicine Designees.

4.07 Vacancies. Except with respect to Penn Medicine Designees, the Board shall have the right to replace or fill any vacancy on the Board. Any vacancy on the Board occurring during the year may be filled for the unexpired portion of the term by election by the Board then serving, although less than a quorum, by affirmative vote of the majority thereof, subject to the approval of Penn Medicine. Any vacancy in a trusteeship to be held by a Penn Medicine Designee shall be filled only by Penn Medicine.

4.08 Annual Meeting. The annual meeting of the Board shall be held on a date during the month of February in each year to be chosen by the Board, at the principal office of the Corporation or at such other place within or outside the State of New Jersey as the Board shall designate, for the transaction of such business as may properly come before the meeting.

4.09 Regular Meetings. Regular meetings of the Board shall be held at the principal office of the Corporation or at such other place within or outside the State of New Jersey on such dates and at such times as the Board shall designate.

4.10 Special Meetings. Except as otherwise specifically required by law, special meetings of the Board may be called at any time by the President or Vice President and must be called by the President or Vice President on receipt of the written request of any two trustees. Such meetings shall be held at the principal office of the Corporation or at such other place within or outside the State of New Jersey as the President or Vice President calling the meeting shall designate.

4.11 Notice of Meetings. Notice of the time and place (and for special meetings of purpose or purposes) of annual, regular, or special meetings shall be given or served, either personally or by mail or by telephone, upon each person who appears upon the records of the Corporation as a trustee. Notice of an annual meeting shall be given not less than ten (10) nor more than forty (40) days prior to the date of the meeting. Notice of a regular or special meeting shall be given not less than five (5) nor more than forty (40) days prior to the date of such meeting. Such notice, if mailed, shall be directed to a trustee's address as it appears on the records of the Corporation, unless such trustee shall have filed with the Secretary of the

Corporation a written request that notices intended for such trustee be mailed to some other address, in which case it shall be mailed to the address designated in such request. Except as otherwise provided in these Bylaws, notice of an adjourned meeting need not be given if the time and place are fixed at the meeting adjourning and if the period of adjournment does not exceed ten (10) days in any one adjournment.

4.12 Waiver of Notice. Whenever, under the provisions of any law or under the provisions of the Certificate or these Bylaws, the Corporation or the Board or any committee thereof is authorized to take any action after notice to the trustees of the Corporation or to the members of a committee or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of any period of time, if at any time before or after such action be completed, such requirement be waived in writing by the person or persons entitled to such notice or entitled to participate in the action to be taken or by such person's authorized representative. The attendance by a trustee at any meeting without protesting prior to the conclusion of the meeting the lack of notice of that meeting shall constitute waiver of notice by that trustee.

4.13 Quorum. At any meeting of the trustees, a quorum, for all purposes except as otherwise provided by these Bylaws or by law, shall consist of a majority of the trustees. If a quorum is not established or when a quorum is present, a majority of the trustees present may adjourn the meeting from time to time. At least twelve (12) hours' notice of the date of the adjourned meeting shall be given to any absent member. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. The act of a majority of those present at any meeting at which there is a quorum, shall be the act of the Corporation, except as may otherwise be specifically provided by these Bylaws or by law.

4.14 Conference Phone. Any or all trustees may participate and vote in a meeting of the Board or a committee thereof by means of conference telephone or any means of communication by which all persons participating in the meeting are able to hear each other. Participation by such means shall constitute presence in person for purposes of quorum.

4.15 Voting. At every meeting of the Board, or a committee thereof, each trustee shall be entitled to one (1) vote.

4.16 Action by Consent. Any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting, if prior to or after such action a written consent thereto is signed by all trustees or by all members of such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or committee.

4.17 Conflict of Interest.

(A) Financial Interest or Personal Interest. No trustee shall seek any Financial Interest or Personal Interest in any proposed business or transaction of the Corporation. The foregoing sentence, however, shall not be construed to preclude a trustee from receiving reasonable compensation for service to the Corporation in any capacity.

(B) Disclosure and Disqualification. Whenever any matter involving the Financial Interest or Personal Interest of a trustee shall arise in deliberations or voting, such trustee shall disclose the nature and extent of such interest and shall be disqualified from participation in such deliberations or voting.

(C) Gifts and Favors. No trustee shall accept any gift, whether in the form of service, money, favor, loan or promise, that would not be offered or given if such person were not a trustee.

(D) Definitions. As used in this Section 4.17:

(1) “Financial Interest” means any interest which shall yield, directly or indirectly, a monetary or other material benefit (other than duly authorized salary, compensation or reimbursement for services to the Corporation) to the trustee or to any person employing or retaining the services of the trustee; and

(2) “Personal Interest” means any interest arising from family or marriage relationships or from close business association whether or not any Financial Interest is involved.

ARTICLE V

COMMITTEES

Committees. The Board, by resolution approved by a majority of the entire Board, may appoint from among the trustees one or more committees (including an executive committee), of one or more members (which may include persons who are not trustees; provided that at least one member of each committee shall be a trustee and that any act of any committee which has members who are not trustees shall be advisory, shall not bind the Board and shall be subject to Board approval) each of which, to the extent provided in the resolution, shall have and may exercise the authority of the Board, except that no such committee shall:

- (a) Make, alter or repeal any Bylaw of the Corporation;
- (b) Elect or appoint any officer or trustee, or remove any officer or trustee;
- (c) Make any grants or distributions of funds; or
- (d) Amend or repeal any resolution previously adopted by the Board.

The Board, by resolution adopted by a majority of the entire Board, may:

- (a) Fill any vacancy in any such committee;
- (b) Appoint one or more persons to serve as alternate members of any such committee, to act in the absence or disability of members of any such committee with all the powers of such absent or disabled members of a committee;
- (c) Abolish any such committee; or
- (d) Remove any members of such committee at any time, with or without cause.

One of the Penn Medicine Designees shall be appointed to the Board's executive committee and any committee that has the power to act in place of the Board. Both of the Penn Medicine Designees shall be appointed to the Board's finance committee. In addition, the individual who from time-to-time is employed as Penn Medicine's Chief Financial Officer (or Penn Medicine's most senior finance officer if there is no one holding the title of Chief Financial Officer) shall serve as a non-voting member of the finance committee.

5.02 Strategic Planning Committee. There shall be a Strategic Planning Committee of the Board comprised of seven (7) voting members, all of whom shall be trustees serving on the Board, including both Penn Medicine Designees. The individual who from time-to-time is employed as Penn Medicine's Senior Vice President, Business Development (or Penn Medicine's most senior business development officer if there is no one holding the title of Senior Vice President, Business Development) shall serve as a non-voting member of the Strategic Planning Committee. All actions of the Strategic Planning Committee shall require both (i) a majority vote of the Penn Medicine Designees and (ii) a majority vote of the remaining voting members of the Strategic Planning Committee. Among other duties assigned by the Board, the Strategic Planning Committee shall have those duties assigned to it under the Affiliation Agreement.

5.03 Quorum; Chair. At any meeting of a committee of the Board, a quorum, for all purposes except as otherwise provided by these Bylaws or by law, shall consist of a majority of the members of the committee then eligible to vote. If a quorum is not established or when a quorum is present, a majority of the committee members present may adjourn the meeting from time to time. At least twelve (12) hours' notice of the date of the adjourned meeting shall be given to any absent member. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. The act of a majority of those present at any meeting at which there is a quorum shall be the act of the Corporation, except as may otherwise be specifically required by these Bylaws or by law. The President, with the approval of the Board, shall appoint a chair for each committee. In the event of a vacancy in the chairship, the President, with the approval of the Board, shall fill the vacancy.

5.04 Reporting. Actions taken at a meeting of any such committee shall be kept in a record of its proceedings which shall be reported to the Board at its next meeting following such committee meeting, except that, when the meeting of the Board is held within two days after the committee meeting, such report shall, if not made at the first meeting, be made to the Board at its second meeting following such committee meeting.

ARTICLE VI

OFFICERS

6.01 Officers. The Board shall biennially elect the Chair of the Board, who shall serve for a term of two (2) years, subject to the approval of Penn Medicine. No Chair of the Board shall serve as the Chair for a consecutive period longer than (3) successive two (2) year terms. The President shall be selected by the Member, subject to the approval of the Board. The President shall report directly to the UPHS CEO for at least the first two (2) years after the Effective Time and may be removed by the UPHS CEO with prior advice and consultation from the Board. The Board shall elect at each annual meeting a Secretary and a Treasurer, and such other officers, including one or more Vice Presidents, with such powers and duties not inconsistent with these Bylaws, as may be determined by the Board. The officers other than the Chair shall serve for one-year terms or until their earlier death, resignation or removal as provided herein and until their successors have been elected and qualified.

6.02 Vacancies. In case any office of the Corporation becomes vacant by death, resignation, retirement, disqualification, or any other cause, the Board may elect an officer to fill such vacancy, and the officer so elected shall hold office and serve until the annual meeting next succeeding and until the election and qualification of a successor.

6.03 Chair of the Board. The Chair of the Board shall preside at all meetings of the Board, shall direct the work of the Board and shall exercise such powers and perform such duties as shall be assigned by the Board.

6.04 President. The President shall be the chief executive officer of the Corporation and an *ex officio*, voting member of the Board. The President shall have and exercise general charge and supervision of the affairs of the Corporation, shall preside at meetings of the Board in the absence of the Chair and shall be an *ex officio* member of all standing committees. The President shall have the power to sign, on behalf of the Corporation, checks, contracts and other instruments and shall have all powers and shall perform all duties commonly incident to and vested in the office of chief executive officer of a corporation. The President shall also perform such other duties as the Board shall designate from time to time.

6.05 Vice President. At the request of the President, or in the event of the President's absence or, disability, the Vice President (or Vice Presidents in the order of designated seniority), if any, shall perform the duties and possess and exercise the powers of the President. To the extent authorized by law any such Vice President shall have such other powers as the Board may determine and shall perform such other duties as may be assigned by the Board.

6.06 Secretary. The Secretary shall have charge of such books, documents and papers as the Board may determine and shall have the custody of the corporate seal. The Secretary shall attend and keep the minutes of all meetings, shall sign with the President or any Vice President, in the name and on behalf of the Corporation, any contracts or agreements authorized by the Board, and when so authorized or ordered by the Board, shall affix the seal of the Corporation. The Secretary shall, in general, perform all of the duties incident to the office of Secretary, subject to the control of the Board and shall do and perform such other duties as may be assigned by the Board.

6.07 Assistant Secretary. The Assistant Secretary, if any, shall assist the Secretary and in the absence or disability of the Secretary shall perform the duties of the Secretary.

6.08 Treasurer. The Treasurer shall be responsible for the care and custody of all funds, property, and securities of the Corporation, subject to such regulations as may be imposed by the Board. When necessary or proper the Treasurer may endorse on behalf of the Corporation for collection, checks, notes and other obligations, and shall deposit the same to the credit of the Corporation at such bank or banks or depository as the Board may designate. The Treasurer shall sign all receipts and vouchers and, together with such other officer or officers, if any, as shall be designated by the Board, shall sign all checks of the Corporation, except in cases where the signing and execution thereof shall be expressly designated by the Board or by these Bylaws to some other officer or agent of the Corporation. The Treasurer shall make such payments as may be necessary or proper to be made on behalf of the Corporation. The Treasurer shall keep the books of the Corporation and shall enter regularly thereon a full and accurate account of all moneys received and all obligations paid or incurred for or on account of the Corporation, and shall exhibit such books at all reasonable times to any trustee on application at the offices of the Corporation. The Treasurer shall, in general, perform all the duties incident to the office of Treasurer, subject to the control of the Board.

6.09 Assistant Treasurer. The Board may appoint one or more Assistant Treasurers who shall assist the Treasurer, and in the absence or disability of the Treasurer the Board shall designate an Assistant Treasurer to perform the duties of the Treasurer. The Chief Financial Officer of UPHS shall be appointed by the Board to act as an Assistant Treasurer, but need not be the Assistant Treasurer designated by the Board to perform the duties of the Treasurer in the absence or disability of the Treasurer.

6.10 Removal. Any officer may be removed or suspended from office with or without cause by the affirmative vote of a majority of the entire Board.

ARTICLE VII

CONTRACTS

7.01 Authority. The Board, except as otherwise provided in these Bylaws, may authorize any officer to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to a specific instance.

ARTICLE VIII

FISCAL YEAR

8.01 Fiscal Year. The fiscal year of the Corporation shall commence on the first day of January and end on the last day of December in each year.

ARTICLE IX

EXEMPT ACTIVITIES

9.01 Charitable Status. Notwithstanding any other provision of these Bylaws, no trustee, officer, employee or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the United States Internal Revenue Code, as amended or superseded, or by regulations promulgated thereunder.

ARTICLE X

LIMITATION OF TRUSTEE LIABILITY

10.01 Personal Liability of Trustees. A trustee of the Corporation shall not be personally liable for monetary damages for any action taken or any failure to take any action, except to the extent that exemption from liability for monetary damages is not permitted under the laws of the State of New Jersey as now or hereafter in effect. The provisions of this Subsection are intended to exempt the trustees of the Corporation from liability for monetary damages to the maximum extent

permitted under the Act or under any other law now or hereinafter in effect. Without limiting the foregoing, a trustee of the Corporation shall not be personally liable for the monetary damages for any action taken or any failure to take any action, unless: (i) the trustee has breached or failed to perform the duties of his office under the Act; and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of the preceding sentence shall not exempt a trustee from: (i) the responsibility or liability of a trustee pursuant to any criminal statute; or (ii) the liability of a trustee for the payment of taxes pursuant to local, state or federal law.

10.02 Modification or Repeal. The provisions of this Article may be modified or repealed in accordance with the procedures for amending these Bylaws; provided, however, that any such modification or repeal shall not have any effect upon the liability of a trustee relating to any action taken, any failure to take any action, or events which occurred prior to the effective date of such modification or repeal.

ARTICLE XI

INDEMNIFICATION

11.01 General. The Corporation shall indemnify every corporate agent (each, a "Corporate Agent") as defined in, and to the fullest extent permitted by, the New Jersey Nonprofit Corporation Act (or any successor thereto), and to the fullest extent otherwise permitted by law.

11.02 Advances. In connection with the indemnification of any Corporate Agent, the Corporation may advance any or all of the expenses of the Corporate Agent as they accrue upon the determination by the Board that such indemnification may be proper and upon receipt of an undertaking by or on behalf of the Corporate Agent to repay the amounts advanced should it ultimately be determined that the Corporate Agent is not entitled to indemnification.

11.03 Appearance as Witness. This Article does not limit the power of the Corporation to pay or reimburse expenses incurred by a Corporate Agent in connection with the Corporate Agent's appearance as a witness in a proceeding at the time when the Corporate Agent has not been made a party to the proceeding.

ARTICLE XII
DISSOLUTION

12.01 Dissolution. In the event of dissolution or final liquidation of the Corporation, the Board shall, after paying or making provision for the payment of all of the lawful debts of the Corporation, distribute all of the assets of the Corporation as set forth in the Certificate.

ARTICLE XIII
AMENDMENTS

13.01 Force and Effect of Bylaws. These Bylaws are subject to the provisions of the Act and the Certificate as they may be amended from time to time. If any provision of these Bylaws is inconsistent with a provision in the Act or the Certificate, the provision of the Act or the Certificate of Incorporation shall govern to the extent of such inconsistency.

13.02 Amendments. The Board shall have the power, subject to the approval of the Member, to make, alter, amend and repeal these Bylaws, or to alter or amend the Certificate, by affirmative vote of two-thirds of the entire Board, provided, however, that the proposed alteration, amendment or repeal is specified in the notice of meeting provided for in these Bylaws. From and after the twentieth anniversary of the Effective Date, subject to applicable law and notwithstanding Section 4.01(b)(xv), the Member may amend these Bylaws.

EXHIBIT D

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

PRINCETON HEALTHCARE SYSTEM, A NEW JERSEY NONPROFIT
CORPORATION

THIS AMENDED AND RESTATED CERTIFICATE OF INCORPORATION is executed pursuant to the provisions of Title 15A of the New Jersey Revised Statutes, The New Jersey Nonprofit Corporation Act, as amended, (the "Act") and as such, amends and restates the Amended and Restated Certificate of Incorporation of Princeton HealthCare System, a New Jersey nonprofit corporation.

FIRST: The name of this Corporation is Princeton HealthCare System, a New Jersey nonprofit corporation.

SECOND: The objects and purposes for which this Corporation is formed are to establish, support and maintain a medical and surgical hospital for the care, cure, nurture or maintenance of persons suffering from illness or disabilities which require that they receive hospital care; to carry on any educational activities related to the rendering of care to the sick and injured or to the promotion of health which in the opinion of the Board of Trustees may be justified by the facilities, personnel, funds or other resources which are or may be made available for such purposes; to promote and carry on scientific research related to the care of the sick and injured in such manner as the Board of Trustees may deem proper and suitable in furthering the interests of said hospital; to participate so far as circumstances may warrant in any activity designed and carried on to promote the general health and welfare of the Princeton community; to provide all of such services to persons needful thereof regardless of race, color or creed; and to accomplish such other purposes as are or properly may be done in connection with such hospital either for compensation or free of charge as in each case may be deemed best. Consistent with the Corporation being a constituent of Penn Medicine (as defined in the Bylaws), the Corporation shall discharge the foregoing purposes and operate in a manner consistent with and in furtherance of the educational, research and patient care mission of the Trustees of the University of Pennsylvania (the "University"), the Corporation's ultimate parent entity, and the member of the Corporation's member.

THIRD: The Corporation shall have and exercise all powers, rights and privileges granted to nonprofit corporations organized under the laws of the State of New Jersey now or hereafter in effect, shall have the power to make distributions from principal as well as from income, and shall have the power to sponsor activities of its own as well as to contribute to those of other organizations; provided, however, that the Corporation may not exercise any power, either express or implied, in such a manner as to disqualify the Corporation from exemption from income

tax under Section 501(c)(3) of the Internal Revenue Code or in a manner inconsistent with this Certificate of Incorporation or the Bylaws of the Corporation (the “Bylaws”).

FOURTH: It is the intention of the Corporation at all times to qualify and remain qualified as exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly:

- (A) The Corporation shall not be conducted or operated for profit, and no part of the net earnings of the Corporation shall inure to the benefit of any member or individual; nor shall any of such net earnings nor any of the property or assets of the Corporation be used other than for the objects and purposes of the Corporation set out in Article SECOND.
- (B) No substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting, to influence legislation; nor shall the Corporation participate in, or intervene in (by the publishing or distributing of statements or otherwise), any political campaign on behalf of any candidate for public office.
- (C) No corporation nor any other organization shall be eligible as a donee, grantee, assignee, distributee or other transferee of the Corporation unless such corporation or other organization shall be located in the United States and shall either be qualified as exempt from income tax under Section 501(c)(3) of the Internal Revenue Code or be an organization contributions to which are deductible under Section 170(c)(2) of such Code.
- (D) During any period the Corporation may be classified as a private foundation within the meaning of Section 509 of the Internal Revenue Code, the Corporation shall distribute its income at such time and in such manner as to avoid taxation under Section 4942 of such Code, and the Corporation shall not engage in any act of self-dealing (as defined in Section 4941(d) of such Code), shall not retain any excess business holdings (as defined in Section 4943(c)), shall not make any investments in such manner as to subject the Corporation to tax under Section 4944 of such Code, and shall not make any taxable expenditures (as defined in Section 4945(d) of such Code).

FIFTH: In the event of a liquidation, dissolution, termination, or winding up of the Corporation, whether voluntary, involuntary or by operation of law, the property and assets of the Corporation, after all debts, expenses and liabilities have been satisfied, shall be distributed to such organization or organizations as the Board of Trustees may select, and approved by the University, provided that each such organization then qualifies as exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Any such assets not so distributed shall be distributed by any court of the State of New Jersey having jurisdiction, to such organization or organizations referred to in the preceding sentence as such court may, in its discretion, select.

SIXTH: For purposes of this certificate references to provisions of the Internal Revenue Code shall be deemed to refer to the United States Internal Revenue Code of 1986 and Regulation issued pursuant thereto and shall also be deemed to include statutes and Regulations which may from time to time amend or supersede such provisions.

SEVENTH: The Corporation shall have one member, Princeton HealthCare System Holding, Inc. The qualifications, if any, powers and duties of the member shall be as set forth in the Bylaws.

EIGHTH: The management of the Corporation shall be vested in a Board of Trustees, the number, qualifications, terms of office, manner of election, powers and duties of which shall be set forth in the Bylaws. The number of Trustees currently serving on the Board of Trustees of the Corporation is ___ (___). The names and addresses of the persons who are currently serving as Trustees are set forth on Exhibit 1.

NINTH: The postal address and actual location of the current registered office of the Corporation is _____, _____, New Jersey 08540. The current registered agent of the Corporation at its registered office is _____.

TENTH: No Trustee or officer of the Corporation shall be personally liable to the Corporation or its member for damages for breach of any duty owed to the Corporation or its members, provided, however, that no such Trustee or officer shall be relieved from such liability for any breach of duty based upon any act or omission (i) in breach of such person's duty of loyalty to the Corporation or its members, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt by such person of an improper personal benefit. The Corporation shall indemnify every corporate agent as defined in, and to the fullest extent permitted by, the Act (or any successor thereto), and to the fullest extent otherwise permitted by law.

ELEVENTH: This Amended and Restated Certificate Incorporation shall become effective on _____, 2018.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation is made this ___ day of _____ 2016.

PRINCETON HEALTHCARE SYSTEM,
A NEW JERSEY NONPROFIT
CORPORATION

By: _____
Name: Barry S. Rabner
Title: President

Exhibit 1

Current Board of Trustees

<u>Name</u>	<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>

EXHIBIT E

AMENDED AND RESTATED

BYLAWS

OF

PRINCETON HEALTHCARE SYSTEM,

A NEW JERSEY NONPROFIT CORPORATION

ARTICLE I. NAME

1. **Name.** The name of the Corporation shall be “Princeton HealthCare System, a New Jersey nonprofit corporation” (the “**Corporation**”). The Corporation has been organized as a non-governmental, nonprofit organization under the New Jersey Nonprofit Corporation Act (the “**Act**”).
2. **Definition.** The name “Princeton HealthCare System, a New Jersey nonprofit corporation” shall include all activities and functions carried on by the Corporation, including University Medical Center of Princeton at Plainsboro (short-term general hospital), Princeton HomeCare Services, (home care and hospice program visiting nurse services), Princeton House Behavioral Health (acute and long-term psychiatric care), and any other related health services.

ARTICLE II. PRINCIPAL OFFICE

The principal office of the Corporation shall be at One Plainsboro Road, Plainsboro, County of Middlesex and State of New Jersey, or at such other places as the Board of Trustees of the Corporation (the “**Board**”) may determine from time to time.

ARTICLE III. PURPOSES AND OBJECTIVES

The mission of the Corporation is to be the local focal point of a comprehensive health system that responds to the health care needs of its service area residents. The Corporation shall provide inpatient and outpatient care, community health education, medical education, and shall promote medical and scientific research when appropriate. Consistent with the Corporation being a constituent of Penn Medicine (as defined below), the Corporation shall operate in a manner consistent with and in furtherance of the educational, research and patient care mission of the Trustees of the University of Pennsylvania, a corporation organized and existing under a charter granted by various sovereigns governing what is now the Commonwealth of Pennsylvania (the “**University**”), as owner and operator of the University of Pennsylvania Health System (“**UPHS**”).

It is integral to the mission of the Corporation to continually improve service quality to its patients and to provide appropriate health care to all.

It is the intention of the Corporation at all times to qualify and remain qualified as exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Corporation shall not exercise any power, either express or implied, in such manner as to disqualify the Corporation from exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Moreover:

- A. The Corporation shall not be conducted or operated for profit, and no part of the net earnings of the Corporation shall inure to the benefit of any member or individual; nor shall any of such net earnings nor any of the property or assets of the Corporation be used other than for the objects and purposes of the Corporation set forth herein and in the Corporation's Certificate.
- B. No substantial part of the activities of the Corporation shall consist of carrying on propaganda, or otherwise attempting, to influence legislation; nor shall the Corporation participate in, or intervene in (by the publishing or distributing of statements or otherwise), any political campaign on behalf of any candidate for public office.
- C. No corporation nor any other organization shall be eligible as a donee, grantee, assignee, distributee or other transferee of the Corporation unless such corporation or other organization shall be located in the United States and shall either be qualified as exempt from income tax under Section 501(c)3 of the Internal Revenue Code or be an organization contributions to which are deductible under Section 170(c)(2) of such Code.
- D. During any period the Corporation may be classified as a private foundation within the meaning of Section 509 of the Internal Revenue Code, the Corporation shall distribute its income at such time and in such manner as to avoid taxation under Section 4942 of such Code, and the Corporation shall not engage in any act of self-dealing (as defined in Section 4941(d) of such Code), shall not retain any excess business holdings (as defined in Section 4943(c)), shall not make any investments in such manner as to subject the Corporation to tax under Section 4944 of such Code, and shall not make any taxable expenditures (as defined in Section 4945(d) of such Code).

ARTICLE IV. SOLE MEMBER

1. Designation. Princeton HealthCare System Holding, Inc. shall be the sole member of the Corporation (the "***Sole Member***").
2. Reserved Powers. The Sole Member shall have the rights, powers and privileges expressly reserved by law to a member of a New Jersey nonstock, nonprofit corporation under the Act, and that are not otherwise conferred upon the Board thereby, or by the Corporation's Certificate of Incorporation (the "***Certificate***") or by these Amended and Restated Bylaws. Notwithstanding anything herein or in the Act to the contrary, the powers set forth in this Article IV, Section 2 are

specifically reserved to the Sole Member and to the University, as the member of the Sole Member, in the Sole Member's bylaws:

- A. Approval of fundamental change transactions involving the Corporation's liquidation and dissolution, and any member substitution, merger, or other form of transfer or change of control transaction with a third party with respect to the Corporation, or any sale, conveyance, or transfer of all or substantially all of the assets of the Corporation to a third party (whether in a single transaction or in a series of transactions).
- B. Approval of Corporation-approved amendments to, alterations to or repeal of the Certificate, these Amended and Restated Bylaws or other documents by and through which a business organization is formed and governed, of the Corporation.
- C. Approval of Corporation-approved annual operating budgets of the Corporation (including consolidated or combined budgets of the Corporation and subsidiary organizations of the Corporation).
- D. Approval of Corporation-approved annual capital budgets of the Corporation (including consolidated or combined budgets of the Corporation and subsidiary organizations of the Corporation).
- E. Approval of aggregate operating or capital expenditures on an annual basis that exceed approved operating or capital budgets by a materiality threshold determined from time to time by the Member or the University.
- F. Establishment of material third party relationships by the Corporation related to academic affiliations, service line affiliations, joint ventures, branding arrangements or other arrangements which have significant financial or strategic implications for Penn Medicine (as defined in the Sole Member's bylaws).
- G. Establishment of material third party relationships by the Corporation with a competitor of Penn Medicine.
- H. Approval of Corporation-approved strategic plans for the Corporation.
- I. Approval of the creation of, or a material change in the business of, any subsidiary or affiliate of the Corporation not reflected in a strategic plan approved by the Sole Member and the University.

3. Annual Meeting. The annual meeting shall be held on the last Monday of the month of February of each year at the principal office of the Corporation, or at such other time and place as shall be fixed by the Board (the "*Annual Meeting of the Sole Member*"), in order to transact such business as shall properly come before the meeting. Notice of the time, place and purposes of the Annual Meeting of the Sole Member shall be given or served, either personally or by mail or by telephone, not less than ten (10) days nor more than forty (40) days prior to the date of the meeting.

4. Special Meeting. A special meeting of the Sole Member shall be held upon not less than ten (10) days nor more than forty (40) days written notice of the time, place and purposes of the

meeting. Notice of a special meeting shall state the reason for which the meeting is called and only the business stated in the notice shall be transacted at the meeting.

5. Action Without Meeting. Any action which may be taken at a meeting of the Sole Member may be taken without a meeting, if prior or subsequent to such action, a consent in writing setting forth such actions is signed by the Sole Member.

ARTICLE V. BOARD OF TRUSTEES

1. Number of Trustees. The Board shall be comprised at all times of the individuals serving from time to time on the board of directors of the Sole Member. Notwithstanding the foregoing, the University of Medicine and Dentistry of New Jersey (“*Rutgers*”) has the right, per the University Hospital Affiliation Agreement between the Corporation and Rutgers, dated June 11, 2003, to appoint the Dean of the Robert Wood Johnson Medical School as an *ex officio* member of the Board, with vote. Such appointment is subject to the approval of the Board.

2. Qualification of Trustees. Any person over the age of eighteen (18) years shall be eligible for membership on the Board. In addition, the Board may establish from time to time additional qualifications for membership on the Board, subject to the Corporation’s Certificate and these Amended and Restated Bylaws.

3. Election, Term, and Vacancies. Trustees shall be elected as provided for in the bylaws of the Sole Member, and shall serve for terms coinciding with their service on the board of directors of the Sole Member. Vacancies on the Board of the Corporation shall be filled in the manner set forth in the bylaws of the Sole Member.

4. Trustee/Chairman Emeritus.

A. The Board, in its discretion, may confer the honorary title of Trustee Emeritus upon any Trustee who shall have served as a Trustee for a period of three (3) terms of three (3) years each. A Trustee Emeritus shall have the privilege of attending the Annual Meetings of the Board, but shall not be entitled to vote and shall not be counted as a regular member of the Board.

B. The Board, in its discretion, may confer the honorary title of Chairman Emeritus upon any Trustee who has served as Chairman of the Corporation. A Chairman Emeritus shall serve as an *ex officio* trustee as provided in this Article V and shall have the privilege of attending the Annual and Regular Meetings of the Board, but shall not be entitled to vote and shall not be counted as a regular member of the Board.

5. Resignation; Removal. Trustees of the Corporation may resign or be removed in the manner set forth in the bylaws of the Sole Member. Resignation or removal of a Trustee from the board of directors of the Sole Member shall automatically constitute resignation or removal (as applicable) from the Board of the Corporation.

6. General Powers. Except as provided in Article IV, Section 2 with respect to the reserved powers of the Sole Member and the University, the entire business, property and affairs of the

Corporation shall be managed by the Board, which shall make, adopt, and amend such rules and regulations concerning the Corporation as it may deem proper. In the management and control of the business, property, and affairs of the Corporation, the Board is hereby vested with all powers possessed by the Corporation itself, insofar as this delegation of authority is not inconsistent with the laws of the State of New Jersey, the Certificate, or these Amended and Restated Bylaws and amendments thereto.

7. Specific Powers.

- A. The specific powers of the Board shall include, but are not limited to the power to:
- (1) Adopt vision, mission and values statements and develop policies consistent with the Penn Medicine vision, mission and values;
 - (2) Implement standards for patient care for the Corporation, with guidance from the Sole Member and Penn Medicine;
 - (3) Implement quality improvement related actions with respect to the Corporation, with guidance from the Sole Member and Penn Medicine;
 - (4) Implement the Corporation's promotion of access to care in the communities it serves;
 - (5) Implement community health needs and community service goals and priorities in the communities served by the Corporation;
 - (6) Oversee and have authority with respect to the Corporation's credentialing of medical staff;
 - (7) Approve any amendment to the Medical Staff Bylaws of the Corporation;
 - (8) Appoint from time to time one (1) or more standing committees in addition to those set forth in these Amended and Restated Bylaws. Each committee shall have such name or names and such powers and duties as may be determined from time to time by the Board. All committees shall report to the Board when and as required by the Board. The Board shall have the power to fill vacancies in, to change the membership of, or to dissolve any such committee;
 - (9) Recommend proposed operating and capital budgets, projects and project plans for the Corporation;
 - (10) Promote the Corporation's fundraising and development efforts in coordination with the Sole Member and Penn Medicine;
 - (11) Recommend any modification or amendment of any of the Corporation's and its subsidiaries' charity care policies and procedures;

- (12) Make recommendations for adjustments to the Corporation's overall employee compensation and benefits;
- (13) Assist in monitoring and reporting on clinical quality with respect to the Corporation;
- (14) Approve any amendment to or restatement of the Certificate, these Bylaws or other documents by and through which a business organization is formed and governed, of the Corporation;
- (15) Review and have input into any substantive changes in the services provided by the Corporation;
- (16) Participate in annual review of the strategic plan and goals of the Corporation and monitor progress toward achievement of those strategic goals;
- (17) Review disaster plans that deal with both internal (*e.g.*, fire) and external disasters; and
- (18) Evaluate and make recommendations regarding recruitment needs to ensure adequate medical staff capacity to continue to meet community needs.

B. In addition, during the System Integration Period (as defined in the bylaws of the Sole Member), subject to the powers reserved to the Sole Member or the University, the Board shall also have the right and power to:

- (1) Appoint the individuals who will serve as the officers of the Board, subject to the approval of Penn Medicine;
- (2) Recommend and approve strategic plans for the Corporation, consistent with the strategic plans for Penn Medicine (subject to the further approval of Penn Medicine);
- (3) Approve any closure or relocation of the Corporation's programs or services;
- (4) Approve the addition of new or expanded service lines within the Corporation's service areas;
- (5) Approve the execution, termination, renewal and non-renewal of exclusive agreements with hospital-based physician groups on the Corporation's Plainsboro Campus; and
- (6) Approve the termination, renewal and non-renewal of agreements with existing tenants (as of the Effective Time, as defined by the Sole Member's bylaws) who lease space on the Plainsboro Campus.

Under the Affiliation Agreement (as defined by the Sole Member's bylaws), the timing of certain strategic and routine capital commitments made by the member of the Sole Member to the Sole Member may be extended, as further described in Section 11.2.1 and 11.2.2 of the Affiliation Agreement. In the event of any such extension, the foregoing Board powers in this Section 7B shall be extended beyond the System Integration Period, in accordance with Section 11.2.1 and 11.2.2 of the Affiliation Agreement, as applicable.

8. Board Responsibility. In addition to the general and specific corporate powers of the Board, it shall be the general responsibility of the Board to define and pursue the mission and safeguard the values of the Corporation while providing assurances that management policies and practices are consistent with the mission of the Corporation, that there are adequate financial resources to meet the mission, and that the services being provided by the Corporation are of high quality.

In addition, it shall be the responsibility of the Board to:

- A. In conjunction with the Sole Member, provide guidance and recommendations to Penn Medicine in regard to the evaluation of the President and Chief Executive Officer of the Corporation,
- B. Establish long-term direction through oversight of and participation in strategic planning,
- C. Promote financial viability via budget and financial oversight, fund development, and investment,
- D. Assure that the Corporation maintains and continuously improves its quality of care and service,
- E. Monitor the effectiveness of significant programs of the Corporation and take action where appropriate to improve, modify, or eliminate such programs in order to maintain corporate excellence,
- F. Oversee and promote positive relationships with the Medical Staff and physician organizations,
- G. Promote and maintain constructive external relationships with the community, local business, government, funding sources, and other health-related organizations,
- H. Assure that the Corporation meets regulatory, accreditation, and legal requirements, including compliance with applicable federal and state statutes, rules, and regulations, specifically including but not limited to, HIPAA privacy regulations,
- I. Oversee effective governance, including, Trustee recruitment, selection, and orientation, Board education and self-evaluation, and effective function and structure,
- J. Act with the highest integrity to advance the best interests of the Corporation and achieve its mission,

- K. Consider the needs, interests, and concerns of the community and constituency groups,
- L. Oversee policies established by management and ensure that these policies advance the mission and strategic plan of the organization,
- M. Serve as adviser to the President and Chief Executive Officer of the Corporation, and
- N. Appoint and reappoint physicians to the Medical Staff and delineate staff privileges.

ARTICLE VI. MEETINGS OF THE BOARD OF TRUSTEES

1. Annual Meeting. The annual meeting of the Board shall be held on the last Monday of the month of February of each year at the principal office of the Corporation, or at such other time and place as shall be fixed by the Board (the “*Annual Meeting of the Board*”), in order to transact such business as shall properly come before the Board. Notice of the time, place and purpose of the Annual Meeting of the Board shall be given or served upon each member of the Board, either personally or by mail or by telephone or by facsimile, or by electronic means, including without limitation, e-mail or posting on a secure website available only to Trustees and other authorized individuals, not less than ten (10) days nor more than forty (40) days prior to the date of the meeting; provided, however, that in the case of notice by electronic means, such notice shall be effective if transmitted or posted not less than five (5) days prior to the date of the meeting.
2. Regular Meeting. Unless otherwise provided by a resolution of the Board, the Board shall hold five (5) regular meetings per year, in addition to the Annual Meeting required pursuant to Article VI, Section 1 hereof, on such dates as are determined by the Chairman of the Board, at 6:00 PM, at the principal office of the Corporation, or at such other time or place as the Chairman of the Board may determine from time to time. Notice of the time, place and purpose of each regular meeting of the Board shall be given or served upon each member of the Board, either personally or by mail or by telephone or by facsimile, or by electronic means, including without limitation, e-mail or posting on a secure website available only to Trustees and other authorized individuals, not less than ten (10) days nor more than forty (40) days prior to the date of the meeting; provided, however, that in the case of notice by electronic means, such notice shall be effective if transmitted or posted not less than five (5) days prior to the date of the meeting.
3. Special Meeting. A special meeting of the Board may be called at any time and place by the Chairman, the Vice Chairman, or one-third of the members of the Board.
4. Notice. Notice of the time, place and purpose of the special meeting of the Board shall be given or served upon each member of the Board, either personally or by mail or by telephone or by facsimile, or by electronic means, including without limitation, e-mail or posting on a secure website available only to Trustees and other authorized individuals, not less than ten (10) days nor more than forty (40) days prior to the date of the meeting; provided, however, that in the case of notice by electronic means, such notice shall be effective if transmitted or posted not less than five (5) days prior to the date of the meeting.

5. Waiver of Notice. Notice of the time, place and purpose of any meeting of the Board may be waived by instrument in writing or by facsimile.

6. Quorum. At any meeting of the Board, or at any meeting of any Standing Committee established pursuant to Article X, Section 2 of the Bylaws or Ad Hoc Committee authorized pursuant to Article X, Section 3 of the Bylaws, a majority of the Board or Committee, as applicable, present in person shall constitute a quorum for all purposes, and a majority of the vote in such quorum shall be sufficient to pass any measure in such meeting.

7. Business. The business conducted at each regular meeting of the Board shall include, without limitation, the following elements:

- A. Approval of Minutes
- B. Report of Officers
- C. Report of the President of the Medical Staff
- D. Report of the President of the Auxiliary
- E. Report of Standing Committees
- F. Report of Special Committees
- G. Unfinished Business
- H. New Business
- I. Adjournment

ARTICLE VII. CONFLICT OF INTEREST

1. No Trustee shall receive compensation or benefit of any kind in his or her office as a Trustee. No Trustee shall at any time be placed in a position of conflict which would jeopardize the Corporation's exempt status under the Internal Revenue Code of 1986, as amended.

2. No transactions involving remuneration to a Trustee or to an organization of which a Trustee is a member, officer, director or principal or controlling stockholder shall be entered into by the Corporation without full disclosure by the interested Trustee and the approval of the Board. No Trustee so involved may have a vote in such approval or be counted as part of a quorum in which such vote is made.

3. Trustees shall comply with conflict of interest policies adopted by the Board from time to time.

ARTICLE VIII. MEDICAL STAFF

1. The Board shall have sole and exclusive authority for the appointment and reappointment of a Medical Staff of physicians and dentists, and such other professional persons as may be deemed necessary. These appointments and reappointments shall be in accordance with qualifications and procedures as set forth in Article III of the Medical Staff bylaws, rules and regulations.

The reappointment process is hereby declared to be a vital part of the Corporation's formal program for quality improvement (the "*Quality Improvement Program*"). It should be based upon a

reasonable review of the individual in accordance with the Medical Staff bylaws, rules and regulations at periodic intervals. Further, the Quality Improvement Program shall be designed to qualify the Corporation and its patients for participation in various programs of health care services and reimbursement sponsored by the state or federal government, to meet all requirements of applicable law and to assure full accreditation by The Joint Commission.

The Board shall have sole responsibility for the organization of the Medical Staff into a responsible administrative unit that adopts such bylaws, rules and regulations for the government of its practice in the Corporation, as the Board deems to be of the greatest benefit to the care of the patient, subject to the bylaws, rules and regulations of the Medical Staff adopted by the Medical Staff and the Board.

2. Departmental Chairmen and Section Chiefs, under contract with the Corporation, shall be appointed or reappointed by the Board after consultation with the Medical Staff.

3. Department Chairmen and Section Chiefs, who are not under contract with the Corporation, shall be elected by the Senior Attending and Attending Medical Staff membership of the respective department or section. All elections held pursuant hereto shall be subject to confirmation by the Board.

4. The bylaws, rules and regulations of the Medical Staff, setting forth its organization and government, shall be recommended by the Medical Staff, and such bylaws, rules and regulations as approved by the Board shall be and hereby are made a part of these Amended and Restated Bylaws of the Corporation.

5. The Senior Attending and Attending Medical Staff shall, in accordance with its bylaws, rules and regulations evaluate the professional competence of Medical Staff members and applicants for Medical Staff privileges and also shall make recommendations to the Board concerning initial Medical Staff appointments, reappointments and the assignment or curtailment of privileges, also in accordance with its bylaws, rules and regulations.

6. The Board may remove, suspend, dismiss or discharge any member of the Medical Staff, or any of its appointees, provided, however, that no such action shall be taken with respect to any member of the Medical Staff unless the procedures established by Article IV, Article V and Article VII Section 2(d) of the Medical Staff bylaws, rules and regulations (or the applicable provisions of any amended or successor Medical Staff bylaws, rules and regulations), as the case may be, are followed, and unless all rights set forth in the aforesaid Articles are made available to the affected person.

ARTICLE IX. OFFICERS

1. Officers. The officers of the Corporation shall be a Chairman, a Vice Chairman, a President and Chief Executive Officer, a Treasurer, a Secretary, one or more Assistant Treasurers and an Assistant Secretary as the Board may deem necessary, and such other Vice Presidents and other officers as shall be designated and elected by the Board from time to time. The Chairman, the Vice Chairman, the Treasurer and the Secretary shall be elected from among the membership of the Board.

2. Election and Removal of Officers. All officers of the Corporation shall be elected at the Annual Meeting of the Board, and shall hold office for two (2) years and until their respective successors shall have been duly elected and qualified, provided, however, that all officers, agents and employees of the Corporation shall be subject to removal at any time, with or without cause, by the Board. The election of the Chairman shall be subject to the approval of Penn Medicine. At its discretion, the Board may leave unfilled for such period as it may deem proper, any office except that of Chairman, Treasurer and Secretary. Failure to elect any such officer shall be considered an exercise of this discretionary power.

3. Term Limit. The Chairman, Vice Chairman, Treasurer, and Secretary may serve for up to three (3) consecutive two (2) year terms in that office. Thereafter, a person shall not be eligible for election to such office until the Annual Meeting of the Board following the Annual Meeting of the Board at which such person's term expired. Notwithstanding the term limitation imposed by Article V, Section 4 hereof, a person who is holding an office designated in this paragraph at the end of his or her third consecutive term as a Trustee shall be eligible for election to one (1) additional term as a Trustee so as to complete his or her current term in such office. Any officer who is serving in an office designated in this paragraph on the date of adoption of these Amended and Restated Bylaws, regardless of prior service to the Corporation, shall be considered as being in his or her first term in such office and upon the expiration of such term, shall be eligible for two (2) additional terms. In the event that any officer who is serving in an office designated in this paragraph on the date of adoption of these Amended and Restated Bylaws, who is in his or her fourth or greater consecutive term as a trustee, who has only one year remaining in such term as a Trustee following completion of his or her then current term in office, and who is eligible for one or more additional terms in office pursuant to the term limits for officers provided in this paragraph, may be elected to a one-year term in office that is coterminous with such Trustee's final year on the Board. Notwithstanding any provision in these Bylaws to the contrary, the Board shall have the authority to reappoint, by a two-thirds majority, any officer who would not be eligible for reappointment because of the trustee and/or officer term limits in these Amended and Restated Bylaws to serve one additional one-year term in such office if the Board determines that such additional term of office is in the best interests of the Corporation and is necessary and desirable to maintain continuity of governance; and provided that such authority to extend an officer's term beyond the customary limits provided in this Article IX, Section 3 shall expire on December 31, 2009.

4. Duties of Officers. All officers of the Corporation shall promote the mission of the Corporation and ensure that all action taken by the Board is consistent with the mission and values of the Corporation and its strategic plan. In addition, each officer shall have the following responsibilities and powers:

- A. Chairman. The Chairman shall preside at all meetings of the Board, and shall provide leadership to the Board.

In addition to his or her other duties, the Chairman shall:

- (1) Act as liaison with and build leadership cohesion among the Board, management, and the Medical Staff,
- (2) Serve as chair of the Executive and Compensation Committees,
- (3) Plan agendas and preside over meetings of the Board and committees which he chairs,
- (4) Ensure that all meetings are conducted according to the requirements of these Amended and Restated Bylaws and, when otherwise unspecified, according to Roberts Rules of Order, Revised,
- (5) Enforce the Corporation's Amended and Restated Bylaws, and its rules, governance standards, and regulations,
- (6) Ensure the development of Board goals and objectives and translate such goals into annual work plans,
- (7) Direct the committees of the Board to ensure that committee work flows from and supports the Corporation and Board work plans,
- (8) Orient new Trustees and the new Chairman of the Board and arrange for continuing education for the Board,
- (9) Ensure that effective Board self-evaluation occurs,
- (10) Lead the Compensation Committee in its participation in the performance evaluation and the provision of recommendations regarding the salary of the President and Chief Executive Officer,
- (11) Attend committee, Medical Staff and other organization meetings as appropriate,
- (12) Represent the Corporation at events, conferences, and other functions,
- (13) Have the power to sign, on behalf of the Corporation, checks, contracts and other instruments, and
- (14) Have all other powers, and perform all other duties commonly incident to or vested in the office of the chairman of the board of a corporation or as may otherwise be designated by the Board from time to time.

- B. Vice Chairman. The Vice Chairman shall assist the Chairman in fulfilling leadership duties and carry out assignments from the Chairman, as appropriate. The

Vice Chairman shall perform the duties and have the powers of the Chairman during the absence or disability of the Chairman, and shall perform such other duties and have such other powers as the Board shall designate from time to time. In the event of the absence or disability of the Chairman, the Vice Chairman shall succeed to the rights and duties of the Chairman.

In addition to his or her other duties, the Vice Chairman shall:

- (1) Serve on the Executive Committee,
- (2) Prepare for leadership succession to the position of Chairman, and assist in planning leadership succession of the other officers and the Trustees,
- (3) Represent the Corporation at events, conferences, and other functions, and
- (4) Have all other powers, and perform all other duties commonly incident to or vested in the office of the vice chairman of the board of a corporation or as may otherwise be designated by the Board from time to time.

- C. President. The President shall be the same individual who serves as President and Chief Executive Officer of the Member. The President shall report directly to the UPHS Chief Executive Officer for at least the first two (2) years after the Effective Time and may be removed by the UPHS Chief Executive Officer with prior advice and consultation from the Board. The President shall be the Chief Executive Officer of the Corporation, and as such, under the direction of the Chairman and the Board, shall have full charge of all activities and employees of the Corporation. The President shall appoint and employ such assistants as shall be required to conduct the business and affairs of the Corporation, and shall ensure, in harmony with the Medical Staff, that the medical activities are properly organized and directed in the various medical departments of the Corporation.

The President and Chief Executive Officer shall attend all meetings of the Board, shall have the responsibility to participate in all discussions, and shall be a regular member of the Board with vote. The President and Chief Executive Officer shall be an *ex-officio* member with vote on all committees of the Board and Medical Staff, except he shall not have a vote on the Compensation Committee and the Governance and Nominating Committee (with respect to nominations only). The President and Chief Executive Officer shall make recommendations to the Board from time to time regarding any phase of corporate policy or administration, all to the end that the Board may pass upon all major policies and be kept generally informed on problems relating to the operation and administration of the Corporation. The President and Chief Executive Officer shall have power, on behalf of the Trustees, to perform all acts, execute and deliver all documents, including checks, contracts and other instruments, and take all steps that he may deem necessary or desirable in order to effectuate the actions and policies of the Board or the Executive Committee of the Board.

In addition to his or her other duties, the President and Chief Executive Officer shall have the authority to:

- (1) Select, employ, control and discharge employees of the Corporation; provided, however, that the President and Chief Executive Officer shall consult with the Chairman of the Board in connection with the appointment and removal of the Corporation's corporate compliance officer,
- (2) Supervise all business affairs and to ensure that proper and sound business and fiscal policies are followed, and
- (3) Have all other powers, and perform all other duties commonly incident to or vested in the office of the president of a corporation or as may otherwise be designated by the Board from time to time.

D. Vice Presidents. Notwithstanding any provision in these Amended and Restated Bylaws to the contrary, the President and Chief Executive Officer, in consultation with the Chairman of the Board, may from time to time appoint or remove one or more Vice Presidents of the Corporation with powers and duties commonly incident to or vested in the office of the vice president of a corporation or such other duties and responsibilities as the President and Chief Executive Officer determines from time to time.

E. Treasurer. The Treasurer shall have the care and custody of all assets and documents related to the assets of the Corporation, which shall be kept in a suitable safe deposit box or in the custody of one (1) or more accredited banks or trust companies as may be designated by the Board.

The Treasurer shall open accounts in the name of the Corporation in such banks or trust companies as the Board shall direct, and shall deposit therein all monies received. The funds of the Corporation shall be withdrawn upon such signature or signatures as the Board shall designate.

In addition to his or her other duties, the Treasurer shall:

- (1) Present a report of the Treasurer at meetings of the Board,
- (2) Serve on the Executive Committee,
- (3) Serve as chair of the Finance and Audit and Compliance,
- (4) Report all financial transactions to the Board and the Finance and Audit and Compliance,
- (5) Submit an annual report, which shall be audited by a public accountant selected by the Board,

- (6) Ensure that all transactions are made to the best possible advantages of the Corporation,
- (7) See that an accounting system is maintained in such manner as to give a true and accurate accounting of all financial transactions of the Corporation,
- (8) Require the orderly maintenance of Board records and archives in regard to financial management,
- (9) Require the timely production of financial statements and reports of the Corporation,
- (10) Require the enforcement of these Amended and Restated Bylaws and the Corporation's rules, governance standards, and regulations in regard to financial records, and
- (11) Have all other powers, and perform all other duties commonly incident to or vested in the office of the treasurer of a corporation or as may otherwise be designated by the Board from time to time.

F. Assistant Treasurer. Notwithstanding any provision in these Amended and Restated Bylaws to the contrary, the Board may appoint one or more Assistant Treasurers, who shall assist the Treasurer, and in the absence or disability of the Treasurer, the Board shall designate an Assistant Treasurer to perform the duties of the Treasurer. The Chief Financial Officer of UPHS shall be appointed by the Board to act as an Assistant Treasurer, but need not be the Assistant Treasurer designated by the Board to perform the duties of the Treasurer in the absence or disability of the Treasurer.

G. Secretary. The Secretary shall attend all meetings of the Sole Member of the Corporation, and the Board, and shall keep and preserve in an orderly manner in books of the Corporation, true minutes of the proceedings of all such meetings. The Secretary shall have custody of all valuable papers and documents of the Corporation other than those in the custody of the Treasurer and shall keep in his or her custody the seal of the Corporation and shall have authority to affix the same to all instruments where its use is required. In a timely manner, the Secretary shall enter into a book, kept for that purpose, all bylaws, amendments and additions thereto. The Secretary shall give all notices required by statute, by the Certificate, or by these Amended and Restated Bylaws.

In addition to his or her other duties, the Secretary shall:

- (1) Present a report of the Secretary at meetings of the Board,
- (2) Serve on the Executive Committee,
- (3) Act as liaison between the Board and external constituencies relating to official documentation,

- (4) Require the timely production of minutes, meeting materials and other documents of record,
- (5) Require the enforcement of these Amended and Restated Bylaws and the Corporation's rules, governance standards, and regulations in regard to record keeping and communication, and
- (6) Have all other powers, and perform all other duties commonly incident to or vested in the office of the secretary of a corporation or as may otherwise be designated by the Board from time to time.

H. Assistant Secretary. Notwithstanding any provision in these Amended and Restated Bylaws to the contrary, the President and Chief Executive Officer, in consultation with the Chairman of the Board, may appoint or remove from time to time an Assistant Secretary to perform the duties and have the powers of the Secretary during the absence or disability of the Secretary, and to perform such other duties and have such other powers as the President and Chief Executive Officer shall designate from time to time.

ARTICLE X. STANDING AND SPECIAL COMMITTEES

1. Membership. All committee members, other than those who serve *ex officio*, shall be appointed for a one (1) year term at the Annual Meeting of the Board, upon recommendation of the Governance and Nominating Committee of the Corporation or other duly constituted and authorized committee of the Corporation. One of the Penn Medicine Designees (as defined in the Sole Member's bylaws), shall be appointed to any committee that has the power to act in place of the Board. If any committee member, other than those who serve *ex officio*, is absent from three (3) consecutive committee meetings, this shall be deemed to be a tender of resignation from the committee. However, the Board, by a majority vote, may retain such member in that position if the Board judges such retention to be appropriate. Notwithstanding the foregoing, committee members may be removed or replaced, and any vacancies on a committee shall be filled, by the Board upon the recommendation of the Governance and Nominating Committee or other duly constituted and authorized committee of the Corporation. All actions of the standing committees shall be reported to the Board at its regular meeting next succeeding such action. Non-trustees, whether or not affiliated with the Corporation, may serve as non-voting members of any Standing Committee established pursuant to Article X, Section 2 of these Amended and Restated Bylaws, other than the Executive Committee, Audit and Compliance, Governance and Nominating Committee, and Joint Conference and Professional Affairs Committee, and any Ad Hoc Committee established pursuant to Article X, Section 3 of these Amended and Restated Bylaws, to provide advice or assistance on specific topics requiring specialized knowledge. Notwithstanding the foregoing, former trustees may serve on the Audit and Compliance in accordance with Article X, Section 2.I of these Amended and Restated Bylaws. Non-trustees shall be appointed to such committees by the Governance and Nominating Committee, subject to the approval of the Chairman of the Board and the chairman of the applicable committee. Non-trustees may be removed from any committee by the Governance and Nominating Committee.

2. Standing Committees. The standing committees of the board shall be as follows:

- A. Executive Committee. The Executive Committee shall consist of the Chairman, the Vice Chairman or Vice Chairmen, the President and Chief Executive Officer, the Treasurer, the Secretary, the chairs of the standing committees established pursuant to Article X, Section 2 of the Bylaws, the President of the Medical Staff, and one of the Penn Medicine Designees. The Chairman of the Board shall act as the chair of this committee. In the Chairman's absence, a Vice Chairman of the Board shall act in his or her place and stead.

The Executive Committee shall meet as needed between meetings of the full Board to fulfill the duties described below. The Chairman of the Board may convene a meeting of the Executive Committee at his or her discretion or upon consideration of a request of other members of the Board or the President and Chief Executive Officer.

The duties of the Executive Committee shall include:

- (1) Providing continuity of Board responsibilities between the regularly scheduled meetings of the Board,
- (2) Making decisions on important matters that demand time sensitivity and exercising the powers of the Board while the Board is not in session,
- (3) Resolving issues that cannot be addressed effectively by the full Board and making recommendations to the Board thereon,
- (4) Making decisions regarding (i) credentialing and privileging, including appointment and reappointment, of physicians, dentists and other eligible applicants to the Corporation's Medical Staff, (ii) Medical Staff bylaws, rules, and regulations, and (iii) other Medical Staff matters requiring approval of the Board,
- (5) Providing advice to the Chairman of the Board or the President and Chief Executive Officer,
- (6) Addressing matters delegated to the Executive Committee by the full Board, and
- (7) Handling routine matters in order to conserve the time of the full Board.

Notwithstanding any other provision in these Amended and Restated Bylaws to the contrary, the vote of a majority of the then current Executive Committee members shall be required for Executive Committee action, which vote may be conducted through solicitation of e-mail responses from the members of the Executive Committee by an officer of the Corporation; provided, however, that any member of the Executive Committee may, within forty-eight hours (exclusive of any time on Saturdays or Sundays) of the time of solicitation of any such e-mail vote, request to convene an in-person or telephonic meeting of the Executive Committee in lieu of an e-mail vote with respect to any matter under consideration by the Executive

Committee. All decisions of the Executive Committee shall be reported to the full Board at its next regularly scheduled meeting.

- B. Finance Committee. The Finance Committee shall consist of the Treasurer, one (1) Trustee representative of the Medical Staff, both of the Penn Medicine Designees, and two (2) or more additional members of the Board. The individual who from time-to-time is employed as Penn Medicine's Chief Financial Officer (or Penn Medicine's most senior finance officer if there is no one holding the title of Chief Financial Officer) shall serve as a non-voting member of the Finance Committee. The Treasurer shall be the chair of the Finance Committee, and the Finance Committee shall meet as needed, however, not less than once during each quarter of the fiscal year.

The duties of the Finance Committee shall include:

- (1) Reviewing and recommending to the full Board the annual budget for the Corporation,
- (2) Assuring that the Board and its committees are adequately and currently informed, through monthly reports and other methods, of the financial condition of the Corporation and its operations,
- (3) Reviewing plans for incurring external debt,
- (4) Reviewing compliance with relevant material laws affecting the finances of the Corporation,
- (5) Ensuring protection of the value of the Corporation's tangible property,
- (6) Meeting on a regular basis with management, and
- (7) Evaluating the Corporation's financial performance and issues.

- C. Executive Compensation Committee. The Executive Compensation Committee, which shall consist of at least three independent trustees, as defined in Article X, Section 2 of these Amended and Restated Bylaws, who also meet the independence requirements of the Internal Revenue Code and other applicable federal or state laws (each, an "***Independent Trustee***"). The Chairman of the Board shall serve as chair of the Executive Compensation Committee, except if the Chairman of the Board does not qualify as an Independent Trustee, in which case the Executive Committee shall designate another Independent Trustee to serve as chair of the Executive Compensation Committee.

In addition to any other responsibilities which may be assigned by the Board from time to time, the duties and responsibilities of the Executive Compensation Committee shall be to:

- (1) Review and provide guidance to Penn Medicine as to, at least annually, corporate goals and objectives relevant to compensation of the President and Chief Executive Officer and, taking into account the Board's assessment of the overall performance of the President and Chief Executive Officer and the Committee's assessment of the achievement of the goals and objectives, provide guidance to Penn Medicine as to the President and Chief Executive Officer's performance and compensation level.
- (2) Review, approve and administer the Corporation's executive compensation program, including, after consultation with the President and Chief Executive Officer, awards of any base salaries and the grants of annual incentive compensation and long-term incentive compensation.
- (3) Oversee regulatory compliance, in consultation with management, with respect to compensation matters, including overseeing the Corporation's policies on structuring compensation programs to comply with Internal Revenue Code Section 4958, *et seq.*, and related regulations.
- (4) Approve any employment agreements, severance agreements, change of control agreements or similar agreements that are entered into between the Corporation and its executive officers.
- (5) Approve the compensation disclosures to be set forth in Internal Revenue Service Form 990, and otherwise develop and maintain a strict confidentiality policy regarding disclosure of senior management evaluations and compensation packages.
- (6) Form subcommittees consisting of one or more members of the Committee, and delegate authority to such subcommittees hereunder as it deems appropriate, to the extent not otherwise inconsistent with its obligations and responsibilities and applicable law.
- (7) Perform such other functions as may be necessary or appropriate for the performance of its oversight function.

The Committee is authorized to utilize those resources which are necessary and appropriate in order to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of, counsel or other advisors, experts or compensation consultants, as it deems appropriate, in its sole discretion, without seeking approval of the Board or management. The Corporation shall pay all fees and expenses for any such advisors, experts or consultants retained by the Committee.

Unless otherwise required by applicable law or as provided by these Amended and Restated Bylaws: (i) the Committee may take any action required or permitted to be taken at any meeting of the Committee without a meeting if all of the members of the Committee consent thereto (a) in writing or (b) by electronic transmission, and such writings or transmissions are filed with the minutes of the Committee; and

(ii) members of this Committee may participate in a meeting by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence at such meeting. The Chair of the Committee shall determine whether participation in the meeting by teleconference or videoconference will be permitted.

D. Joint Conference and Professional Affairs Committee.

- (i) The Joint Conference and Professional Affairs Committee shall consist of four (4) members of the Board of Trustees who are not *ex-officio* or member's of the Corporation's Medical Staff, four (4) members of the Corporation's Medical Staff comprised of the President of the Medical Staff and three other members of the Medical Staff Executive Committee who are not physician Trustees, and four (4) members of senior management of the Corporation comprised of the President/CEO, Vice President for Medical Affairs, and General Counsel of PHCS and the President of University Medical Center at Princeton, or such other members of senior management designated by the President/CEO. The Joint Conference and Professional Affairs Committee shall be co-chaired by one member of the Board of Trustees and one member of the Medical Staff; provided, however, that the Chairman of the Board of Trustees, who may serve on this Committee, and the President of the Medical Staff may not serve as a co-chair. The co-chairs shall alternate presiding at committee meetings.
- (ii) The overriding purposes of the Joint Conference and Professional Affairs Committee are to serve as a forum for the discussion of matters of administration and Medical Staff policy, practice and planning in order to inform and assist the Board of Trustees in decision making, and a forum for resolution of conflicts between the Corporation and the Corporation's Medical Staff which have not been successfully resolved by other committees or mechanisms. Therefore, the Committee shall make recommendations by consensus, and no member of the Joint Conference and Professional Affairs Committee shall have a vote.
- (iii) Conflict of interest and confidentiality policies applicable to members of the Board of Trustees, senior management, and members of the Medical Staff Executive Committee shall apply to members of the Committee. In addition, no member of the Joint Conference and Professional Affairs Committee who has actively participated on the hearing or appellate hearing panel, as defined in the Medical Staff Bylaws, in consideration of an adverse recommendation against any practitioner may participate in Joint Conference and Professional Affairs Committee deliberations of the adverse recommendation relating to such practitioner. Any member of the Joint Conference and Professional Affairs Committee who has not signed the applicable conflict and confidentiality statements and disclosures for

such year shall be required to do so prior to participating in any Committee meetings.

- (iv) The purview of the Joint Conference and Professional Affairs Committee shall include, without limitation:
 - (A) Promoting a broad base of physician input regarding clinical priorities and practices, and other matter affecting the Corporation;
 - (B) Planning for the growth and development of the Corporation, and supporting the implementation and ongoing refinement of the Corporation's Medical Staff development plan;
 - (C) Reviewing and advising on resolution of issues regarding credentialing, de-credentialing, and corrective action (hearing and appellate review) of practitioners in cases where the decision of the Board of Trustees is inconsistent with that of the Medical Staff or committee thereof;
 - (D) Reviewing and advising about possible partnerships or affiliations between the Corporation and other healthcare providers;
 - (E) Recommending approaches to address the needs and concerns of groups of physicians and helping to resolve issues that arise in connection with the operation and affairs of the Corporation; and
 - (F) Providing and coordinating such other duties and responsibilities as are provided in the Amended and Restated Bylaws of the Corporation, as in effect from time to time.
- (v) The Joint Conference and Professional Affairs Committee shall be scheduled to meet at least quarterly, and meetings shall be held as needed. In addition, the co-chairs shall convene a meeting at the request of any member of this Committee. The Joint Conference and Professional Affairs Committee shall maintain minutes of each meeting summarizing the consensus reached by the members of this Committee and the various opinions expressed at each meeting, and shall distribute such minutes to the Board of Trustees, the Medical Staff Executive Committee, and senior management of PHCS. The Joint Conference and Professional Affairs Committee may meet in executive session if so approved by both co-chairs. The President/CEO, Vice President for Medical Affairs, General Counsel, and/or President of University Medical Center at Princeton, or any other member of senior management serving on the Committee, may be invited to or excluded from any executive session by the co-chairs acting in concert. Since the Joint Conference and Professional Affairs Committee serves an advisory function only, no quorum requirement has been established.

- E. Governance and Nominating Committee. The Governance and Nominating Committee shall consist of at least three (3) members of the Board, provided, however, that at least one (1) member is a Trustee representative of the Medical Staff. The Chair of the Princeton HealthCare System Foundation Governance and Nominating Committee shall be an ex-officio member of The Governance and Nominating Committee. It shall be the duty of the Governance Committee to meet quarterly, or more often as needed, to perform appropriate governance oversight functions, including one or more meetings to nominate for election as Trustees a number of individuals equal to the number of Trustees to be elected at the next Annual Meeting in accordance with Article V of these Amended and Restated Bylaws.

The governance functions of the Governance and Nominating Committee shall include:

- (1) Evaluating, developing and overseeing governance policies, structure, practices and board effectiveness of the Corporation and affiliates,
- (2) Overseeing trustee accountability, including fiduciary duties, conflicts, confidentiality and conduct,
- (3) Monitoring and assessing the performance of Trustees and Officers,
- (4) Officer and committee chairman succession planning,
- (5) Monitoring skills, personal attributes, independence, and diversity of the Board and determining which skills and personal attributes are needed to achieve or sustain the desired Board composition upon term transitions,

The nominating functions of the Governance and Nominating Committee shall include:

- (1) Identifying, evaluating, cultivating and recruiting Trustee prospects to fulfill the needs of the Board,
- (2) Proposing a slate of nominations for Trustees to be considered at the Annual Meeting of the Sole Member and ensuring that such nominations fulfill the term standards of Board governance,
- (3) Recommending candidates for Board appointments to fill mid-term Trustee vacancies as they arise,
- (4) Monitoring the orientation of new Trustees,
- (5) Monitoring the continuing education and development program for Trustees,

- (6) Recognizing exceptional Trustee service and coordinating service awards and citations for Trustees departing at the end of their terms.

F. Performance Improvement Committee. The Performance Improvement Committee shall consist of at least five (5) members of the Board, provided however, that at least one (1) member is a Trustee representative of the Medical Staff. It shall be the duty of this committee to ensure that a high quality program of patient care and services is being provided by the various units of the Corporation. The committee shall establish a system of monitoring patient care and services to assure that the Corporation's wide program of quality assurance is being appropriately implemented.

The Performance Improvement Committee shall oversee the development, implementation, and reporting of a program to measure and improve quality, risk management, and clinical resource utilization.

The duties of the Performance Improvement Committee shall include:

- (1) Reviewing the results of regulatory and accrediting body assessment of the Corporation's performance,
- (2) Monitoring the performance of all quality efforts to assure that the Corporation remains nationally accredited and locally respected for its quality of care,
- (3) Monitoring the performance of the Medical Staff in carrying out its responsibilities for evaluating and improving physician delivery of medical care,
- (4) Making certain that all policies and procedures of the Corporation are in compliance with the standards of The Joint Commission and any other appropriate accrediting agency with whose standards the Corporation wishes to comply,
- (5) Making certain, by receiving at least quarterly a report of the Corporation's home care services unit and such other units of the Corporation as the Board shall determine from time to time, that the policies covering all therapeutic services and programs offered by and through such units of the Corporation continue to be appropriate and evaluating the quality, accessibility, timeliness and need for such services and programs.
- (6) Reviewing periodic management and patient satisfaction reports that reflect the overall performance of the Corporation in providing quality care and service in a cost-effective, customer-focused manner, and
- (7) Reviewing the evaluation of the quality impact of new services, clinical management procedures, and technologies.

- (8) Reporting at each meeting of the Board the Corporation's hospital standardized mortality rate and such other measurements of clinical quality as the Performance Improvement Committee shall determine from time to time.

- G. Human Resources Committee. The Human Resources Committee shall consist of such members as determined by the Board from time to time, provided, however, that at least one (1) member is a Trustee representative of the Medical Staff. The Human Resources Committee shall meet as needed to assist the Board in fulfilling its oversight responsibilities relating to: (i) employee relations, culture, and morale; (ii) human resource practices; and (iii) benefit programs (except to the extent such oversight falls within the purview of the Finance Committee).

The duties of the Human Resources Committee shall include:

- (1) Reviewing the Corporation's human resources policies, including compensation (except with respect to compensation-related matters within the purview of the Executive Compensation Committee) benefits, recruitment, retention, and labor and employee relations, including, compliance with applicable laws and regulations, best practice standards, competitive positioning in the market, and the direct and indirect cost of compensation and health, welfare, and pension benefits and their relevant impact on the Corporation's budget,
- (2) Reviewing the annual compensation and health, welfare, and pension benefit changes as proposed by management, including an assessment of the impact of such items of the Corporation's budget, and
- (3) Advising management as requested about issues relating to the Corporation's human resources practices.

- H. Investment Committee. The Investment Committee shall consist of such members as determined by the Board from time to time, provided, however, that at least one (1) member is a director representative of Princeton HealthCare System Foundation (the "**Foundation**"), and provided further, that at least one (1) member is a Trustee representative of the Medical Staff. The Investment Committee shall meet quarterly and shall be responsible for the development and monitoring of investment policies and performance for the Corporation's financial assets.

The duties of the Investment Committee shall include:

- (1) Developing the investment goals and objectives of the Corporation and communicating these goals to the Board of the Corporation and the Board of the Foundation,
- (2) Monitoring an asset allocation strategy designed to meet the investment goals and objectives of the Corporation,

- (3) Reviewing investment returns measured against appropriate performance standards,
- (4) Evaluating, selecting, reviewing and, when appropriate, terminating investment managers, and
- (5) Overseeing and ensuring the preservation and enhancement of all the Corporation's financial assets.

I. Audit and Compliance Committee. The Audit and Compliance shall consist of at least three (3) current or former members of the Board, each of whom the Board has determined is "independent." An independent trustee or former trustee is free of any relationship that could influence his or her judgment as an Audit and Compliance member. An independent trustee or former trustee may not be a member of the Corporation's Medical Staff or be associated with a major vendor to the Corporation. The Board shall also determine that each member of the Audit and Compliance is financially literate and that at least one member of the Audit and Compliance has accounting or related financial management expertise

The Audit and Compliance shall carry out its duties and responsibilities in accordance with an Audit and Compliance Charter to be adopted by the Board, and as amended by the Board from time to time. The Audit and Compliance shall meet as often as may be deemed necessary or appropriate, in its judgment, but no less than quarterly.

The duties of the Audit and Compliance shall include:

- (1) Providing open avenues of communication among the Corporation's internal auditor, independent auditor and Board,
- (2) Responsibility for engaging independent auditors and appointing the internal auditor,
- (3) Responsibility for reviewing internal audits and the external audit of the annual financial statements, and
- (4) Reviewing and monitoring the effectiveness of the Corporation's Corporate Compliance Program.

3. Ad Hoc Committees. Ad Hoc Committees may be appointed by the Chairman of the Board on an as needed basis to provide the Chairman or President and Chief Executive Officer with advice or assistance on specific topics requiring specialized knowledge. Ad Hoc Committees shall be chaired by an appointee nominated by the Chairman of the Board. Ad Hoc Committees shall have no authority to make decisions or bind the Corporation, but shall be employed for the purpose of providing advice and making recommendations to the Board or the President and Chief Executive Officer, as appropriate.

4. Chair. Each standing committee shall have a chair which shall, unless otherwise provided in these Amended and Restated Bylaws, be appointed by the Chairman of the Board.

The chair of each standing committee shall:

- A. Promote the mission of the Corporation and ensure that all committee action is consistent with the mission and values of the Corporation and its strategic plan,
- B. Understand and communicate the function of the committee and ensure similar understanding among all committee members,
- C. Consult with the Chairman of the Board and with management, as appropriate, to advance the work of the committee,
- D. Schedule in advance meetings as prescribed or as needed,
- E. Provide timely notice of meetings to committee members and guests,
- F. Deliver agendas and appropriate preview materials to committee members,
- G. Ensure that committee meetings are conducted according to the requirements of these Amended and Restated Bylaws and, when otherwise unspecified, according to Roberts Rules of Order, Revised,
- H. Ensure the production of minutes and other documents for the committee, and
- I. Report regularly or as prescribed to the full Board.

5. Telephonic Meetings. Notwithstanding any other provision in these Bylaws to the contrary, members of any Standing Committee established pursuant to Article X, Section 2 of the Bylaws or Ad Hoc Committee authorized pursuant to Article X, Section 3 of the Bylaws may participate in a meeting of such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence at such meeting. The chair of the committee shall determine whether participation in the meeting by teleconference or videoconference will be permitted.

6. Electronic Voting. Notwithstanding any other provision in these Bylaws to the contrary, the vote of a majority of the then current members of any Standing Committee established pursuant to Article X, Section 2 of the Bylaws or Ad Hoc Committee authorized pursuant to Article X, Section 3 of the Bylaws shall be required for action by such committee, which vote may be conducted through solicitation of e-mail responses from the voting members of such committee by an officer of the Corporation; provided, however, that any voting member of the committee may, within forty-eight hours (exclusive of any time on Saturdays or Sundays) of the time of solicitation of any such e-mail vote, request to convene an in-person or telephonic meeting of such committee in lieu of an e-mail vote with respect to any matter under consideration by such committee. All decisions and/or recommendations of a Standing

Committee or Ad Hoc Committee shall be reported to the full Board at its next regularly scheduled meeting.

7. Standing Committee Charters and Ad Hoc Committee Charges. In addition to the requirement in Article X, Section 2.I of these Bylaws, the Board may from time to time require that Standing and Ad Hoc Committees develop, or revise, charters and charges, respectively, outlining the respective duties and responsibilities of each such committee. All charters and charges, and amendments thereto, require approval of the Board, upon recommendation of the Governance and Nominating Committee.

ARTICLE XI. SEAL

The seal of the Corporation shall consist of a circular seal with the name of the Corporation around the border, and the year of incorporation in the center.

ARTICLE XII. EXECUTION OF INSTRUMENTS

1. Checks and Drafts. All checks, drafts and orders for payment of monies shall be signed in the name of the Corporation and in its behalf by the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Treasurer, or by such other officers or agents as the Board shall designate from time to time.

2. Contracts and Conveyances. When the execution of any contract, conveyance or other instrument has been authorized by the Board without specifications as to the executing officer, the Chairman, the Vice Chairman or the President and Chief Executive Officer may execute the same in the name and on behalf of the Corporation, and the Secretary or Assistant Secretary may affix the seal of the Corporation thereto.

3. General. The Board shall have the power to designate officers and agents who shall have authority to execute any instruments on behalf of the Corporation.

ARTICLE XIII. FISCAL YEAR

The fiscal year of the Corporation shall commence on January 1 and end on December 31, unless the Board shall adopt a different fiscal year.

ARTICLE XIV. VOTING UPON STOCK HELD BY THE CORPORATION

The Chairman, the Vice Chairman, the President and Chief Executive Officer or the Treasurer shall have full power and authority, on behalf of the Corporation, to vote at any meeting of stockholders of any corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise all rights and powers incident to the ownership of such stock which any owner thereof might have possessed and exercised, if present. Such officers may also, on behalf of the Corporation, appoint attorneys and agents as the Corporation's proxy to exercise any of the foregoing powers. The Board, by resolution, from time to time may confer like powers upon any other person or persons.

ARTICLE XV. GIFTS

No gifts to the Corporation, which are not absolute and unrestricted, shall be accepted except by resolution of the Board or the Executive Committee.

ARTICLE XVI. PARLIAMENTARY GUIDE

The most current version of Robert's Rules of Order, Revised, shall be the parliamentary guide and shall govern procedures of the Board and of the members when not in conflict with provisions of these Amended and Restated Bylaws or any amendments thereto.

ARTICLE XVII. LIMITATION OF TRUSTEE LIABILITY

1. **Personal Liability of Trustees.** A Trustee of the Corporation shall not be personally liable for monetary damages for any action taken or any failure to take any action, except to the extent that exemption from liability for monetary damages is not permitted under the laws of the State of New Jersey as now or hereafter in effect. The provisions of this Subsection are intended to exempt the Trustees of the Corporation from liability for monetary damages to the maximum extent permitted under the Act or under any other law now or hereinafter in effect. Without limiting the foregoing, a Trustee of the Corporation shall not be personally liable for the monetary damages for any action taken or any failure to take any action, unless: (i) the Trustee has breached or failed to perform the duties of his office under the Act; and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of the preceding sentence shall not exempt a Trustee from: (i) the responsibility or liability of a trustee pursuant to any criminal statute; or (ii) the liability of a trustee for the payment of taxes pursuant to local, state or federal law.

2. **Modification or Repeal.** The provisions of this Article may be modified or repealed in accordance with the procedures for amending these Amended and Restated Bylaws; provided, however, that any such modification or repeal shall not have any effect upon the liability of a Trustee relating to any action taken, any failure to take any action, or events which occurred prior to the effective date of such modification or repeal.

ARTICLE XVIII. INDEMNIFICATION

1. **General.** The Corporation shall indemnify every corporate agent (each, a “*Corporate Agent*”) as defined in, and to the fullest extent permitted by, the Act (or any successor thereto), and to the fullest extent otherwise permitted by law.

2. **Advances.** In connection with the indemnification of any Corporate Agent, the Corporation may advance any or all of the expenses of the Corporate Agent as they accrue upon the determination by the Board that such indemnification may be proper and upon receipt of an undertaking by or on behalf of the Corporate Agent to repay the amounts advanced should it ultimately be determined that the Corporate Agent is not entitled to indemnification.

3. **Appearance as Witness.** This Article does not limit the power of the Corporation to pay or reimburse expenses incurred by a Corporate Agent in connection with the Corporate Agent's

appearance as a witness in a proceeding at the time when the Corporate Agent has not been made a party to the proceeding.

ARTICLE XIX. DISSOLUTION

In the event of dissolution or final liquidation of the Corporation, the Board shall, after paying or making provision for the payment of all of the lawful debts of the Corporation, distribute all of the assets of the Corporation as set forth in the Corporation's Certificate.

ARTICLE XX. AMENDMENT OF BYLAWS

1. Review. The Board shall review these Amended and Restated Bylaws at least annually and shall review them from time to time as they deem to be necessary or appropriate.
2. Amendments. The Board shall have the power, subject to the approval of the Sole Member, to make, alter, amend and repeal these Amended and Restated Bylaws, or to alter or amend the Certificate, by affirmative vote of two-thirds of the entire Board, provided, however, that the proposed alteration, amendment or repeal is specified in the notice of meeting provided for in these Bylaws. From and after the twentieth anniversary of the Effective Date, subject to applicable law and notwithstanding Article V, Section 7.A(14), the Sole Member may amend these Amended and Restated Bylaws.

ARTICLE XXI. INTERPRETATION

As used in these Amended and Restated Bylaws, all pronouns, titles and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

* * * * *

Adopted – February 25, 1963; Amended – February 28, 1966; Amended - February 24, 1970; Amended – February 28, 1972; Amended – November 26, 1973; Amended – February 25, 1974; Amended – February 23, 1976; Amended – February 27, 1978; Amended – February 26, 1979; Amended – February 25, 1980; Amended – October 4, 1982; Amended – January 24, 1984; Amended – March 25, 1985; Amended – November 25, 1985; Amended – November 24, 1986; Amended – September 26, 1988; Amended – February 24, 1992; Amended – November 22, 1993; Amended – January 27, 1997; Amended – March 24, 2003; Amended and Restated – September 22, 2003; Amended – January 25, 2005; Amended January 26, 2006; Amended - February 26, 2007; Amended - April 23, 2007; Amended - June 25, 2007; Amended - September 24, 2007; September 22, 2008; Amended – January 26, 2009; Amended January 25, 2010; Amended and Restated- April 19, 2010, Amended and Restated- November 28, 2010, Amended and Restated- March 28, 2011, Amended and Restated- November 28, 2011, Amended and Restated- January 23, 2012, Amended and Restated – March 24, 2014, Amended and Restated – [_____], 2016.

EXHIBIT F

BYLAWS OF

PENN MEDICINE

Section 1. PURPOSE AND RESPONSIBILITIES

The Trustees of the University of Pennsylvania (the “University”), acting through its Board of Trustees (the “University Trustees”), has determined that it is in the best interests of the University and of patients, faculty and staff, affiliated providers and students to institute a unified governance structure for its medical education, medical research and clinical health care. Reposing authority for the operation of these functions in Penn Medicine will allow for a more streamlined system of governance that will, in turn, allow them to operate more effectively and efficiently.

The purpose of Penn Medicine shall be to operate, oversee and coordinate the activities of an integrated system for medical education, research and patient care that consists of The Raymond and Ruth Perelman School of Medicine at the University of Pennsylvania (the “Perelman School of Medicine”), the Clinical Practices of the University of Pennsylvania (“CPUP”), the Hospital of the University of Pennsylvania (“HUP”), the Pennsylvania Hospital of the University of Pennsylvania Health System (“PAH”), Presbyterian Medical Center of the University of Pennsylvania Health System d.b.a. Penn Presbyterian Medical Center (“PPMC”), The Chester County Hospital (“TCCH”), The Chester County Hospital and Health System (“TCCHHS”), Lancaster General Hospital (“LGH”), Lancaster General Health (“LGHealth”), Princeton Healthcare System Holding, Inc. (“PHCS”), Princeton Health Care System, a New Jersey nonprofit corporation (“UMCPP”), Clinical Care Associates of the University of Pennsylvania Health System (“CCA”), Wissahickon Hospice (“WH”) and such other clinical health care enterprises, including without limitation networks of physicians, ambulatory care facilities, management services organizations and managed care organizations, that are from time to time under the control of the University, whether through ownership, membership, contract or otherwise. For convenience, HUP, PAH, PPMC, TCCH, TCCHHS, LGH, LGHealth, PHCS, UMCPP, CCA, WH and all such other clinical health care enterprises are referred to individually and collectively as “Clinical Components,” and the Perelman School of Medicine, CPUP and Clinical Components are referred to collectively as the “Penn Medicine Constituents,” the “University of Pennsylvania Health System” or such other name or names as the University Trustees may from time to time determine.

Penn Medicine shall have responsibility for oversight of the Penn Medicine Constituents. Penn Medicine shall also be responsible for assuring that the Penn Medicine Constituents operate in a coordinated manner to promote academic excellence and the delivery of efficient, high quality health care. Penn Medicine shall assure that the Perelman School of Medicine, CPUP and all Clinical Components involved in clinical medical educational and research efforts provide effective programs of research and study. Penn Medicine shall be responsible for assuring that the Penn Medicine Constituents’ relationships with one another and with the University promote the goals of providing outstanding clinical care, education and research.

Section 2. SOURCE OF AUTHORITY

In accordance with and subject to Section 4.1 of the Statutes of the Trustees of the University of Pennsylvania (the “University Statutes”) and subject to Section 3.1 of these Bylaws, the University Trustees have delegated to Penn Medicine, acting through the Board of Penn Medicine (the “Board”) and its Executive Committee, certain responsibilities with respect to the management and operations of the Penn Medicine Constituents.

Section 3. PENN MEDICINE BOARD

- 3.1. The Penn Medicine Board. The Board shall have overall responsibility delegated to it by the University Trustees for promoting productive relationships among the Penn Medicine Constituents and between Penn Medicine and the University for the purpose of maintaining the highest level of clinical, educational and research excellence. The Board shall review periodically the general goals of Penn Medicine and shall seek to facilitate progress toward and achievement of those goals.
- 3.2. Number, Election and Classification. The Board shall be appointed by the University Trustees upon nomination by the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly, and shall consist of a number of persons not greater than forty (40) (not including members *ex officio* or Emeriti Members). The members of the Penn Medicine Board shall be persons who, by their experience and expertise, can further the mission of Penn Medicine. The Board shall include all members of the Penn Medicine Executive Committee. The Provost of the University, the Vice President for Finance and Treasurer of the University, the Chairman of the Board of Overseers of the School of Nursing, and the Chairmen of the HUP, PAH and PPMC Boards shall serve as members of the Board *ex-officio*. For a period of ten (10) years from the effective date of the corporate affiliation by which TCCH and TCCHHS and its affiliates became Penn Medicine Constituents (“Initial TCCHHS Affiliation Date”), the chairman of the TCCHHS Board shall also serve as a member of the Board *ex officio*. The Chair of the LGHealth Board shall also serve as a member of the Board *ex officio*. The members of the Penn Medicine Board (not including members *ex officio*) shall consist of three (3) classes, one of which shall be designated the “Term Members” another of which shall be designated the “Charter Members”, and a third of which shall be designated the “Emeriti Members.” There may be up to ten (10) Charter Members of the Penn Medicine Board. The Charter Members may be appointed to serve from among those persons who have served for a period of nine (9) years as Term Members (or as members of the Penn Medicine Board appointed prior to February 27, 2009).
- 3.3 Term of Office

- (a) Term Members. A Term Member may be appointed for a three (3) year term and thereafter each shall hold office until his or her successor is elected and qualified, unless he or she sooner dies, resigns, is removed or becomes disqualified. The term may be renewed no more than two (2) times for a maximum of nine (9) years of service as a Term Member. The period of prior service on the Executive Committee as a University Trustee shall also be applied to this nine (9) year maximum. The terms of Term Members who have been appointed or reappointed as members of the Penn Medicine Board prior to February 27, 2009, including those who may have been reappointed in any capacity prior to such date, may be renewed for three (3) year terms or for this transition only, for a one (1) or two (2) year period, or portions thereof, provided they shall be appointed for a maximum of nine (9) years of service as a Term Member (including such prior period of service on the Penn Medicine Board).
- (b) Charter Members. A Charter Member may be appointed to serve from among persons who have served as Term Members for a period of nine (9) years (including such period of service as members of the Penn Medicine Board prior to February 27, 2009 or as a University Trustee on the Executive Committee). A Charter Member may be appointed for a five (5) year term and thereafter shall hold office until his or her successor is elected and qualified, unless he or she sooner dies, resigns, is removed or becomes disqualified. The term of a Charter Member may be renewed one (1) time for a maximum of ten (10) years of service as a Charter Member.
- (c) Ex officio Members and Officers. The terms of *ex officio* members and officers shall be for as long as such member or officer holds the *ex officio* or officer position or as otherwise set forth in Section 3.2 above.
- (d) Emeriti Members. Term Members or Charter Members who have previously served as Term Members or Charter members and who will further the mission of Penn Medicine through ongoing service and philanthropy may be designated as Emeriti Members. Emeriti Members may attend Board meetings as determined by the Chairman of the Penn Medicine Board. Subsections 4.1, 5.2, 5.5, 5.6, 5.7 and Section 7 shall not apply to Emeriti Members.
- (e) Special Qualifications.
- (1) For a period of ten (10) years from the Initial TCCHHS Affiliation Date (the "Initial Ten Year Period"), one (1) Term Member or Charter Member shall be appointed from a slate of three (3) members of the TCCHHS Board, nominated by The Chester County Hospital Foundation Inc., each of whom shall be an independent community member whose primary residence is within Chester County, Pennsylvania or a physician in good standing on TCCH's medical staff. In the event that the Chair of the TCCHHS Board

does not continue to serve on the Executive Committee during the ten (10) year period after the Initial TCCHHS Affiliation Date, the appointment of the Term Member or Charter Member to the Board shall be extended to the expiration of the ten (10) year period after the Initial Ten Year Period.

- (2) Two (2) persons (“LGHealth Representatives”), who shall be Term Members or Charter Members, as applicable, shall be appointed to the Board as soon as reasonably practicable after recommendation from the LGHealth Board after consultation with Penn Medicine through the Chairman of the Board or his or her designee. The LGHealth Representatives shall be members of the Board of Trustees of LGHealth during their respective terms as a Term Member or Charter Member. Any vacancies in the Board positions held by the LGHealth Representatives shall be filled utilizing the same process as described herein.
- (3) For a period of twenty (20) years from the effective date of the corporate affiliation by which PHCS and UMCPD became Penn Medicine Constituents (the “PHCS Affiliation Date”), two (2) persons, acceptable to Penn Medicine, who are PHCS trustees nominated by the PHCS Board of Trustees shall be appointed as Term Members (the “PHCS Representatives”).

Section 4. PENN MEDICINE EXECUTIVE COMMITTEE

- 4.1. Establishment of Executive Committee. The Executive Committee shall consist of no more than 16 members. A majority of the Executive Committee members (not including the EVP/Dean, the Executive Vice President of the University, and the CEO) shall be University Trustees. The Executive Committee shall be nominated by the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly, approved by the University Trustees, and shall consist of the following:
 - (a) The Chairman of the Penn Medicine Board, who is also a University Trustee, and who shall be the Chairman of the Executive Committee.
 - (b) Five members of the Executive Committee shall serve *ex-officio*, with vote:
 - (1) The Chairman of the University Trustees, who is also a University Trustee;
 - (2) The President of the University, who is also a University Trustee;
 - (3) The Executive Vice President of the University of Pennsylvania for the Health System/Dean of the Perelman School of Medicine (“EVP/Dean”);

- (4) The Executive Vice President of the University; and
 - (5) The Chief Executive Officer of the Clinical Components (“CEO”).
- (c) The following persons shall also be appointed to the Executive Committee:
- (1) One (1) University Trustee who is a member of the University’s Budget and Finance Committee and who shall also serve as a member of the Penn Medicine Finance Committee;
 - (2) One (1) University Trustee who is a member of the University’s Audit and Compliance Committee and who also shall serve as a member of the Penn Medicine Audit and Compliance Committee;
 - (3) For a period of ten (10) years from the Initial TCCHHS Affiliation Date, the Chair of the TCCHHS Board *ex officio*, with vote;
 - (4) For a period of not less than twenty (20) years from the effective date of the corporate affiliation by which LGH and LGHealth and its affiliates became Penn Medicine Constituents, the Chair of the LGHealth Board *ex officio*, with vote, provided that, upon the agreement of the Board and the LGHealth Board, one of the LGHealth Representatives serving on the Board pursuant to Section 3.3(e)(2), above, may serve in place of the Chair of the LGHealth Board; and
 - (5) For a period of ten (10) years after the PHCS Affiliation Date, one of the PHCS Representatives selected by the PHCS Board of Trustees and acceptable to Penn Medicine.
- (d) Following a term of service of any length on the Executive Committee as a University Trustee, such individual may subsequently be appointed to the Executive Committee in his/her own right for no more than three (3) years.
- (e) The appointed members of the Executive Committee shall serve at the pleasure of the Chairman of the University Trustees, the Chairman of the Penn Medicine Board, and the President of the University.

4.2. Authority of Executive Committee. The affairs of the Penn Medicine Constituents shall be managed by the Executive Committee, which shall have primary authority and responsibility for the oversight of Penn Medicine and shall exercise all of the powers of the Board, except for the powers specified in Section 5731 of the Pennsylvania Nonprofit Corporation Law (or any successor provision). Subject to the University Statutes and applicable law, the Executive Committee shall have the authority to take all actions on behalf of the University Trustees that would otherwise be taken by the University in its capacity as the owner of assets or shares of a Penn Medicine Constituent, member of a nonprofit Penn Medicine Constituent, operator of a Penn Medicine Constituent that is a

subdivision of the University or party to a contract with a Penn Medicine Constituent, except that any authority of the Executive Committee with respect to members of the University Faculty shall be subject to the University Statutes and Faculty Handbook and except that the prior approval of the University Trustees shall be required for each of the following:

- (a) The annual capital and operating budgets of Penn Medicine;
- (b) Capital expenditures for any project or program in excess of five million dollars (\$5,000,000);
- (c) The acquisition or sale of any real estate within the University campus or immediately surrounding area;
- (d) Any increase of indebtedness, secured or unsecured, of the University in excess of the amount approved in the annual budget; any restructuring of indebtedness, or modifications of agreements or arrangements by which the University guaranties or provides surety for the obligations of any Clinical Component, shall be subject to the approval of the University Trustees through the University Budget and Finance Committee;
- (e) The closure, discontinuation, dissolution, sale, or other termination of HUP, PAH, PPMC, TCCH, TCCHHS, LGH, LGHealth, PHCS, UMCPP, CCA or WH;
- (f) A merger or consolidation involving any Penn Medicine Constituent or the acquisition, purchase, or creation of a Penn Medicine Constituent resulting in a material change in services;
- (g) Any change in the name of HUP, PAH, PPMC, TCCH, LGH, PHCS or UMCPPP;
- (h) Termination of any degree-granting program offered, sponsored or provided by a Penn Medicine Constituent;
- (i) Any action relating to the Perelman School of Medicine which, pursuant to University policies or procedures, must be approved by the University; and
- (j) Amendment of the Bylaws of Penn Medicine as provided in Section 13 hereof.

Section 5. MEETINGS

- 5.1. Place of Meetings. All meetings of the Board and the Executive Committee shall be held at such place or places within or without the Commonwealth of Pennsylvania, as may from time to time be fixed by the applicable body or as designated in the notice of the meeting.
- 5.2. Frequency of Meetings. The Board shall meet at least twice a year. The Executive Committee shall meet at least six (6) times a year, unless otherwise determined by the Executive Committee. Other regular meetings of the Executive Committee may be held at such places and at such times as the Executive Committee may determine.
- 5.3. Special Meetings. Special meetings of the Board or the Executive Committee may be held at any time when called by the Chairman of the Penn Medicine Board or the Chairman of the University Trustees, or upon written request of at least three (3) members of the Executive Committee. The Secretary shall fix the time of any such special meeting, which shall be held not more than five (5) days after such special meeting is called or requested.
- 5.4. Notice of Meetings. Unless specifically provided otherwise in these Bylaws, a written notice of each meeting of the Board, stating the place, date and time and the purposes of the meeting, shall be given at least five (5) days before the meeting to each member of the Board entitled to vote thereat. Unless specifically provided otherwise in these Bylaws, a written notice of each meeting of the Executive Committee, stating the place, date and time and the purposes of the meeting, shall be given at least five (5) days before the meeting to each member of the Executive Committee entitled to vote thereat. Whenever notice of a meeting is required, such notice need not be given to any person entitled to receive such notice if a written waiver of notice, executed by him or her (or his or her attorney thereunto authorized) before or after the meeting, is filed with the records of the meeting. In the case of a special meeting, the notice shall specify the general nature of the business to be transacted.
- 5.5. Quorum. A quorum at any meeting of the Board shall consist of the presence of a majority of the Board entitled to vote on any action proposed at the meeting, except when a larger quorum is required by law, the University Statutes, or these Bylaws. A quorum at any meeting of the Executive Committee shall consist of the presence of a majority of the members of the Executive Committee entitled to vote on any action proposed at the meeting, except when a larger quorum is required by law, the University Statutes, or these Bylaws. Any meeting may be adjourned by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.
- 5.6. Action by Vote. When a quorum is present at any meeting, a majority of the voting members present and voting shall decide any question, unless

otherwise provided by law, the University Statutes, or these Bylaws; provided, however, that the vote of two-thirds (2/3) of the members of the Executive Committee shall be required to authorize any purchase, sale, mortgage, lease away or other disposal of real property.

- 5.7. Action by Unanimous Written Consent. Any action required or permitted to be taken at any meeting may be taken without a meeting if consent or consents in writing, setting forth the action so taken, shall be signed by all of the voting members in office and shall be filed with the Secretary. Such consents shall be treated for all purposes as a vote at a meeting.
- 5.8. Presence Through Communications Equipment. Members of the Board or Executive Committee may participate in a meeting by means of a conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

Section 6. OFFICERS OF THE BOARD AND ADMINISTRATION

- 6.1. Number and Qualification. The Officers of Penn Medicine, who shall be the Officers of both the Board and the Executive Committee, shall be a Chairman of the Board, Vice Chairman(s) of the Board and a Secretary.
- 6.2. Appointment of Officers. The Chairman of the Penn Medicine Board shall be appointed by the Chairman of the University Trustees and the President of the University, acting jointly, and shall serve at the pleasure of Chairman of the University Trustees and President of the University. The Vice Chairman of the Penn Medicine Board and the Secretary shall be appointed by the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly, and shall serve at the pleasure of the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University.
- 6.3. Chairman of the Board. The Chairman of the Penn Medicine Board shall be a University Trustee and shall also serve as Chairman of the Executive Committee. The Chairman shall preside at all meetings of the Board and the Executive Committee, except as the Board or Executive Committee shall otherwise determine, and shall have such other powers and duties as may be determined by the Executive Committee or the University Trustees.
- 6.4. Vice Chairmen of the Board. One or more Vice Chairmen of the Penn Medicine Board may be appointed who shall have and may exercise all the powers and duties of the Chairman of the Penn Medicine Board during the absence of the Chairman of the Penn Medicine Board or in the event of his or her inability to act. The Vice Chairman(s) shall have such other duties and powers as the Executive Committee shall determine. The Vice Chairman(s) may, but need not be University Trustees.

- 6.5. Secretary. The Secretary shall record and maintain records of all proceedings of the Board and Executive Committee in a book or series of books kept for that purpose, which book or books shall be kept within the Commonwealth of Pennsylvania at the principal office of Penn Medicine or at the office of its Secretary. Such book or books shall also contain records of all meetings of the Board, the Executive Committee, these Bylaws, and the names and addresses of all Board members. If the Secretary is absent from any meeting of the Board or Executive Committee, a temporary secretary chosen at the meeting shall exercise the duties of the Secretary at the meeting. The Secretary may, but need not, be a member of the Board, member of the Executive Committee or University Trustee.
- 6.6. EVP/Dean. The EVP/Dean shall be the Dean of the Perelman School of Medicine and shall be responsible for the operations of Penn Medicine. The EVP/Dean shall be appointed by the President of the University in accordance with University policies and in consultation with the Chairman of the Penn Medicine Board. The EVP/Dean shall coordinate the activities of the Penn Medicine Constituents and assure that the Penn Medicine Constituents operate with efficiency and the highest degree of clinical and academic excellence. The EVP/Dean shall have the authority to perform all acts which are necessary to make effective the policies and actions of the Penn Medicine Board and the Executive Committee, unless by Executive Committee resolution such authority is specifically delegated to another person.
- 6.7. Chief Executive Officer. The CEO shall have such powers and duties as may be determined by the EVP/Dean, the Penn Medicine Board and the Executive Committee from time to time, including responsibility for the operations of the Clinical Components and CPUP.

Section 7. OTHER COMMITTEES OF THE PENN MEDICINE BOARD

- 7.1. Committees Generally. The Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly, may appoint one or more committees and delegate to any such committee that consists solely of one or more Board member any or all of the powers of the Board, except those that are vested in the Executive Committee or that by law or these Bylaws are prohibited from being delegated. The committees shall conduct their affairs in the same manner as is provided in these Bylaws for the Board. The members of any committee shall serve at the pleasure of the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University.
- 7.2. Finance Committee. The Finance Committee shall review matters related to financial policies of the Penn Medicine Constituents and shall have oversight of the budgeting process at each Penn Medicine Constituent. Capital expenditures for any project or program in excess of \$2,000,000 shall be individually identified as part of the budgeting process. Any capital project or program that

exceeds \$5,000,000 shall be reviewed and approved by the University Trustees following recommendation of the Penn Medicine Finance or Executive Committee. During the course of the fiscal year, changes to the current fiscal year budget for capital expenditures for \$5,000,000 or less may be made without further approval provided that the changes do not result in an increase in the overall annual budget authorization. The committee shall report to the Executive Committee and shall meet at least twice per year. The Executive Committee member who is also a member of the University's Budget and Finance Committee shall serve on the Penn Medicine Finance Committee *ex-officio*. The PHCS Representatives shall serve on the Finance Committee.

- 7.3. Audit and Compliance Committee. The Audit and Compliance Committee shall oversee the internal control activities of the Penn Medicine Constituents to assure compliance with University policies and internal control processes and sound fiscal practices. The committee shall report to the Executive Committee and shall meet at least twice per year. The Executive Committee member who is also a member of the University's Audit and Compliance Committee shall serve on the Board's Audit and Compliance Committee *ex-officio*.
- 7.4. Development Committee. The Development Committee shall guide and assist staff responsible for maintaining alumni relations and securing the support necessary to fund the capital and programmatic needs of Penn Medicine Constituents. The Development Committee shall report to the Executive Committee and shall meet at least twice a year.
- 7.5. Compensation Committee. The Compensation Committee shall approve the compensation of senior executives of each of the Penn Medicine Constituents, with the exception of the EVP/Dean, at least annually. The committee shall consist of the Chairman of the Penn Medicine Board, the Chairman of the University Trustees, the President of the University, and one other member of the Executive Committee. The committee shall report to the Executive Committee and shall meet at least once per year. The committee shall review recommendations made by the EVP/Dean and the CEO with respect to compensation of senior executives, determine senior executive compensation, and report the compensation decisions to the Compensation Committee of the University. No senior executive shall be present during, or otherwise participate in, any discussions regarding his or her own compensation. With respect to the EVP/Dean, the committee shall make recommendations regarding his or her compensation to the Compensation Committee of the University.
- 7.6. Research and Education Committee. The Research and Education Committee shall be responsible for overall guidance and support of research and education missions of Penn Medicine and the Penn Medicine Constituents. This responsibility includes reviewing standards and performance for all levels of education and training, including allopathic medicine, masters, postdoctoral and combined degree programs, graduate medical education, and continuing medical education, as well as for research strategy and conduct. The committee will be

knowledgeable on policy matters as they relate to research and education and will work with management to ensure that Penn Medicine's efforts in these areas are of the highest quality and impact. The committee will be kept informed on regulatory and other compliance matters as they relate to research and education. The committee will report to the Executive Committee and shall meet at least three (3) times a year.

- 7.7 Clinical Quality Committee. The Clinical Quality Committee shall be responsible for the overall guidance and support of Penn Medicine's and the Penn Medicine Constituents' efforts to ensure the highest possible standards in clinical excellence, quality improvement, patient safety, and patient satisfaction. The committee will be knowledgeable on policy matters as they relate to patient care and will be kept informed of regulatory and other compliance matters as required. The committee shall be authorized to exercise supervisory authority over professional review actions of the Penn Medicine Constituents. The committee shall report to the Executive Committee and shall meet at least three (3) times a year.
- 7.8 Regional Planning Committee. The Regional Planning Committee shall significantly participate in the development and implementation of and coordinate Penn Medicine's regional strategies, including planned growth, the addition of and changes to services provided and community outreach in the regional markets, and the establishment of strategic alliances. The committee shall also recommend to the Board, the LGHealth Board and the PHCS Board of Trustees elements of their respective strategic and business plans within the scope of the committee's planning activities. At least two of the three LGHealth Board members serving on the Board shall serve on the committee, and one of the LGHealth Board members shall serve as the first Vice-Chair of the committee. The PHCS Representatives shall serve on the committee. LGHealth and Penn Medicine executive leadership shall staff the committee.

Section 8. RESIGNATIONS, REMOVALS AND VACANCIES

- 8.1. Resignations. Any member of the Board, member of the Executive Committee, Officer or member of a committee of the Board may resign at any time by delivering his or her resignation in writing to the Chairman of the Penn Medicine Board or the Secretary. Such resignation shall be effective upon receipt unless specified to be effective at some other time.
- 8.2. Removals. Any member of the Board or a member of the Executive Committee may be removed with or without cause by the Chairman of the University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly.
- 8.3. Vacancies. Any vacancy in the Board or Executive Committee, including a vacancy resulting from the enlargement of the Board or Executive Committee, as the case may be, may be filled upon nomination by the Chairman of the

University Trustees, the Chairman of the Penn Medicine Board and the President of the University, acting jointly, and approval by the University Trustees. The Board and the Executive Committee shall have and may exercise all of their respective powers notwithstanding the existence of one or more vacancies.

Section 9. CONFLICTS OF INTEREST

Any member of the Board, Executive Committee or any other committee thereof (or any member of his or her direct family) who has any power or influence to approve or disapprove a transaction proposed to be entered into between the University or any Penn Medicine Constituent and any entity or individual with which the member has a significant relationship must disclose such relationship and refrain from any discussion of or participation in that transaction if there is any possibility of a conflict of interest due to the member's significant relationship. The definition of a significant relationship and any procedures related to a conflict of interest shall be set forth in conflict of interest policies of the University. The disclosure of the nature of the conflict of interest (or the possibility thereof) and the member's disqualification shall be recorded in the minutes of the Board, Executive Committee or other committee as applicable.

Section 10. INDEMNIFICATION

The University, in the manner and to the extent specified in a Standing Resolution of the University Trustees, may indemnify (including advancement of expenses) any person against liabilities arising from status relating to the University as may be specified in the Standing Resolution, whether or not such indemnification would be authorized by the Pennsylvania Nonprofit Corporation Law, as amended. The University shall indemnify members of the Board, members of the Executive Committee and Officers to the full extent permitted by law.

The indemnification provided by or pursuant to the University Statutes shall continue as to a person who has ceased to be a member of the Board, member of the Executive Committee, Officer or other indemnified person and shall inure to the benefit of the heirs, executors or administrators of such a person.

Section 11. EXECUTION OF PAPERS

Except as the Executive Committee of the Board may generally or in particular cases authorize the execution thereof in some other manner, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts and other obligations made, accepted or endorsed by the Executive Committee shall be signed by an Officer, EVP/Dean or such person who has been delegated authority.

Section 12. PERSONAL LIABILITY

The members of the Board, members of the Executive Committee and the Officers of Penn Medicine shall not be personally liable for any debt, liability or obligation of the University or any of the Penn Medicine Constituents.

Section 13. AMENDMENTS

These Bylaws may be altered, amended or repealed by the University Trustees acting in accordance with the University Statutes. The Executive Committee may make recommendations to the University Trustees regarding any amendment to these Bylaws.

Section 14. FORM OF NOTICE

Whenever notice is required to be given to any person under provisions of law or these Bylaws, it shall be given in writing to such person either personally or by sending a copy thereof by first-class or express mail, postage prepaid or courier service charges prepaid, or by facsimile transmission, to the person's address, electronic address, or facsimile number appearing on the books of the University. If notice is sent by mail, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person. A notice of meeting shall specify the place, day, and hour of the meeting and any other information required by the Pennsylvania Nonprofit Corporation Law, as amended.

Adopted: November 2, 2001

Last Amended: November 6, 2015

Proposed Amendments for PHCS transaction: November 25, 2016

EXHIBIT G
INITIAL TWO PHCS' PENN MEDICINE BOARD NOMINEES

[To be determined prior to Closing.]

EXHIBIT H
INITIAL PROJECT PLAN

None as of December 22, 2016.

EXHIBIT I MAP OF CENTRAL JERSEY

Central NJ - Hospital Locations

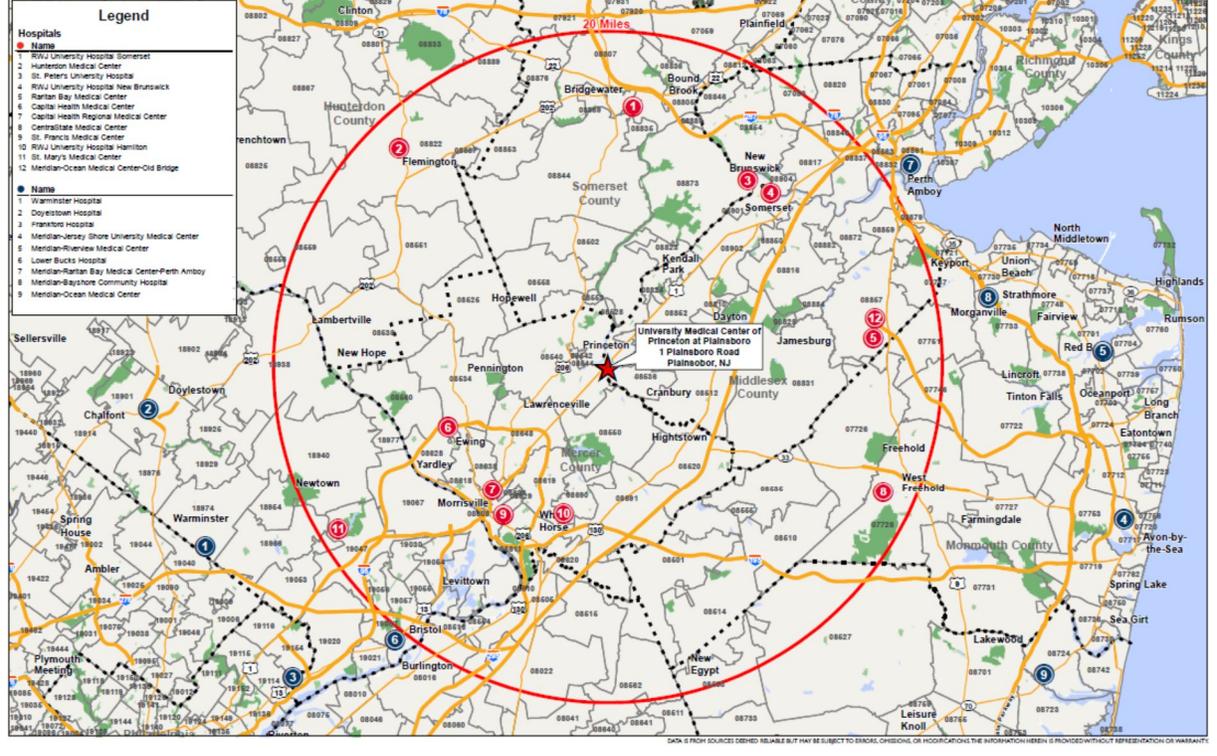


EXHIBIT J
MATERIAL CONSENTS

1. New Jersey Community Health Care Asset Protection Act approval.
2. Hart-Scott-Rodino Act waiting period early termination or expiration, or agency approval.
3. General Acute Care Hospital License change of control approval.
4. Consent of Wells Fargo Bank, National Association is required pursuant to the Continuing Covenants Agreement, dated as of January 1, 2016, relating to Series 2016B Bonds, for (i) establishment of the Trustees of the University of Pennsylvania as sole member of PHCS (Continuing Covenants Agreement, Section 6.1), and (ii) amendments to the articles of incorporation and by-laws of PHCS, the Medical Center, and the Foundation if those amendments would adversely affect the obligations under the Continuing Covenants Agreement (Continuing Covenants Agreement, Section 6.8).
5. Consent of Banc of America Public Capital Corp is required pursuant to the Continuing Covenants Agreement, dated as of January 1, 2016, relating to Series 2016C Bonds, for (i) establishment of the Trustees of the University of Pennsylvania as sole member of PHCS (Continuing Covenants Agreement, Section 6.1), and (ii) amendments to the articles of incorporation and by-laws of PHCS, the Medical Center, and the Foundation if those amendments would adversely affect the obligations under the Continuing Covenants Agreement (Continuing Covenants Agreement, Section 6.8).

Exhibit C

Public Hearing Transcript

*PUBLIC HEARING ON THE PRINCETON HEALTHCARE SYSTEM, INC. and
THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA*

*HEARING
September 27, 2017*



126 East 56th Street, Fifth Floor New York, New York 10022

P: 212-750-6434 F: 212-750-1097

www.ellengrauer.com

Original File 115708.TXT

Min-U-Script® with Word Index

Page 1

1 -----x
2
3 PUBLIC HEARING ON THE
4 PROPOSED TRANSACTION INVOLVING PRINCETON
5 HEALTHCARE SYSTEM, INC. and THE TRUSTEES OF THE
6 UNIVERSITY OF PENNSYLVANIA
7 In accordance with the
8 COMMUNITY HEALTHCARE ASSETS PROTECTION ACT
9 ("CHAPA"), N.J.S.A. 26:2H-7.10, et seq.
10 -----x
11
12
13
14 95 Grovers Mill Road
15 Plainsboro Township, New Jersey
16
17 September 27, 2017
18 6:00 p.m.
19
20
21
22
23
24
25

B E F O R E:

KAVIN K. MISTRY, Chairman
JAY A. GANZMAN, Co-Chair
SUSAN J. DOUGHERTY, Co-Chair

ALEXIS PEREZ JENIO, Hearing Reporter

ELLEN GRAUER COURT REPORTING CO. LLC
126 East 56th Street, Fifth Floor
New York, New York 10022
212-750-6434
REF: 115708

Page 3

1 A P P E A R A N C E S: (Cont'd)
2
3 McDERMOTT WILL & EMERY, LLP
4 444 West Lake Street
5 Chicago, Illinois 60606-0029
6 BY: MEGAN R. ROONEY, ESQ.
7 JOHN M. CALLAHAN, ESQ.
8 (312) 984-6475
9 mrooney@mwe.com
10 jcallahan@mwe.com
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page 2

1 A P P E A R A N C E S:
2
3 CHAIRMAN KAVIN K. MISTRY,
4 ASSISTANT ATTORNEY GENERAL, on behalf of
5 The State of New Jersey Attorney General
6
7 CO-CHAIR JAY A. GANZMAN,
8 DEPUTY ATTORNEY GENERAL, Treasury Section,
9 State of New Jersey Department of Law and
10 Public Safety
11
12 CO-CHAIR SUSAN J. DOUGHERTY,
13 ASSISTANT COMMISSIONER, on behalf of
14 The State of New Jersey Commissioner of
15 Health
16
17
18 ALSO PRESENT:
19 RALPH W. MULLER, CEO, University of
20 Pennsylvania Health System
21 KIM J. PIMLEY, Chairman of the Board,
22 Princeton HealthCare System
23 BARRY S. RABNER, President and CEO,
24 Princeton HealthCare System
25

Page 4

1 P R O C E E D I N G S
2 CHAIRMAN MISTRY: Good evening.
3 I'd like to call this public hearing to
4 order.
5 My name is Kavin Mistry, and I'm an
6 Assistant Attorney General. On behalf
7 of Attorney General Christopher S.
8 Porrino, I'd like to welcome everyone
9 to this hearing and thank you for
10 attending. We ask that you please
11 silence all electronic devices for the
12 duration of the hearing.
13 This hearing is being held pursuant
14 to the Community Health Care Assets
15 Protection Act, which we refer to as
16 "CHAPA." We are holding this public
17 hearing today regarding the proposed
18 establishment of the Trustees of the
19 University of Pennsylvania, a
20 Pennsylvania nonprofit corporation, as
21 the parent corporation of Princeton
22 HealthCare System Holding, a New Jersey
23 nonprofit corporation.
24 Princeton HealthCare System Holding
25 is the sole corporate member of an

Page 5

1 PROCEEDINGS
2 integrated healthcare delivery system
3 which has three operating divisions
4 consisting of the University Medical
5 Center of Princeton at Plainsboro,
6 Princeton House Behavioral Health, and
7 Princeton HomeCare, as well as other
8 affiliated healthcare providers, and
9 the Princeton HealthCare System
10 Foundation.
11 The Trustees of the University of
12 Pennsylvania own and operate Penn
13 Medicine and the University of
14 Pennsylvania Health System, which are
15 operating divisions of the University.
16 Penn Medicine is affiliated with The
17 Raymond and Ruth Perelman School of
18 Medicine at the University of
19 Pennsylvania. The University of
20 Pennsylvania Health System consists of
21 medical centers, regional hospitals,
22 and multispecialty outpatient and
23 rehabilitation facilities.
24 As required by CHAPA, notice of
25 this public hearing was published in

Page 6

1 PROCEEDINGS
2 the Trenton Times, the Star Ledger, and
3 the Trentonian on September 8th, 2017,
4 more than two weeks in advance of the
5 hearing. And it was also posted on the
6 website of the Latino Unidos newspaper,
7 on the Hospital's website, and at
8 various locations in and around the
9 Hospital's campus.
10 These proceedings are being
11 transcribed, and the transcript will be
12 available for public review upon
13 request to the Attorney General's
14 office. Members of the public may
15 submit written comments to the Attorney
16 General on or before October 6th, 2017.
17 We ask that anyone who wishes to
18 speak at this hearing and who has not
19 already signed up to see my colleague,
20 Deputy Attorney General Jay Ganzman,
21 who has a sign-up list. We will call
22 your name when it is your turn to
23 speak. In order to accommodate
24 everyone who wishes to be heard, we ask
25 that speakers limit their comments to

Page 7

1 PROCEEDINGS
2 5 minutes or less. We will close the
3 hearing at 7:00 p.m. or the close of
4 all comments, whichever is later.
5 This hearing is being conducted
6 jointly by the Attorney General's
7 Office and the Department of Health.
8 I'll be conducting the hearing on
9 behalf of Attorney General Porrino.
10 I'd like to introduce Assistant
11 Commissioner Susan Dougherty from the
12 Department of Health, who will conduct
13 this hearing with me on behalf of
14 Department of Health Commissioner
15 Cathleen Bennett.
16 If this transaction is approved, it
17 is anticipated that Princeton
18 HealthCare System and its affiliates
19 will continue to provide a full range
20 of healthcare services to the
21 community. Before we call upon this
22 evening's speakers, we'd like to
23 present a brief chronology of the
24 events leading up to this hearing.
25 By letter dated December 22, 2016,

Page 8

1 PROCEEDINGS
2 Princeton HealthCare System notified
3 the Attorney General of the proposed
4 transaction. In response to questions
5 posed by our office, the parties
6 provided thousands of pages of due
7 diligence materials, which are
8 available for public inspection by
9 appointment at the Attorney General's
10 office in Trenton. After examination
11 and analysis of the information
12 provided, on August 25, 2017, we deemed
13 the Hospital's application complete.
14 The Attorney General's role under
15 CHAPA is to determine whether the
16 proposed transaction, with or without
17 any specific modifications, is in the
18 public interest. The transaction will
19 not be deemed to be in the public
20 interest unless the Attorney General
21 determines that appropriate steps have
22 been taken to safeguard the value of
23 the charitable assets of the Hospital.
24 CHAPA also calls upon the Commissioner
25 to determine whether the proposed

Page 9

1 PROCEEDINGS
2 transaction is likely to result in the
3 deterioration of the quality,
4 availability, or accessibility of
5 healthcare services in the community.
6 Once our examination is complete,
7 the Attorney General will submit his
8 recommendation to the Superior Court,
9 which has final review over the
10 transaction.
11 The object of this hearing is to
12 solicit comments from stakeholders,
13 including members of the public, which
14 will assist the regulators in assessing
15 the proposed transaction.
16 We will first hear from the
17 following representatives of Princeton
18 HealthCare System and the University of
19 Pennsylvania. First up is Mr. Barry S.
20 Rabner, President and CEO of Princeton
21 HealthCare System.
22 **MR. RABNER:** Thank you for the
23 opportunity to speak.
24 I was reviewing some of our
25 archives the other day and came up with

Page 10

1 PROCEEDINGS
2 a discovery. So our hospital began in
3 1918 as a result of the Spanish flu
4 epidemic, but what I didn't realize was
5 the mayor of Princeton at the time, who
6 was influential in getting the
7 approvals even then that we needed to
8 go forward, was a graduate of the
9 Medical School at the University of
10 Pennsylvania, so we're back to
11 depending on them for our future.
12 I was going to describe our
13 facility and our campus, but you've
14 done a very good job of that, so thank
15 you for that. But I would point out
16 that our hospital is now on a 171-acre,
17 and some day soon, we hope, a
18 \$2.2 billion health campus, which first
19 opened in May of 2012, and then, after
20 years of planning that began in two
21 thousand -- as a result of planning
22 that began in 2003. Then, in 2013,
23 just a little bit more than a year
24 after we moved into the new hospital,
25 we began new a strategic planning

Page 11

1 PROCEEDINGS
2 process.
3 The plan revealed that changes in
4 the nation's healthcare system were
5 challenging independent health systems
6 such as ours, around the country and in
7 New Jersey. New alternative payment
8 models were moving us toward a system
9 that emphasized patient outcomes,
10 patient satisfaction, the coordination
11 of care, and greater efficiency; all
12 the right targets.
13 Looking forward, we concluded that
14 this trend led to more people choosing
15 their healthcare provider based on
16 costs; that hospitals and physicians
17 would become more closely aligned, and
18 together coordinate care and control
19 costs better than we've been able to
20 before; that health systems would now
21 be assuming financial risks for the
22 patients we serve; and that hospitals
23 and the physicians that work with us
24 would need to employ more robust
25 information technology to help us do

Page 12

1 PROCEEDINGS
2 those things more effectively; and then
3 concluded that making those
4 improvements that were necessary would
5 be difficult on our own. It was with
6 that understanding that our Board of
7 Trustees began to consider that being
8 part of a larger, not-for-profit
9 academic healthcare system would enable
10 us to achieve those goals.
11 Because other institutions were
12 aware of our strengths, we generated
13 significant interest in our future --
14 in fact, 17 potential partners
15 expressed an interest -- and we were
16 able to choose a partner that best fit
17 the needs of our community. We
18 developed a set of guiding principles
19 based on our goals and values and
20 identified the practices we felt had
21 contributed to our success in the past.
22 We were looking for a partner that
23 would enable us to maintain a medical
24 staff which included both employed and
25 private physicians; use philanthropy to

Page 13

1 PROCEEDINGS
2 support our mission in central New
3 Jersey; provide the same high-quality
4 care to everyone, regardless of their
5 ability to pay; serve as an important
6 training and education resource for
7 healthcare professionals; help us
8 remain a best-in-class employer; have a
9 voice in decision making about the
10 healthcare that's going to be delivered
11 to our community; and, of course, be a
12 good citizen to the community that we
13 serve.
14 In the end, we concluded that Penn
15 Medicine best met the criteria and
16 brought an extra advantage of giving
17 members of this community access to the
18 highest level specialized clinical
19 expertise and world-class research.
20 Together, Penn Medicine and
21 Princeton HealthCare System will be
22 making significant strategic
23 investments necessary to increase
24 access to care for the 1.3 million
25 people that we are responsible for now.

Page 14

1 PROCEEDINGS
2 We look forward to becoming a part
3 of an even better healthcare provider
4 to our community in the years to come.
5 So thank you for the opportunity to
6 comment. And I'd like to introduce --
7 unless you want to -- the chairperson
8 of our board, Kim Pimley.
9 **MS. PIMLEY:** Good evening, and
10 thanks to everyone for being here
11 tonight. My name is Kim Pimley, and it
12 has been my honor and privilege to
13 serve as the Chairman of the Princeton
14 HealthCare System Board of Trustees
15 since 2014, and previously as the
16 Chairman of our Foundation's Board of
17 Directors.
18 We have a diverse, engaged Board of
19 Trustees that understands well its role
20 in representing the interests of the
21 community it serves. As Trustees, we
22 define our organization's success as
23 serving the lifelong healthcare needs
24 of the people in our community. That
25 is why we exist as an organization, and

Page 15

1 PROCEEDINGS
2 it was the key principle that guided
3 our deliberations in selecting a
4 partner.
5 The Princeton HealthCare System is
6 a nonprofit organization. We don't
7 have stockholders; we don't send out
8 dividend checks. Our owners are the
9 members of the community, and any
10 excess revenue that we generate
11 sustains the organization so that we
12 can continue fulfilling our mission to
13 meet the healthcare needs of those
14 community members.
15 Not a week goes by, it seems,
16 without news of a medical
17 breakthrough -- a new treatment or
18 technique or a leading edge
19 technology -- discovered at Penn
20 Medicine. Penn Medicine is at the
21 forefront of advanced medicine, and our
22 community will have direct access to
23 that kind of care, whether it's here in
24 our facilities or other parts of the
25 Penn Medicine system.

Page 16

1 PROCEEDINGS
2 I owe my own life to the kind of
3 advanced care that only a major
4 academic center like Penn Medicine can
5 offer: 20 months ago, I underwent a
6 heart transplant at one of Penn
7 Medicine's hospitals.
8 While my own treatment at Penn had
9 nothing to do with Princeton HealthCare
10 System's choice of partner, in order to
11 avoid even the appearance of a possible
12 bias, I did not participate in the
13 Board's decision to select Penn
14 Medicine. I did agree
15 wholeheartedly -- pun intended -- with
16 my colleagues' decision to pursue a
17 partnership with Penn Medicine.
18 The partnership with Penn Medicine
19 ensures that we will continue to be a
20 vital resource to our community. We
21 will continue to proudly provide tens
22 of thousands of people each year free
23 care and other community benefits. We
24 will continue to provide over 1,700
25 community education and outreach events

Page 17

1 PROCEEDINGS
2 each year, including health screenings
3 and a wide array of educational
4 programs that help more than 40,000
5 people. We will continue to lead
6 frequent, comprehensive assessments to
7 evaluate the healthcare needs of people
8 in our community and plan and implement
9 ways to meet them.
10 All divisions of the Princeton
11 HealthCare System will continue to be
12 here, including Princeton Behavioral
13 Health, a regional leader in providing
14 inpatient and outpatient mental health
15 and addiction services; Princeton
16 HomeCare, which provides comprehensive
17 in-home nursing and rehabilitation,
18 hospice care, and support services; our
19 fitness and wellness centers;
20 ambulatory surgery centers; the
21 Princeton Medicine primary and
22 specialty care physician network.
23 Our hospital will remain right
24 where it is, offering high-quality care
25 close to home and, when necessary,

Page 19

1 PROCEEDINGS
2 as one of the biggest complex care
3 hospitals in the country. In terms of
4 our commitment to world-class research,
5 as we spoke to, we are consistently the
6 biggest funder of healthcare research
7 by the National Institutes of Health,
8 with researchers working at the
9 forefront of medical science in terms
10 of patients, and we're consistently
11 ranked as one of the top-five medical
12 schools.
13 So we're proud of our national
14 rankings, but we also serve this area
15 very well. 25 percent of our patients
16 and 30 percent of our employees at Penn
17 Medicine come from New Jersey. So
18 while we serve all 50 states and we
19 serve people around the world in various
20 therapies, 25 percent are coming from
21 New Jersey. So this gives us an
22 opportunity to cross over and join the
23 hospitals that we have in New Jersey,
24 and the six hospitals we have in
25 Pennsylvania and New Jersey, and to

Page 18

1 PROCEEDINGS
2 serving as a gateway to the advanced
3 care that Penn Medicine offers.
4 We could not have found a better
5 partner to ensure our ability to serve
6 our community into the future, and we
7 are eager to begin this shared future.
8 Thank you.
9 **MR. MISTRY:** Okay. Next up is
10 Mr. Ralph W. Muller, CEO of the
11 University of Pennsylvania Health
12 System.
13 **MR. MULLER:** Thank you.
14 Like Mr. Rabner and Ms. Pimley
15 before me, we welcome the opportunity
16 to speak here about the advantages of
17 this combination of Princeton Health
18 and Penn Medicine for the people of New
19 Jersey.
20 You've heard some of this before,
21 so I won't repeat all of it, but our
22 commitment to superior patient care is
23 nationally recognized. We're
24 consistently ranked as one of the most
25 competent hospitals in the country and

Page 20

1 PROCEEDINGS
2 treat patients more directly as a part
3 of that care in the community.
4 Let me mention, in addition to
5 those kinds of rankings, that our
6 hospitals -- that all our hospitals,
7 and Princeton, hopefully, when they
8 join us -- I mean, Princeton is a
9 nursing hospital, nursing Magnet
10 status, which is the highest form of
11 recognition available for nursing
12 status you can get. There are 5,000
13 hospitals in the country, and only 400
14 get Magnet status, out of all
15 hospitals to get Magnet status. So
16 basically -- and you can do the
17 arithmetic -- you have a slim chance of
18 becoming a Magnet hospital, and
19 Princeton has achieved that status as
20 well.
21 But also, we feel that secure
22 patient care is based on the care of
23 our employees as well as our patients.
24 We were recently ranked by Forbes
25 magazine as the seventh best employer

Page 21

1 PROCEEDINGS
2 in the country. Not just the seventh
3 best in healthcare systems, up against
4 those in the West Coast, we're ranked
5 as the seventh employer in the country.
6 So we're really proud of that status,
7 and that gets reflected in more and
8 more patients selecting Penn, as they
9 have over these years.
10 We look forward to providing
11 support to Princeton HealthCare and
12 it's environment. As you've heard from
13 Mr. Rabner and Ms. Pimley, the services
14 will be provided here, in Princeton.
15 The people who need care will obviously
16 have access both to Penn and also to
17 Princeton in the Princeton community
18 and in this region.
19 (Inaudible) Ross Perot from
20 20 years ago (inaudible), in Princeton
21 those people are getting the advanced
22 care that one has at Penn Medicine in
23 services. And we were the first
24 hospital recognized in the country by
25 the National Government, its agencies

Page 22

1 PROCEEDINGS
2 and the FDA, that I'm sure you heard
3 about, approving personalized cellular
4 therapy, a cancer therapy developed at
5 Penn. And we are a quaternary care
6 center, accepting patients who require
7 highly specialized care from hospitals
8 throughout our region, which is part of
9 what we do on a daily basis to serve
10 all the people in the state.
11 And so we're very pleased with the
12 work that has culminated together in
13 the collegial spirit. We are excited
14 about this opportunity to work together
15 to serve the people in our community
16 and area very well as one of the
17 greatest medical centers around the
18 world. We are looking forward to
19 integrating Princeton HealthCare System
20 into Penn Medicine and bringing the
21 best of Penn to Princeton, their
22 patients, and the communities of
23 central New Jersey. My thanks to you.
24 **CHAIRMAN MISTRY:** Thank you.
25 We will now open the hearing to

Page 23

1 PROCEEDINGS
2 additional public comments. The first
3 speaker to be called is Ms. Louise
4 Gross. Ms. Gross?
5 **MS. GROSS:** Thank you for the
6 chance to ask a question, and thank you
7 for the information given already.
8 Most of my question has been answered
9 by -- and I couldn't hear his name, the
10 gentleman, the CEO from Penn's name.
11 **CHAIRMAN MISTRY:** Mr. Muller.
12 **MR. MULLER:** Mr. Muller.
13 **MS. GROSS:** Mr. Muller. Thank you.
14 Just a small -- I hear over and
15 over again, that if people are in
16 intense needy conditions, they're going
17 to go to Penn and whatever part of Penn
18 is going to be able to take care of
19 them. My only question is: Is there
20 any kind of physical flow of physicians
21 or resources from Penn to Princeton, or
22 is it all sort of IT or online and then
23 the people have to travel to Penn for
24 service?
25 **MR. MULLER:** You want me to answer

Page 24

1 PROCEEDINGS
2 that?
3 **CHAIRMAN MISTRY:** If you don't
4 mind.
5 **MR. MULLER:** Thank you for that
6 question.
7 We will provide (inaudible) --
8 **THE COURT REPORTER:** I'm so sorry,
9 Mr. Muller, I can't hear what you are
10 saying.
11 **MR. MULLER:** Yes.
12 So one of the benefits of being one
13 of the major training centers in the
14 country is we produce hundreds, if not
15 thousands a year, of nurses per
16 training year. We have a great
17 training center. We have one of the
18 two- or three-top-ranked nursing
19 centers in the country. We train a lot
20 of nurses at our hospital. We employ
21 over 8,000 nurses, so we've identified
22 the need.
23 So, as there are people in need,
24 like in any big health system like
25 Penn's, we'll transition year to year,

Page 25

1 PROCEEDINGS
2 so there's going to be opportunities as
3 we need for doctors, nurses, and so
4 forth, to go from Penn to Princeton.
5 We're proud of the fact that we will
6 have the opportunity to meet the need
7 at Princeton and the other hospitals,
8 such as Lancaster Hospital in
9 Pennsylvania. As they have services or
10 need additional services that we may
11 have to provide them, we will provide
12 those people.
13 There are people -- you know, we
14 compete in the national and
15 international markets, so we can get
16 people that you couldn't get somewhere
17 else. So we compete -- we can get them
18 from California, we can get them from
19 Hopkins and Harvard, and so on and so
20 forth. So we can provide people.
21 And beyond that, the medicine is --
22 we have a source. No doctor or nurse
23 works by herself or himself anymore, so
24 you can't put just one neurologist and
25 one cardiologist into a hospital. And

Page 27

1 PROCEEDINGS
2 concerning the proposal until
3 October 6, 2017.
4 Thank you for attending. Good
5 night.
6 (The proceedings concluded at
7 7:00 p.m.)
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page 26

1 PROCEEDINGS
2 it's a 24/7 job, so we have teams of
3 people and all the staff to provide
4 care and service to the people of
5 Princeton at Princeton HealthCare
6 System and their network, both in
7 medical services and administration.
8 **MS. GROSS:** Thank you.
9 **CHAIRMAN MISTRY:** Thank you.
10 That is the end of our speakers for
11 the hearing. If there's any member of
12 the audience that would like to
13 comment, feel free to approach the
14 lectern.
15 (Pause)
16 **CHAIRMAN MISTRY:** Seeing none, we
17 are going to keep the hearing open
18 until seven o'clock. If anyone would
19 like to speak or ask a question, feel
20 free; otherwise, we'll be here. Thank
21 you.
22 (A recess was taken.)
23 **CHAIRMAN MISTRY:** We will now close
24 the hearing. We will continue to
25 accept written comments from the public

Page 28

1 C E R T I F I C A T E
2
3 N E W Y O R K)
4) s s :
5 F N E W Y O R K)
6
7 I, ALEXIS PEREZ JENIO, a Court
8 and Notary Public, do hereby certify:
9 That this transcript is a true and
10 record of the proceedings conducted
11 e on September 27, 2017.
12 I further certify that I am not
13 to any of the parties to this matter by
14 marriage; and that I am in no way
15 ed in the outcome of this matter.
16 IN WITNESS WHEREOF, I have hereunto
17 and this 2nd day of October, 2017.
18
19
20
21
22
23
24 _____
25 PEREZ JENIO, CLR

	11:17	available (3) 6:12;8:8;20:11	7:23	8:23
§	alternative (1) 11:7	avoid (1) 16:11	bringing (1) 22:20	checks (1) 15:8
\$2.2 (1) 10:18	ambulatory (1) 17:20	aware (1) 12:12	brought (1) 13:16	choice (1) 16:10
A	analysis (1) 8:11		C	choose (1) 12:16
	answered (1) 23:8	B		choosing (1) 11:14
ability (2) 13:5;18:5	anticipated (1) 7:17	back (1) 10:10	California (1) 25:18	Christopher (1) 4:7
able (3) 11:19;12:16;23:18	anyone (1) 25:23	Barry (1) 9:19	call (3) 4:3;6:21;7:21	chronology (1) 7:23
academic (2) 12:9;16:4	appearance (1) 16:11	based (3) 11:15;12:19;20:22	called (1) 23:3	citizen (1) 13:12
accept (1) 26:25	application (1) 8:13	basically (1) 20:16	calls (1) 8:24	clinical (1) 13:18
accepting (1) 22:6	appointment (1) 8:9	basis (1) 22:9	came (1) 9:25	close (4) 7:2,3;17:25;26:23
access (4) 13:17;24:15;22; 21:16	approach (1) 26:13	become (1) 11:17	campus (3) 6:9;10:13,18	closely (1) 11:17
accessibility (1) 9:4	appropriate (1) 8:21	becoming (2) 14:2;20:18	can (8) 15:12;16:4;20:12, 16:25;15,17,18,20	Coast (1) 21:4
accommodate (1) 6:23	approvals (1) 10:7	began (5) 10:2,20,22,25;12:7	cancer (1) 22:4	colleague (1) 6:19
achieve (1) 12:10	approved (1) 7:16	begin (1) 18:7	cardiologist (1) 25:25	colleagues' (1) 16:16
achieved (1) 20:19	approving (1) 22:3	behalf (3) 4:6;7:9,13	Care (23) 4:14;11:11,18;13:4, 24:15;23;16:3,23; 17:18,22,24;18:3,22; 19:2;20:3,22,22; 21:15,22;22:5,7; 23:18;26:4	collegial (1) 22:13
Act (1) 4:15	archives (1) 9:25	Behavioral (2) 5:6;17:12	careless (1) 22:4	combination (1) 18:17
addiction (1) 17:15	area (2) 19:14;22:16	benefits (2) 16:23;24:12	cardiology (1) 22:4	coming (1) 19:20
addition (1) 20:4	arithmetic (1) 20:17	Bennett (1) 7:15	cardiologist (1) 25:25	comment (2) 14:6;26:13
additional (2) 23:2;25:10	around (4) 6:8;11:6;19:19; 22:17	best (5) 12:16;13:15;20:25; 21:3;22:21	Cathleen (1) 7:15	comments (6) 6:15,25;7:4;9:12; 23:2;26:25
administration (1) 26:7	array (1) 17:3	best-in-class (1) 13:8	Center (4) 5:5;16:4;22:6; 24:17	Commissioner (3) 7:11,14;8:24
advance (1) 6:4	assessing (1) 9:14	better (3) 11:19;14:3;18:4	centers (6) 5:21;17:19,20; 22:17;24:13,19	commitment (2) 18:22;19:4
advanced (4) 15:21;16:3;18:2; 21:21	assessments (1) 17:6	beyond (1) 25:21	central (2) 13:2;22:23	communities (1) 22:22
advantage (1) 13:16	Assets (2) 4:14;8:23	bias (1) 16:12	CEO (3) 9:20;18:10;23:10	Community (21) 4:14;7:21;9:5; 12:17;13:11,12,17; 14:4,21,24;15:9,14, 22:16;20,23,25;17:8; 18:6;20:3;21:17; 22:15
advantages (1) 18:16	assist (1) 9:14	big (1) 24:24	CHAIRMAN (9) 4:2;14:13,16;22:24; 23:11;24:3;26:9,16, 23	compete (2) 25:14,17
affiliated (2) 5:8,16	Assistant (2) 4:6;7:10	biggest (2) 19:2,6	chairperson (1) 14:7	competent (1) 18:25
affiliates (1) 7:18	assuming (1) 11:21	billion (1) 10:18	challenging (1) 11:5	complete (2) 8:13;9:6
again (1) 23:15	attending (2) 4:10;27:4	bit (1) 10:23	chance (2) 20:17;23:6	complex (1) 19:2
against (1) 21:3	Attorney (12) 4:6,7;6:13,15,20; 7:6,9;8:3,9,14,20;9:7	Board (5) 12:6;14:8,14,16,18	changes (1) 11:3	comprehensive (2) 17:6,16
agencies (1) 21:25	audience (1) 26:12	Board's (1) 16:13	CHAPA (4) 4:16;5:24;8:15,24	concerning (1) 27:2
ago (2) 16:5;21:20	August (1) 8:12	both (3) 12:24;21:16;26:6	charitable (1)	
agree (1) 16:14	availability (1) 9:4	breakthrough (1) 15:17		
aligned (1)		brief (1)		

<p>concluded (4) 11:13;12:3;13:14; 27:6</p> <p>conditions (1) 23:16</p> <p>conduct (1) 7:12</p> <p>conducted (1) 7:5</p> <p>conducting (1) 7:8</p> <p>consider (1) 12:7</p> <p>consistently (3) 18:24;19:5,10</p> <p>consisting (1) 5:4</p> <p>consists (1) 5:20</p> <p>continue (8) 7:19;15:12;16:19, 21:24;17:5,11;26:24</p> <p>contributed (1) 12:21</p> <p>control (1) 11:18</p> <p>coordinate (1) 11:18</p> <p>coordination (1) 11:10</p> <p>corporate (1) 4:25</p> <p>corporation (3) 4:20,21,23</p> <p>costs (2) 11:16,19</p> <p>country (9) 11:6;18:25;19:3; 20:13;21:2,5,24; 24:14,19</p> <p>course (1) 13:11</p> <p>Court (2) 9:8;24:8</p> <p>criteria (1) 13:15</p> <p>cross (1) 19:22</p> <p>culminated (1) 22:12</p>	<p>deemed (2) 8:12,19</p> <p>define (1) 14:22</p> <p>deliberations (1) 15:3</p> <p>delivered (1) 13:10</p> <p>delivery (1) 5:2</p> <p>Department (3) 7:7,12,14</p> <p>depending (1) 10:11</p> <p>Deputy (1) 6:20</p> <p>describe (1) 10:12</p> <p>deterioration (1) 9:3</p> <p>determine (2) 8:15,25</p> <p>determines (1) 8:21</p> <p>developed (2) 12:18;22:4</p> <p>devices (1) 4:11</p> <p>difficult (1) 12:5</p> <p>diligence (1) 8:7</p> <p>direct (1) 15:22</p> <p>directly (1) 20:2</p> <p>Directors (1) 14:17</p> <p>discovered (1) 15:19</p> <p>discovery (1) 10:2</p> <p>diverse (1) 14:18</p> <p>dividend (1) 15:8</p> <p>divisions (3) 5:3,15;17:10</p> <p>doctor (1) 25:22</p> <p>doctors (1) 25:3</p> <p>done (1) 10:14</p> <p>Dougherty (1) 7:11</p> <p>due (1) 8:6</p> <p>duration (1) 4:12</p>	<p>eager (1) 18:7</p> <p>edge (1) 15:18</p> <p>education (2) 13:6;16:25</p> <p>educational (1) 17:3</p> <p>effectively (1) 12:2</p> <p>efficiency (1) 11:11</p> <p>electronic (1) 4:11</p> <p>else (1) 25:17</p> <p>emphasized (1) 11:9</p> <p>employ (2) 11:24;24:20</p> <p>employed (1) 12:24</p> <p>employees (2) 19:16;20:23</p> <p>employer (3) 13:8;20:25;21:5</p> <p>enable (2) 12:9,23</p> <p>end (2) 13:14;26:10</p> <p>engaged (1) 14:18</p> <p>ensure (1) 18:5</p> <p>ensures (1) 16:19</p> <p>environment (1) 21:12</p> <p>epidemic (1) 10:4</p> <p>establishment (1) 4:18</p> <p>evaluate (1) 17:7</p> <p>even (3) 10:7;14:3;16:11</p> <p>evening (2) 4:2;14:9</p> <p>evening's (1) 7:22</p> <p>events (2) 7:24;16:25</p> <p>everyone (4) 4:8;6:24;13:4; 14:10</p> <p>examination (2) 8:10;9:6</p> <p>excess (1) 15:10</p> <p>excited (1) 22:13</p> <p>exist (1) 14:25</p>	<p>expertise (1) 13:19</p> <p>expressed (1) 12:15</p> <p>extra (1) 13:16</p>	<p>funder (1) 19:6</p> <p>future (4) 10:11;12:13;18:6,7</p>
			F	G
				<p>Ganzman (1) 6:20</p> <p>gateway (1) 18:2</p> <p>General (8) 4:6,7;6:16,20;7:9; 8:3,20;9:7</p> <p>General's (4) 6:13;7:6;8:9,14</p> <p>generate (1) 15:10</p> <p>generated (1) 12:12</p> <p>gentleman (1) 23:10</p> <p>gets (1) 21:7</p> <p>given (1) 23:7</p> <p>gives (1) 19:21</p> <p>giving (1) 13:16</p> <p>goals (2) 12:10,19</p> <p>goes (1) 15:15</p> <p>Good (5) 4:2;10:14;13:12; 14:9;27:4</p> <p>Government (1) 21:25</p> <p>graduate (1) 10:8</p> <p>great (1) 24:16</p> <p>greater (1) 11:11</p> <p>greatest (1) 22:17</p> <p>Gross (5) 23:4,4,5,13;26:8</p> <p>guided (1) 15:2</p> <p>guiding (1) 12:18</p>
D				H
<p>daily (1) 22:9</p> <p>dated (1) 7:25</p> <p>day (2) 9:25;10:17</p> <p>December (1) 7:25</p> <p>decision (3) 13:9;16:13,16</p>				<p>Harvard (1) 25:19</p> <p>Health (17) 4:14;5:6,14,20;7:7, 12,14;10:18;11:5,20; 17:2,13,14;18:11,17; 19:7;24:24</p>
	E			

HealthCare (30) 4:22,24;5:2,8,9; 7:18,20;8:2;9:5,18, 21;11:4,15;12:9;13:7, 10,21;14:3,14,23; 15:5,13;16:9;17:7,11; 19:6;21:3,11;22:19; 26:5 hear (4) 9:16;23:9,14;24:9 heard (4) 6:24;18:20;21:12; 22:2 hearing (18) 4:3,9,12,13,17; 5:25;6:5,18;7:3,5,8, 13,24;9:11;22:25; 26:11,17,24 heart (1) 16:6 held (1) 4:13 help (3) 11:25;13:7;17:4 herself (1) 25:23 highest (2) 13:18;20:10 highly (1) 22:7 high-quality (2) 13:3;17:24 himself (1) 25:23 holding (3) 4:16,22,24 home (1) 17:25 HomeCare (2) 5:7;17:16 honor (1) 14:12 hope (1) 10:17 hopefully (1) 20:7 Hopkins (1) 25:19 hospice (1) 17:18 Hospital (11) 8:23;10:2,16,24; 17:23;20:9,18;21:24; 24:20;25:8,25 hospitals (14) 5:21;11:16,22;16:7; 18:25;19:3,23,24; 20:6,6,13,15;22:7; 25:7 Hospital's (3) 6:7,9;8:13 House (1) 5:6	hundreds (1) 24:14	Jersey (9) 4:22;11:7;13:3; 18:19;19:17,21,23,25; 22:23 job (2) 10:14;26:2 join (2) 19:22;20:8 jointly (1) 7:6	6:21 little (1) 10:23 locations (1) 6:8 look (2) 14:2;21:10 Looking (3) 11:13;12:22;22:18 lot (1) 24:19 Louise (1) 23:3	mind (1) 24:4 minutes (1) 7:2 mission (2) 13:2;15:12 MISTRY (9) 4:2,5;18:9;22:24; 23:11;24:3;26:9,16, 23 models (1) 11:8 modifications (1) 8:17 months (1) 16:5 more (10) 6:4;10:23;11:14,17, 24;12:2;17:4;20:2; 21:7,8 most (2) 18:24;23:8 moved (1) 10:24 moving (1) 11:8 Muller (10) 18:10,13;23:11,12, 12,13,25;24:5,9,11 multispecialty (1) 5:22		
		I				
		identified (2) 12:20;24:21 implement (1) 17:8 important (1) 13:5 improvements (1) 12:4 Inaudible (3) 21:19,20;24:7 included (1) 12:24 including (3) 9:13;17:2,12 increase (1) 13:23 independent (1) 11:5 influential (1) 10:6 information (3) 8:11;11:25;23:7 in-home (1) 17:17 inpatient (1) 17:14 inspection (1) 8:8 Institutes (1) 19:7 institutions (1) 12:11 integrated (1) 5:2 integrating (1) 22:19 intended (1) 16:15 intense (1) 23:16 interest (4) 8:18,20;12:13,15 interests (1) 14:20 international (1) 25:15 into (4) 10:24;18:6;22:20; 25:25 introduce (2) 7:10;14:6 investments (1) 13:23	K	Kavin (1) 4:5 keep (1) 26:17 key (1) 15:2 Kim (2) 14:8,11 kind (3) 15:23;16:2;23:20 kinds (1) 20:5	M	
			L			
			Lancaster (1) 25:8 larger (1) 12:8 later (1) 7:4 Latino (1) 6:6 lead (1) 17:5 leader (1) 17:13 leading (2) 7:24;15:18 lectern (1) 26:14 led (1) 11:14 Ledger (1) 6:2 less (1) 7:2 letter (1) 7:25 level (1) 13:18 life (1) 16:2 lifelong (1) 14:23 likely (1) 9:2 limit (1) 6:25 list (1)	magazine (1) 20:25 Magnet (4) 20:9,14,15,18 maintain (1) 12:23 major (2) 16:3;24:13 making (3) 12:3;13:9,22 markets (1) 25:15 materials (1) 8:7 may (3) 6:14;10:19;25:10 mayor (1) 10:5 mean (1) 20:8 Medical (9) 5:4,21;10:9;12:23; 15:16;19:9,11;22:17; 26:7 Medicine (20) 5:13,16,18;13:15, 20;15:20,20,21,25; 16:4,14,17,18;17:21; 18:3,18;19:17;21:22; 22:20;25:21 Medicine's (1) 16:7 meet (3) 15:13;17:9;25:6 member (2) 4:25;26:11 Members (5) 6:14;9:13;13:17; 15:9,14 mental (1) 17:14 mention (1) 20:4 met (1) 13:15 million (1) 13:24		
		J			N	
		Jay (1) 6:20			name (5) 4:5;6:22;14:11; 23:9,10 National (4) 19:7,13;21:25; 25:14 nationally (1) 18:23 nation's (1) 11:4 necessary (3) 12:4;13:23;17:25 need (7) 11:24;21:15;24:22, 23;25:3,6,10 needed (1) 10:7 needs (4) 12:17;14:23;15:13; 17:7 needy (1) 23:16 network (2) 17:22;26:6 neurologist (1) 25:24 New (13) 4:22;10:24,25;11:7, 7;13:2;15:17;18:18;	

<p>19:17,21,23,25;22:23 news (1) 15:16 newspaper (1) 6:6 Next (1) 18:9 night (1) 27:5 none (1) 26:16 nonprofit (3) 4:20,23;15:6 not-for-profit (1) 12:8 notice (1) 5:24 notified (1) 8:2 nurse (1) 25:22 nurses (4) 24:15,20,21;25:3 nursing (5) 17:17;20:9,9,11; 24:18</p>	<p>opportunities (1) 25:2 opportunity (6) 9:23;14:5;18:15; 19:22;22:14;25:6 order (3) 4:4;6:23;16:10 organization (3) 14:25;15:6,11 organization's (1) 14:22 otherwise (1) 26:20 ours (1) 11:6 out (3) 10:15;15:7;20:14 outcomes (1) 11:9 outpatient (2) 5:22;17:14 outreach (1) 16:25 over (7) 9:9;16:24;19:22; 21:9;23:14,15;24:21 owe (1) 16:2 own (4) 5:12;12:5;16:2,8 owners (1) 15:8</p>	<p>Pause (1) 26:15 pay (1) 13:5 payment (1) 11:7 Penn (27) 5:12,16;13:14,20; 15:19,20,25;16:4,6,8, 13,17,18;18:3,18; 19:16;21:8,16,22; 22:5,20,21;23:17,17, 21,23;25:4 Penn's (2) 23:10;24:25 Pennsylvania (11) 4:19,20;5:12,14,19, 20;9:19;10:10;18:11; 19:25;25:9 people (21) 11:14;13:25;14:24; 16:22;17:5,7;18:18; 19:19;21:15,21; 22:10,15;23:15,23; 24:23;25:12,13,16,20; 26:3,4 per (1) 24:15 percent (3) 19:15,16,20 Perelman (1) 5:17 Perot (1) 21:19 personalized (1) 22:3 philanthropy (1) 12:25 physical (1) 23:20 physician (1) 17:22 physicians (4) 11:16,23;12:25; 23:20 Pimley (5) 14:8,9,11;18:14; 21:13 Plainsboro (1) 5:5 plan (2) 11:3;17:8 planning (3) 10:20,21,25 please (1) 4:10 pleased (1) 22:11 pm (2) 7:3;27:7 point (1) 10:15 Porrino (2)</p>	<p>4:8;7:9 posed (1) 8:5 possible (1) 16:11 posted (1) 6:5 potential (1) 12:14 practices (1) 12:20 present (1) 7:23 President (1) 9:20 previously (1) 14:15 primary (1) 17:21 Princeton (35) 4:21,24;5:5,6,7,9; 7:17;8:2;9:17,20; 10:5;13:21;14:13; 15:5;16:9;17:10,12, 15,21;18:17;20:7,8, 19;21:11,14,17,17,20; 22:19,21;23:21;25:4, 7;26:5,5 principle (1) 15:2 principles (1) 12:18 private (1) 12:25 privilege (1) 14:12 PROCEEDINGS (25) 5:1;6:1,10;7:1;8:1; 9:1;10:1;11:1;12:1; 13:1;14:1;15:1;16:1; 17:1;18:1;19:1;20:1; 21:1;22:1;23:1;24:1; 25:1;26:1;27:1,6 process (1) 11:2 produce (1) 24:14 professionals (1) 13:7 programs (1) 17:4 proposal (1) 27:2 proposed (5) 4:17;8:3,16,25;9:15 Protection (1) 4:15 proud (3) 19:13;21:6;25:5 proudly (1) 16:21 provide (9) 7:19;13:3;16:21,24;</p>	<p>24:7;25:11,11,20; 26:3 provided (3) 8:6,12;21:14 provider (2) 11:15;14:3 providers (1) 5:8 provides (1) 17:16 proving (2) 17:13;21:10 public (11) 4:3,16;5:25;6:12, 14;8:8,18,19;9:13; 23:2;26:25 published (1) 5:25 pun (1) 16:15 pursuant (1) 4:13 pursue (1) 16:16 put (1) 25:24</p>
O				Q
<p>object (1) 9:11 obviously (1) 21:15 o'clock (1) 26:18 October (2) 6:16;27:3 offer (1) 16:5 offering (1) 17:24 offers (1) 18:3 office (4) 6:14;7:7;8:5,10 Once (1) 9:6 one (11) 16:6;18:24;19:2,11; 21:22;22:16;24:12, 12,17;25:24,25 online (1) 23:22 only (3) 16:3;20:13;23:19 open (2) 22:25;26:17 opened (1) 10:19 operate (1) 5:12 operating (2) 5:3,15</p>	<p>pages (1) 8:6 parent (1) 4:21 part (5) 12:8;14:2;20:2; 22:8;23:17 participate (1) 16:12 parties (1) 8:5 partner (5) 12:16,22;15:4; 16:10;18:5 partners (1) 12:14 partnership (2) 16:17,18 parts (1) 15:24 past (1) 12:21 patient (4) 11:9,10;18:22; 20:22 patients (8) 11:22;19:10,15; 20:2,23;21:8;22:6,22</p>	P		
				R
				<p>quality (1) 9:3 quaternary (1) 22:5</p> <p>Rabner (4) 9:20,22;18:14; 21:13 Ralph (1) 18:10 range (1) 7:19 ranked (4) 18:24;19:11;20:24; 21:4 rankings (2) 19:14;20:5 Raymond (1) 5:17 realize (1) 10:4 really (1) 21:6 recently (1) 20:24 recess (1) 26:22 recognition (1) 20:11 recognized (2) 18:23;21:24 recommendation (1)</p>

9:8 refer (1) 4:15 reflected (1) 21:7 regarding (1) 4:17 regardless (1) 13:4 region (2) 21:18;22:8 regional (2) 5:21;17:13 regulators (1) 9:14 rehabilitation (2) 5:23;17:17 remain (2) 13:8;17:23 repeat (1) 18:21 REPORTER (1) 24:8 representatives (1) 9:17 representing (1) 14:20 request (1) 6:13 require (1) 22:6 required (1) 5:24 research (3) 13:19;19:4,6 researchers (1) 19:8 resource (2) 13:6;16:20 resources (1) 23:21 response (1) 8:4 responsible (1) 13:25 result (3) 9:2;10:3,21 revealed (1) 11:3 revenue (1) 15:10 review (2) 6:12;9:9 reviewing (1) 9:24 right (2) 11:12;17:23 risks (1) 11:21 robust (1) 11:24 role (2) 8:14;14:19	Ross (1) 21:19 Ruth (1) 5:17 <hr/> S <hr/> safeguard (1) 8:22 same (1) 13:3 satisfaction (1) 11:10 saying (1) 24:10 School (2) 5:17;10:9 schools (1) 19:12 science (1) 19:9 screenings (1) 17:2 secure (1) 20:21 Seeing (1) 26:16 seems (1) 15:15 select (1) 16:13 selecting (2) 15:3;21:8 send (1) 15:7 September (1) 6:3 serve (10) 11:22;13:5,13; 14:13;18:5;19:14,18, 19:22;9:15 serves (1) 14:21 service (2) 23:24;26:4 services (9) 7:20;9:5;17:15,18; 21:13,23;25:9,10; 26:7 serving (2) 14:23;18:2 set (1) 12:18 seven (1) 26:18 seventh (3) 20:25;21:2,5 shared (1) 18:7 signed (1) 6:19 significant (2) 12:13;13:22	sign-up (1) 6:21 silence (1) 4:11 six (1) 19:24 slim (1) 20:17 small (1) 23:14 sole (1) 4:25 solicit (1) 9:12 somewhere (1) 25:16 soon (1) 10:17 sorry (1) 24:8 sort (1) 23:22 source (1) 25:22 Spanish (1) 10:3 speak (5) 6:18,23;9:23;18:16; 26:19 speaker (1) 23:3 speakers (3) 6:25;7:22;26:10 specialized (2) 13:18;22:7 specialty (1) 17:22 specific (1) 8:17 spirit (1) 22:13 spoke (1) 19:5 staff (2) 12:24;26:3 stakeholders (1) 9:12 Star (1) 6:2 state (1) 22:10 states (1) 19:18 status (6) 20:10,12,14,15,19; 21:6 steps (1) 8:21 stockholders (1) 15:7 strategic (2) 10:25;13:22 strengths (1)	12:12 submit (2) 6:15;9:7 success (2) 12:21;14:22 Superior (2) 9:8;18:22 support (3) 13:2;17:18;21:11 sure (1) 22:2 surgery (1) 17:20 Susan (1) 7:11 sustains (1) 15:11 System (22) 4:22,24;5:2,9,14, 20;7:18;8:2;9:18,21; 11:4,8;12:9;13:21; 14:14;15:5,25;17:11; 18:12;22:19;24:24; 26:6 systems (3) 11:5,20;21:3 System's (1) 16:10 <hr/> T <hr/> targets (1) 11:12 teams (1) 26:2 technique (1) 15:18 technology (2) 11:25;15:19 tens (1) 16:21 terms (2) 19:3,9 thanks (2) 14:10;22:23 therapies (1) 19:20 therapy (2) 22:4,4 thousand (1) 10:21 thousands (3) 8:6;16:22;24:15 three (1) 5:3 three-top-ranked (1) 24:18 throughout (1) 22:8 Times (1) 6:2 today (1) 4:17	together (4) 11:18;13:20;22:12, 14 tonight (1) 14:11 top-five (1) 19:11 toward (1) 11:8 train (1) 24:19 training (4) 13:6;24:13,16,17 transaction (7) 7:16;8:4,16,18;9:2, 10,15 transcribed (1) 6:11 transcript (1) 6:11 transition (1) 24:25 transplant (1) 16:6 travel (1) 23:23 treat (1) 20:2 treatment (2) 15:17;16:8 trend (1) 11:14 Trenton (2) 6:2;8:10 Trentonian (1) 6:3 Trustees (6) 4:18;5:11;12:7; 14:14,19,21 turn (1) 6:22 two (2) 6:4;10:20 two- (1) 24:18 <hr/> U <hr/> under (1) 8:14 understands (1) 14:19 underwent (1) 16:5 Unidos (1) 6:6 University (10) 4:19;5:4,11,13,15, 18,19;9:18;10:9; 18:11 unless (2) 8:20;14:7 up (6)
---	---	---	--	---

6:19;7:24;9:19,25; 18:9;21:3 upon (3) 6:12;7:21;8:24 use (1) 12:25	year (7) 10:23;16:22;17:2; 24:15,16,25,25 years (4) 10:20;14:4;21:9,20	6		
V	1	6 (1) 27:3 6th (1) 6:16		
value (1) 8:22 values (1) 12:19 various (2) 6:8;19:19 vital (1) 16:20 voice (1) 13:9	1,700 (1) 16:24 1.3 (1) 13:24 17 (1) 12:14 171-acre (1) 10:16 1918 (1) 10:3	7		
W	2	7:00 (2) 7:3;27:7		
ways (1) 17:9 website (2) 6:6,7 week (1) 15:15 weeks (1) 6:4 welcome (2) 4:8;18:15 wellness (1) 17:19 West (1) 21:4 whichever (1) 7:4 wholeheartedly (1) 16:15 wide (1) 17:3 wishes (2) 6:17,24 without (2) 8:16;15:16 word (1) 19:19 work (3) 11:23;22:12,14 working (1) 19:8 works (1) 25:23 world (1) 22:18 world-class (2) 13:19;19:4 written (2) 6:15;26:25	20 (2) 16:5;21:20 2003 (1) 10:22 2012 (1) 10:19 2013 (1) 10:22 2014 (1) 14:15 2016 (1) 7:25 2017 (4) 6:3,16;8:12;27:3 22 (1) 7:25 24/7 (1) 26:2 25 (3) 8:12;19:15,20	8	8,000 (1) 24:21 8th (1) 6:3	
Y	3			
	30 (1) 19:16			
	4			
	40,000 (1) 17:4 400 (1) 20:13			
	5			
	5 (1) 7:2 5,000 (1) 20:12 50 (1) 19:18			

Exhibit D

Order to Show Cause

MCDERMOTT WILL & EMERY LLP
Riley T. Orloff (NJ Bar No. 128672015)
340 Madison Avenue
New York, New York 10173
Tel.: (212) 547-5400
Email: rorloff@mwe.com

John M. Callahan (*Pro Hac Vice* Pending)
444 West Lake Street
Suite 4000
Chicago, Illinois 60606
Tel.: (312) 372-2000
Email: jcallahan@mwe.com

Jerome Tichner, Jr. (*Pro Hac Vice* Pending)
28 State Street
Boston, Massachusetts 02109
Tel.: (617) 535-4000
Email: jtichner@mwe.com

Attorneys for *Princeton HealthCare System Holding, Inc.*

IN THE MATTER OF THE APPROVAL
OF THE PROPOSED TRANSACTION
OF PRINCETON HEALTHCARE
SYSTEM HOLDING, INC. WITH THE
TRUSTEES OF THE UNIVERSITY OF
PENNSYLVANIA PURSUANT TO
N.J.S.A. 26:2H-7.10, *et seq.*

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION: MIDDLESEX
COUNTY

DOCKET NO. MID-C-____-17

Civil Action

ORDER TO SHOW CAUSE

THIS MATTER having been opened to the Court by Princeton HealthCare System Holding, Inc. (“PHCS”) by and through its attorneys, McDermott Will & Emery LLP, Riley T. Orloff, Esq., John M. Callahan, Esq., and Jerome Tichner, Jr., Esq. appearing, and the Report of the Attorney General dated October 26, 2017 (the “AG Report”) and the Court having considered the Verified Complaint and Brief in support of the application and the

Recommendation of the Attorney General of New Jersey; and the Court having determined that this matter should proceed by way of Order to Show Cause; and for good cause shown:

IT IS ORDERED on this ___ day of _____, 2017:

1. Any interested party must show cause before the Honorable Arnold L. Natali, Jr., J.S.C., Superior Court, Chancery Division, at the Middlesex County Courthouse, 56 Paterson Street, New Brunswick, New Jersey 08903, on the ___ day of _____ at ___ a.m./p.m., or as soon thereafter as counsel may be heard, why a final judgment should not be entered approving the application of PHCS for this Court's approval, pursuant to N.J.S.A. 26:2H-7.10 *et seq.*, of the proposed transaction described in the Affiliation Agreement entered into on December 22, 2016 (the "Affiliation Agreement").

2. A copy of this Order to Show Cause, the Verified Complaint, the AG Report and the Brief in support thereof shall, on _____, 2017, be served by overnight delivery or personal service on the Attorney General of New Jersey, to the attention of Deputy Attorney General Jay A. Ganzman, Esq. at the R.J. Hughes Justice Complex, 25 Market Street, Trenton, New Jersey 08648.

3. A copy of this Order to Show Cause, the Verified Complaint, the AG Report and the Brief in support thereof shall, on _____, 2017, be served by overnight delivery or personal service upon the persons on the Service List attached hereto as Exhibit A, who have filed written comments and/or appeared and made a statement at the public hearing conducted in this matter, other than those appearing as a representative of the parties to the Affiliation Agreement.

4. Any objection or other written response to the relief sought by the Verified Complaint must be filed with the Court and served upon counsel for the Petitioner to the attention of Riley T. Orloff, Esq., at McDermott Will & Emery LLP, 340 Madison Avenue, New

York, New York 10173, with a copy to the Attorney General of New Jersey, to the attention of Deputy Attorney General Jay A. Ganzman, Esq. at the R.J. Hughes Justice Complex, 25 Market Street, Trenton, New Jersey 08648, by overnight delivery or personal service on or before _____, 2017.

5. If no interested party serves and files an objection to the relief sought in the Verified Complaint within the time set forth herein, judgment may be entered for the relief sought in the Verified Complaint.

Honorable Arnold L. Natali, Jr., J.S.C.

Exhibit A

Service List

Louise Gross
30 Old Orchard Lane
Princeton, NJ 08540
lgross@princetonhcs.org
louisewgross@gmail.com