MEMORANDUM OF UNDERSTANDING AMONG PRINCE GEORGE'S COUNTY, UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION, UNIVERSITY SYSTEM OF MARYLAND, DIMENSIONS HEALTH CORPORATION, AND THE STATE OF MARYLAND

This Memorandum of Understanding (hereinafter "MOU" or "Agreement") is entered into this 21st day of July, 2011, by and among Prince George's County, Maryland, a body corporate and politic, organized pursuant to Article XI-A of the Constitution of Maryland, (hereinafter the "County"), the University of Maryland Medical System Corporation, (hereinafter "UMMS"), the University System of Maryland (hereinafter "USM"), Dimensions Health Corporation (hereinafter "Dimensions"), and the State of Maryland, (hereinafter the "State") and collectively referred to as the "Parties."

PREAMBLE

WHEREAS, the health care facilities and assets currently leased to Dimensions Health Corporation by the County (hereinafter the "Prince George's County health care system," or the "System,") pursuant to a long-term Fourth Amended and Restated Lease Agreement (hereinafter the "Master Lease Agreement"), have experienced severe financial difficulties over the past decade, including shortfalls in financial ratios and payments associated with bond indebtedness, unfunded pension obligations, high rates of uncompensated care and other challenges that have compromised the System's ability to meet the health care needs of the residents of the County and the Southern Maryland region; and

WHEREAS, multiple prior efforts, including the recent process undertaken by the Prince George's County Hospital Authority, to transfer ownership of the System to a new entity capable of transforming it into a health system which operates independently and provides high quality care, have been unsuccessful; and

WHEREAS, while Dimensions continues to make efforts to improve its operations, the System's severe financial distress, long-term undercapitalization, and other challenges render necessary the County and State's continued funding support; and

WHEREAS, these long-standing, intractable challenges continue to preclude the System from providing the high quality, community-based, primary and specialty care services the residents of the County need and deserve; and

WHEREAS, the Parties seek to effect a long-term solution to these challenges by developing and implementing a strategy to transform the System into an efficient, effective and financially viable healthcare delivery system with a new regional medical center, located in central Prince George's County, supported by a comprehensive ambulatory care network, which will improve the health of residents of the County and

Southern Maryland region by providing community-based access to high quality, cost-effective medical care; and

WHEREAS, UMMS has completed an initial study of the System and the health care needs of the County, the first phase of the entire scope of work and referred to as Phase 1A , which outlines an approach and strategy for effectuating this solution;

WHEREAS, this approach and strategy also includes the potential development of a University of Maryland Baltimore health sciences presence to accompany the regional medical center and the ambulatory care network in their mission to enhance the provision of quality health care services to the residents of the County and Southern Maryland region; and

WHEREAS, the Phase 1A study estimates the overall costs necessary to implement this vision and strategy to be in the range of $600 million; and

WHEREAS, the $600 million cost estimate developed in the Phase 1A study does not include the cost of implementing a comprehensive ambulatory care system; and

WHEREAS, the Phase 1A study identifies the additional need to resolve approximately $200 million of Dimension's unfunded pension liabilities, outstanding debt and unfunded retiree health benefits costs; and

WHEREAS, while the Parties anticipate that further refinement of the strategy to transform the System into a new regional medical center supported by a comprehensive ambulatory care network and University of Maryland Baltimore health sciences presence may result in adjustments to the individual cost estimates for implementing the different components of the strategy, the Parties agree that the estimate of the overall cost to be shared by the Parties is within a valid, realistic range; and

WHEREAS, the Parties are prepared to begin a more substantive and detailed development of this strategy and to set the stage for its subsequent and timely implementation.

NOW, THEREFORE, in consideration of the mutual promises of the Parties herein and other good and valuable consideration, the Parties hereto stipulate and agree as follows:

ARTICLE I.

UMMS' PHASE 1B STUDY AND DETERMINATION OF ITS ROLE IN THE PERIOD OF TRANSITION TO A NEW HEALTH CARE SYSTEM

UMMS will lead a 12-18 month study, Phase 1B (which is anticipated to be completed on or around the end of the first quarter of calendar year 2013), to refine and develop further its approach to enhance the delivery of health care in the County through transformation to a system with a new Regional Medical Center (hereinafter "RMC"),

supported by a comprehensive ambulatory care network, which together will provide high quality, accessible, and cost-effective primary, chronic, and specialty care services throughout the region. In leading the study, UMMS will select and manage the appropriate expert consultants and vendors. The County and State will each designate representatives to work with UMMS and USM throughout the period of the Phase 1B study to facilitate the development and execution of a successful plan.

Section A. Step One of Phase 1B: System Design

1. During the 4-6 months following execution of this Agreement, UMMS will undertake the following:

a. *Regional Medical Center*: Refinement of the Phase 1A study's market demand projections and estimated size for the RMC to reflect consideration of: i) the ambulatory care network strategy's projected impact on inpatient utilization; ii) the coordination of care among Laurel Regional Hospital, Bowie Health Campus, and the ambulatory care network (to include the Cheverly site); and iii) the State's Health Plan, which shall include analysis of the RMC's projected impact on other health systems operating in the region.

b. *Ambulatory Care Network*: Development of an ambulatory care network strategy which will provide primary and specialty ambulatory care and diagnostic services to serve the pre- and post-acute outpatient needs of County residents. The strategy will take into account the State's implementation of federal health care reform and other factors influencing current changes in the health care market. The strategy will also include appropriate clinical integration, relevant care models, and oversight intended to moderate the growth of health care services with improved clinical outcomes in an increasingly episodic-based care environment.

c. *Physician/Provider Needs*: Development of a strategy to address physician and other allied health care provider needs, including: i) assessment of the supply and quality of the existing primary and specialty care physicians and other allied health care providers serving the County; and ii) identification of the physician/allied health care provider needs gap and development of a plan to close it, which shall include strategies for recruitment, employment, joint ventures, *etc.*

2. In undertaking Step One of Phase 1B, UMMS shall:

a. Employ the capabilities of the University of Maryland College Park School of Public Health (UMCP) to include in its design considerations and strategy developments an assessment of the public health impact on the population to be served;

b. Work with the University of Maryland Baltimore (UMB) to develop an assessment of the potential for the development of a health sciences presence to be co-located at the site of the RMC sufficient for UMB to determine whether pursuit

of such a presence is feasible and, if so, what programs and other elements it may include;

c. Provide necessary financial resources for completion of Step One, including but not limited to cost reimbursements to UMCP and UMB for the completion of their respective assessments, as mutually deemed appropriate and reasonable; and

d. Provide to the County and State the written conclusions and recommendations of Step One of Phase 1B.

3. Prior to UMMS' commencement of Step Two of the Phase 1B study, the County and State shall review the conclusions and recommendations of Step One of Phase 1B and consult appropriate stakeholders, including Prince George's County Council, the Presiding Officers and other members of the General Assembly, regarding the conclusions and recommendations of Step One. After such review and consultation, the Parties shall reach agreement on the conclusions, recommendations, and any mutually acceptable modifications thereof.

Section B. UMMS and Dimensions' Role during the Period of Transition to a New Health Care System

1. *UMMS and Dimensions' Collaboration*: While UMMS is conducting its assessment and to the extent possible, UMMS and the Dimensions' management team shall work collaboratively to drive toward better operating results. This collaboration shall be designed to help ensure that decisions made during this interim period will effectively begin to mitigate costs, enhance quality of care, preserve public subsidies to assist in the discharge of liabilities, and lay groundwork consistent generally with the transition of the System to the envisioned RMC and ambulatory care network.

2 *Dimensions*:

a. *Board*: The County shall work with Dimensions and the Master Trustee under the Master Trust Indenture between First National Bank of Maryland and Dimensions dated June 1, 1992 (the "Bondholders' Trustee") to amend Dimensions' Bylaws and the Master Lease Agreement to allow for an expansion of Dimensions' Board so that it can be more broadly representative of the community it serves. The County shall consult with appropriate stakeholders to make recommendations for new appointments to the Board.

b. *Governance structure*: The Parties shall consider and, to the extent feasible and permissible under applicable contracts and laws, request the appropriate entity to implement any other changes in the structure or branding of Dimensions which they agree may be appropriate to enhance its governance or operations.

3. *Asset Transfer*: The County and UMMS shall develop a plan for transfer of the System's assets to Dimensions, or to a successor entity. They shall negotiate and reach agreement on the conditions upon which such a transfer would occur, including the potential conditions that: (1) the asset transfer may not occur until an affirmative decision has been made to proceed with the RMC; (2) any real property which ceases to be used for the provision of health care services shall revert to the County and/or (3) the transfer's effect on the discharge of liabilities. They will also reach agreement on the County receiving credit or payback for any assets sold to another entity.

Section C: Step Two of Phase 1B: Financial Analysis

1. During the 3-4 months following completion, review, and approval of the conclusions and recommendations of Step One of the Phase 1B study, UMMS will undertake the following:

a. Refinement of the projected costs of: i) construction of the RMC; ii) facility improvements and renovations at the existing sites of Laurel Regional Hospital and the Bowie Health Campus; iii) additional capital needs and operating costs for the ambulatory care network (including the Cheverly site); and iv) in conjunction with USM and UMB, programs and other elements of the UMB health sciences presence that may be included in the final recommendations of Step One of the Phase IB study; and

b. Updating of overall financial projections for the new health and hospital system, including the RMC, ambulatory care network, and a UMB health sciences presence.

2. UMMS, the County and the State shall divide equally among themselves and therefore each pay one-third of the total cost of Step Two of the Phase 1B study. The total cost of Step Two of the Phase 1B Study is estimated to be $375,000.

3. Prior to moving forward to Step Three of the Phase 1B study:

a. The results of Step Two must demonstrate that the proposed healthcare delivery system is financially viable, including the funding of capital costs, transition period operating losses and the elimination of outstanding Dimensions' liabilities; and

b. The County and State shall review and consult appropriate stakeholders, including the Prince George's County Council, the Presiding Officers and other members of the General Assembly, regarding the conclusions and recommendations of Step Two. After such review and consultation, the Parties shall reach agreement on the conclusions, recommendations, and any mutually acceptable modifications thereof; and

c. The Parties' agreement shall include approval of a plan to finance the costs of the RMC, the costs of a health sciences presence if the parties determine it is

feasible, and any capital and operating needs of the ambulatory care network, and to allocate responsibility for such financing among the Parties.

Section D. Step Three of Phase 1B: Architectural Plan and CON Submission

1. During the 4-6 months following completion, review, and approval of the conclusions and recommendations of Step Two of the Phase 1B study, UMMS will undertake the following:

a. Development of the site selection and architectural plans for the RMC;

b. Development of specific plans for: i) any site renovations or facility improvements at Laurel Regional Hospital and Bowie Health Campus; and ii) any capital and operating costs necessary for development of the ambulatory care network (to include the Cheverly site).

c. Preparation and submission of the Certificate of Need (CON) application for the RMC.

2. UMMS, the County, and the State shall divide equally among themselves and therefore each pay one-third of the cost of Step Three of the Phase 1B study except for the cost of legal counsel who may be engaged to assist the Parties in preparing and submitting the CON application. UMMS shall be responsible for engaging such counsel and paying the resulting attorneys fees and any CON application fees. The total cost of Step Three of the Phase 1B Study, including attorneys' fees and application fees related to the CON for which UMMS shall be responsible, is estimated to be $1.2 million.

3. The County and State shall review and consult appropriate stakeholders, including the Prince George's County Council, Presiding Officers and other members of the General Assembly, regarding the conclusions and recommendations of Step Three. After such review and consultation, the Parties shall reach agreement on the conclusions, recommendations, and any mutually acceptable modifications thereof.

ARTICLE II.

OPERATION OF THE SYSTEM DURING PERIOD OF TRANSITION TO NEW HEALTH CARE SYSTEM

The Parties anticipate that the Phase 1B study will be completed during the first quarter of calendar year 2013, with the application process to seek CON approval for the RMC and some capital improvements associated with the ambulatory care network to follow over the course of the following 9-12 months. If CON approval is received, construction of the RMC would be targeted to begin in the first quarter of calendar year 2014.

The System must continue to operate and provide the highest quality care possible to County residents during this interim period. Dimensions is engaged in an effort to create partnerships and institute cost-containment and quality improvement measures to stem operating losses and address quality of care concerns at the Prince George's Hospital Center in Cheverly and throughout the System. These efforts are critical to meet the needs of County residents, to help prepare the System for its transition to the new RMC, supported by a comprehensive ambulatory care network, and to begin to discharge its bond debt, unfunded pension obligations, and other liabilities. In addition, these measures must be successful to the extent possible in reducing operating losses so that County and State funding commitments can be diverted from sustaining operations to assisting in the discharge of the liabilities.

To facilitate continued and enhanced operations, the Parties agree to undertake the following:

1. *Strategic Plan for Discharging Liabilities*: The County, State, and UMMS will work with the Dimensions' Board, the Bondholders' Trustee and the Pension Benefit Guarantee Corporation to develop a feasible plan and timeline for satisfaction of the System's liabilities. Development of the plan should include consideration of the potential for refinancing or seeking discounts on satisfaction of certain debts, and exploration of the potential advantages and disadvantages of monetizing certain assets. The parties agree that establishing a plan and reaching resolution on how the System's liabilities will be discharged is a requirement for proceeding to Step 3 of the Phase 1B study.

2. *Public Funding*:

a. The County and State intend to execute a Letter of Intent that reflects their commitment to provide to the Prince George's County health care system a total of $30 million of funding ($15 million each) for FY 2012 which shall be used both to support the System's operations and to begin to discharge its liabilities. The State has made an additional capital commitment of $4 million for FY 2012. The Letter of Intent will also reflect the State and County's commitment to seek an additional $30 million annually ($15 million each) to provide to the System for FY 2013 - FY 2015 as needed for any continued operating losses and liabilities, and subject to their respective appropriations processes. The Letter of Intent will also reflect the State's intent to seek additional capital funds in the amount of $10 million for FY 2013 and $10 million for FY 2014, as needed and subject to the approval of the General Assembly; and

b. Any commitment to develop activities to support a UMB health sciences presence in Prince George's County under this MOU during the transition period is contingent upon the adequacy of public funding for such activities.

3. *Reducing and Eliminating Operating Losses*: This objective will be achieved, pursuant to Section B of Article I of this Agreement, through the development of a plan and timeline for implementing cost-containment, quality enhancement, and clinical integration measures necessary to reduce and ultimately eliminate the System's operating losses.

ARTICLE III.

MISCELLANEOUS PROVISIONS

Section 1. State and County Laws

The provisions of this Agreement shall in no way diminish or infringe any rights, responsibilities, power or duties conferred on the parties by the Constitution of the State of Maryland, the Annotated Code of Maryland, the Prince George's County Charter, and the Prince George's County Code, and all such laws are hereby incorporated in this Agreement as if fully set forth herein. In the event of a conflict between this Agreement and any of these laws, the applicable law shall prevail.

Section 2. Effective Date and Modification of Agreement

This Agreement shall become effective on the date herein above written. It may be modified only by written agreement of all Parties, with any such modifications to become effective on the date determined by the Parties.

[Signature page follows]

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be executed on the date herein above written.

PRINCE GEORGE'S COUNTY, MARYLAND

Rushern L. Baker, III
County Executive

Ingrid M. Turner
Chair, Prince George's County Council

STATE OF MARYLAND

Martin O'Malley
Governor

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION

Robert A. Chrencik
President and Chief Executive Officer

UNIVERSITY SYSTEM OF MARYLAND

William E. Kirwan
Chancellor

DIMENSIONS HEALTH CORPORATION

C. Philip Nichols, Jr.
Chairman

DIMENSIONS HEALTH CORPORATION

Kenneth E. Glover
President and Chief Executive Officer