DEFINITIVE AGREEMENT
BY AND BETWEEN
THE CLEVELAND CLINIC FOUNDATION
AND
LAKEWOOD HOSPITAL ASSOCIATION

# DEFINITIVE AGREEMENT

THIS DEFINITIVE AGREEMENT (the "Agreement"), dated as of this ___day of _________, 1996, is entered into by and between The Cleveland Clinic Foundation, an Ohio not-for-profit corporation ("CCF") and Lakewood Hospital Association, an Ohio not-for-profit corporation ("Lakewood").

## RECITALS

WHEREAS, CCF and Lakewood are health care systems which provide hospital and health care services to residents of the greater Cleveland area and the surrounding regions, both directly and through their various subsidiaries and related companies; and

WHEREAS, CCF and Lakewood share a common vision of how best to serve the health care needs of the residents of the communities served by CCF and Lakewood; and

WHEREAS, based upon mutual study of demographic, economic, and medical trends, and evaluation of options to better serve their communities in light of these trends, CCF and Lakewood believe that the integration of Lakewood and the CCF health care system will:

(i) assure the availability of high quality, technologically advanced clinical services and professional practitioners in a more cost-effective and clinically efficient manner than either organization can achieve on its own;

(ii) enhance recruitment and development of resources for new programs and services;

(iii) maintain and enhance medical services for the underserved and/or underprivileged; and

(iv) lower the cost of care through the avoidance of inefficient investments in expensive technology and facilities, combining clinical programs, reducing the costs of administering health services, better deploying existing resources and capacity, and other measures.

WHEREAS, as a result of the integration of CCF and Lakewood, CCF and Lakewood will work together to improve access to healthcare services through development of:

(i) enhanced physician recruitment;

(ii) a primary care network in strategic areas;

(iii) quality improvement systems;

(iv) geographical distribution of hospitals to meet managed care requirements;

(v) improved attractiveness for managed care contracting; and

(vi) a competitive quality provider system in northeast Ohio.

WHEREAS, the parties agree that the following principles will guide the integration of Lakewood and the CCF health care system:

(i) Lakewood will become an active participant in the integrated delivery system established by CCF and shall participate in CCF's managed care strategy;

(ii) CCF will assure that Lakewood will have the authority to maintain and support the mission which currently defines the operations of Lakewood;

(iii) CCF and Lakewood will work towards creating an integrated delivery system while maintaining the separate corporate identity of Lakewood;

(iv) the integration of Lakewood and the CCF health care system will be accomplished in a manner to protect the private practice of medicine and preserve Lakewood's ability to determine the composition of its medical staff;

(v) the integration will have as its goal to benefit the community through the promotion, expansion and support of community front line physician practices; and

(vi) CCF and Lakewood will work together to expand the quality of care and access to care in the Lakewood Service Area through the development of community family health centers.

NOW THEREFORE, in consideration of these premises and the mutual and dependent promises hereinafter set forth, the parties hereto hereby agree as follows:

## ARTICLE 1.
## INTEGRATION OF LAKEWOOD AND THE CCF HEALTH SYSTEM

SECTION 1.1 Amendment of Articles of Incorporation and Code of Regulations of Lakewood. As of the Closing (as hereinafter defined), Lakewood shall cause the Articles of Incorporation and the Code of Regulations of Lakewood to be amended substantially in the forms of Schedules 1.1A and 1.1B, attached hereto and incorporated herein. In accordance with such Articles of Incorporation and the Code of Regulations, CCF shall become the sole member (the "Member") of Lakewood and shall have all of the rights, privileges, duties and obligations, if any, of a member of a nonprofit corporation provided by

Chapter 1702 of the Ohio Revised Code, and any amendments thereto or corresponding provisions of any future law, and all other rights of a member under Ohio statutory or case law, and as set forth herein, subject to the rights of the City of Lakewood (the "City") provided in the lease referred to in Section 1.8, below, and as limited or expanded in this Article 1.

1.1.1 The following corporate actions to be taken by the Lakewood Board of Trustees shall require the approval of the Member (but may not be exercised independently by the Member) as set forth in the Code of Regulations:

1.1.1.1 Changes to Lakewood's Articles of Incorporation and Code of Regulations.

1.1.1.2 Any merger, consolidation or other affiliation of Lakewood with any other entity or the sale of all or substantially all of the assets of Lakewood or a dissolution or material change in the operations or purpose of Lakewood.

1.1.1.3 Any management contract, lease or similar contract between Lakewood and any outside entity involving a significant portion of the assets or operations of Lakewood.

1.1.1.4 Appointment of Lakewood's auditors.

1.1.1.5 Any unbudgeted capital projects in excess of $500,000 or such greater amount as the Member may from time to time specify in writing, or any project requiring a certificate of need.

1.1.1.6 Lakewood's incurrence, assumption or guarantee of any indebtedness, capital expenditures, or disposal of assets, in excess of $500,000 or such greater amount as the Member may from time to time specify in writing.

1.1.1.7 Lakewood's annual operating and capital budgets.

1.1.1.8 Lakewood shall establish strategic plans consistent with the overall strategic direction and plan of CCF Health System.

1.1.1.9 Lakewood's strategic and financial plans, including the implementation of new or elimination of existing services offered at Lakewood. For purposes of Section 1.1.1.9, the term "services" includes the types of services available at Lakewood at the closing of this Agreement, including, but not limited to Obstetrics/Gynecology, Pediatrics, Emergency Medicine Services, Pathology, Medicine and Surgery. The term "services" does not include the magnitude or level of service, such as hours of service, or the manner (including changes in technology) by which the types of services are provided; provided, however, that the change in magnitude or levels of services does not, as a practical matter result in the significant reduction in such service so as to be an effective elimination of such service.

1.1.1.10 Coordination of financial management programs with such programs utilized by CCF.

1.1.2 The following corporate actions shall be exercised by the Member as set forth in the Code of Regulations:

1.1.2.1 Appointment of the chief executive officer of Lakewood; provided, however, that such individual also must be approved by Lakewood's Board of Trustees.

1.1.2.2 Termination of the chief executive officer after consultation with Lakewood's Board of Trustees; provided, however, that Lakewood's Board of Trustees shall have the right to terminate the chief executive officer after consultation with the Member; and provided, further that CCF hereby designates its Chief Executive Officer as the officer having the authority to exercise the right granted in this subsection 1.1.2.2.

1.1.2.3 Review of all managed care contracts at any point in time and provide specific requirements with regard to the terms thereof or whether or not to renew such agreement, at the time of renewal of such agreements.

1.1.2.4 The right to cause Lakewood to sell or factor its accounts receivables, provided, however, that such right shall only arise at such time or times when Lakewood's accounts receivables exceeds, as measured by days in receivable, the median accounts receivable for Northeast Ohio hospitals by thirty percent (30%), as published by the Greater Cleveland Hospital Association ("GCHA"). National median accounts receivable data may be used if information regarding Northeast Ohio hospital median data are not available from GCHA or such other reliable source.

1.1.3 The Member shall have certain rights with respect to the election of the Lakewood Board of Trustees. Except as otherwise provided in Section 1.1.3.1, below, with respect to the members of Lakewood's Board of Trustees immediately following the Closing, the Code of Regulations shall provide that the trustees shall be elected in accordance with the following:

1.1.3.1 The City shall select three trustees, which selection shall not be subject to any right of approval by the Member, so long as the lease, referred to in Section 1.8, below, remains in effect;

1.1.3.2 The City shall nominate an additional seven trustees, subject first to the approval of the Lakewood Board of Trustees and then to the ratification by the Member, which ratification shall be acted upon by the Member's Board of Trustees or Executive Committee of the Board of Trustees, so long as the lease, referred to in Section 1.8, below, remains in effect;

1.1.3.3 The Member shall elect three trustees, which selection shall not be subject to any right of approval by the City or any other body;

1.1.3.4 The Immediate Past President of Lakewood's Medical Staff shall be a trustee; and

1.1.3.5 The remaining nine trustees shall be selected in accordance with the nomination process in existence prior to the Closing, unless the Code of Regulations is changed as permitted by Section 1.1.1.1, above, provided, however, that at all times during the term of this Agreement, the remaining nine trustees shall be nominated by a committee of Lakewood's Board of Trustees and first approved by the Lakewood Board of Trustees and then to the ratification by the Member, which ratification shall be acted upon by the Member's Board of Trustees or Executive Committee of the Board of Trustees, so long as the lease, referred to in Section 1.8, below, remains in effect.

Notwithstanding the foregoing, except with regard to the trustees selected under Section 1.1.3.3, the Member shall not have the right to remove any of the trustees or fill vacancies, except consistent with the ratification right set forth above for the initial election of trustees. Vacancies shall be filled in the same manner as provided for above with respect to the trustee's original appointment. The Board of Trustees of Lakewood shall otherwise retain the right to remove trustees (other than trustees selected under Section 1.1.3.3, or as otherwise provided in the Lease).

1.1.4 All of the rights set forth in this Section 1.1 shall be exercised by CCF in a fiscally prudent manner, consistent with Lakewood's charitable purpose and Lakewood's obligations under the lease, referred to in Section 1.8, below, in order to preserve the operations of Lakewood as a going concern, as defined under generally accepted accounting principles.

1.1.5 Except as otherwise provided in this Article 1, Lakewood's Board of Trustees shall retain the rights, privileges, duties and obligations of trustees provided by Chapter 1702 of the Ohio Revised Code, and any amendments thereto or corresponding provisions of any future law, and all other rights and obligations of trustees under Ohio statutory or case law.

SECTION 1.2 <u>Rights of the City</u>. The City shall have the rights set forth in the lease referred to in Section 1.8, below and annexed hereto as Exhibit 1.8 (the "Lease").

SECTION 1.3 <u>Officers and Trustees of Lakewood; Committee Members</u>.

1.3.1 The parties agree that immediately after the Closing, those individuals listed on Schedule 1.3A, attached hereto and incorporated herein, shall be the members of Lakewood's Board of Trustees. The parties further agree that immediately after the Closing, Lakewood's Board of Trustees shall elect those individuals listed on <u>Schedule 1.3B</u>, attached hereto and incorporated herein, to the office listed opposite such individual's name and that

Lakewood's Board of Trustees shall elect those individuals listed on Schedule 1.3C, attached hereto and incorporated herein, to the committees listed on Schedule 1.3C. Thereafter, the members of the Lakewood Board of Trustees and the committees shall be selected in accordance with the Code of Regulations of Lakewood, subject to the City's rights under the Lease.

1.3.2 The Board of Trustees shall have the full authority provided under Ohio law for the management of Lakewood, subject to the rights of the Member set forth in Sections 1.1 and 2.1.3, and the rights of the City as set forth in the Lease referred to in Section 1.8, below. The Board of Trustees shall manage the operations of Lakewood in a fiscally responsible manner, consistent with Lakewood's charitable purpose and with Lakewood's obligations under the Lease, so that Lakewood shall be maintained as a going concern, as defined under generally accepted accounting principles.

SECTION 1.4 Lakewood Medical Staff. All current members of the Lakewood Medical Staff (the "Medical Staff") shall continue to have the same rights and privileges as members of the Medical Staff as such physicians had prior to the Closing; provided, however, that the consummation of the transactions contemplated by this Agreement will not limit the ability of the Lakewood Board of Trustees to grant, withhold or suspend Medical Staff membership or clinical privileges in accordance with the terms and provisions of the Medical Staff Bylaws. Lakewood shall establish Medical Staff development and recruitment plans consistent with overall strategic direction of CCF Health System.

SECTION 1.5 Employees of Lakewood. All persons employed by Lakewood at the time of the Closing shall remain employees of Lakewood after the Closing in positions similar to those held by them prior to the Closing; provided, however, that the consummation of the transactions contemplated by this Agreement shall not limit in any way the ability of Lakewood to terminate or otherwise govern the employment of all employees in a manner consistent with Lakewood's normal personnel policies and procedures.

SECTION 1.6 Integrated Delivery Systems Development and Managed Care Contracting. The parties agree that one of the goals of the integration of Lakewood and the CCF health care system is the development of a regional health care system. Lakewood will be an active participant in such regional health care system. CCF and its Affiliates shall use best efforts to permit Lakewood to become a member of the Cleveland Health Network as of the execution of this Agreement and to maintain Lakewood as a member of the Cleveland Health Network during the term of this Agreement. The development of this regional health care system will allow Lakewood and CCF to improve the quality of health care services offered to residents of the regional area and to improve access to such health care services. The parties also agree that the integration of Lakewood and the CCF health system also will enable the parties to develop and implement a continuing health care system and to evolve or expand the health care services currently being provided by Lakewood.

SECTION 1.7 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at ______________________________ on

___________, 1996 at __________ P.M., or at such other location, date, and time as may be agreed upon by the parties (the "Closing Date").

SECTION 1.8 City Lease. Lakewood and the City shall enter into a new real and personal property lease (the "Lease"), on terms and conditions acceptable to the City, Lakewood and CCF, which provides for the lease of the real and personal property currently occupied or used by Lakewood for a term of thirty (30) years, with an option of Lakewood to renew for an additional thirty (30) years, subject to CCF's approval, and substantially in the form of Exhibit 1.8. The rent payable under such lease shall be agreed to by the City, Lakewood and CCF. CCF shall have the right to cure any and all defaults of Lakewood under such lease. If CCF does not grant approval and Lakewood desires to renew such Lease, CCF shall have the option to terminate this Agreement pursuant to Section 10.2.2.

1.8.1 Notwithstanding any provisions in this Agreement to the contrary, CCF acknowledges and agrees that no provision of this Agreement will cause Lakewood to take or omit to take any action that could cause Lakewood to fail to perform or to observe, or otherwise be in default of, any of its obligations under the Lease, referred to in Section 1.8.

SECTION 1.9 Participation on CCF's Board of Trustees. CCF shall amend its Code of Regulations to provide that Lakewood shall have the right to elect the Chairman of the Lakewood Board of Trustees to the Board of Trustees of CCF.

## ARTICLE 2.
## POST-CLOSING COMMITMENTS

SECTION 2.1 Covenants and Rights of CCF. From and after the Closing Date, the parties agree as follows:

2.1.1 CCF shall assure that Lakewood shall have a cash to debt ratio of 1:1 on a fiscal year basis. Such ratio shall be determined based on the annual audited financial statement of Lakewood. Cash shall include all cash in any accounts of Lakewood maintained for any purpose, whether or not such purpose is limited to a specific use; provided, however, that cash shall not include: (a) cash on deposit for any employee welfare plan maintained by Lakewood which represents: (i) funds contributed by employees, (ii) funds contributed to such employee welfare plan which represent employer matching funds which Lakewood is legally obligated to contribute, or (iii) funds representing the vested portion of such plan; or (b) funds generated from Medical Staff dues. Cash shall also include marketable securities. Cash shall also include the proceeds of any disposition of accounts receivable, whether or not such disposition is at the direction of CCF, as provided in Section 1.1.2.4, above, provided that such proceeds shall only count towards cash for the amount received for accounts receivable that exceed by thirty percent (30%), as measured in days in receivable, the median accounts receivable referenced in Section 1.1.2.4. Debt shall include, but not be limited to, revolving working capital loans, debt incurred as a result of a pledge of accounts receivables, long term debt, and current installments of long term debt; provided, however, that debt shall not include debt which has not been approved in accordance with and to the extent required by Section 1.1.1.6. In addition, required payments to the City of Lakewood under the Lease Agreement shall be included as debt only if unpaid in the year the payment is due. If, as a result of such annual audit, it is determined that Lakewood does not meet such ratio, CCF shall advance sufficient funds to Lakewood to meet such ratio. Further, if Lakewood's cash to debt ratio exceeds 1:1, Lakewood shall return to CCF fifty percent (50%) of such excess cash until all advances shall have been repaid to CCF; provided, however, that any advances not repaid to CCF at such time as the lease, referred to in Section 1.8, above, terminates shall be forgiven by CCF; and provided, further, that none of such advances, whether or not repaid shall be considered to be debt. CCF shall provide any such advance of funds required hereunder within thirty (30) days of the receipt of the fiscal year audited financial statement (for Lakewood only and not on a consolidated basis with any affiliate of Lakewood) for the then concluding fiscal year, which shall be the period of measurement of the ratio set forth herein.

2.1.1.1 In determining the availability of cash, for a period of two years after the Closing, such determination shall be made without any reduction in cash which may be used to satisfy liabilities of Lakewood for matters which were not disclosed under Article 3. For purposes of this exclusion, liabilities which are not disclosed under Article 3, include those liabilities which, while not "material" as defined below, are nevertheless not disclosed to CCF.

2.1.2 Capital expenditures by Lakewood (which are anticipated to be provided from Lakewood's cash generation and net liquid assets), within the Lakewood Service Area, will average $5 million per year over a rolling ten year period for the investment in or replacement of physical plant, the acquisition of equipment, and the implementation of new programs; provided, however, that at least an average of $3 million is expended annually over a rolling three year period. Of the average $5 million per year over a rolling ten year period and of the average $3 million per year over a rolling three year period, at least seventy-five percent (75%) of such average minimum capital expenditures shall be made in the City of Lakewood. All capital expenditures in excess of $500,000 for a particular item shall require a business plan approved by CCF. Cash which may be set aside for such expenditures unless and until actually spent shall be included in determining whether the requirements set forth in Section 2.1.1 have been fulfilled or whether CCF is required to advance funds to permit Lakewood to meet the ratio set forth therein; provided, however, that such cash, which has been set aside, shall not be treated as a capital expenditure under this Section 2.1.2 unless and until it has been actually spent.

2.1.3 <u>Right to Manage</u>. If cash generation from Lakewood operations and investments averages less than $3 million per year in any consecutive (i.e., rolling) three year time period (the "Period of Deficiency"), as reported in the audited financial statement entitled "Statements of Cash Flows", or CCF is required to advance funds which total in the aggregate $30 million or more to meet any requirement in the Agreement, CCF shall have the right to assume the management of the day to day operations of Lakewood, subject to the authority of the Lakewood Board of Trustees. Notwithstanding the prior sentence, during the period in which CCF provides the management of the day-to-day operations of Lakewood, CCF shall have the right to appoint a new CEO and Lakewood Board of Trustees shall not have the right to terminate or approve the CEO as provided in Section 1.1.2.2 of this Agreement. For example, Lakewood's cash generation in 1994 and 1995 was $9,627,409 and $12,992,588, respectively. Such determination shall be made without regard to any cash contributed by CCF hereunder. Such management rights shall exist for a period of three years from the end of the Period of Deficiency.

2.1.4 CCF shall provide Lakewood with funds (without any obligation to repay) in an aggregate amount of $10 million to assist Lakewood in the development or improvement of some or all of the programs and facilities listed on Exhibit 2.1.4A, attached hereto; provided, however, that seventy-five percent (75%) of such expenditures shall be made for programs or facilities located within the City of Lakewood. Such funds shall be committed and provided over a five year period from Closing, in accordance with a plan to be agreed to by the CCF and Lakewood, which plan may thereafter be amended from time to time by agreement of CCF and Lakewood; provided, however, that any plan or amendment thereto will provide for the funds to be used in the development or improvement of programs or facilities located within the Lakewood Service Area.

2.1.5 CCF shall use its best efforts to ensure that its affiliated and employed physicians who practice in the Lakewood Service Area, including the CCF Westlake satellite, shall maintain admitting privileges at Lakewood, subject to the staff privileges requirements adopted by Lakewood as applied to any particular physician. Further, CCF and Lakewood shall use their respective best efforts to ensure that (i) Lakewood shall participate, including proportionate management and Board governance (proportionate as to participation and investment), in the western regional system established by CCF as part of its overall strategic plan. If Lakewood participates in the western regional system, the corporate management and governance offices of the western regional system will be located at a physical location other than any physical location generally identified and/or associated with any of the participants; (ii) Lakewood and CCF affiliated and employed physicians practicing in the Lakewood Service Area shall participate, including proportionate management and Board governance (proportionate as to participation and investment) in the physician-hospital organization established for the western region by CCF, to the extent that such physicians individually meet any participation criteria adopted by such organization; and (iii) CCF primary care physicians maintain privileges at Lakewood and are encouraged to utilize all inpatient and outpatient services of CCF Health Care System facilities in the western region.

2.1.6 Upon request by Lakewood, CCF shall work together with Lakewood to establish the joint operation of specialty services at Lakewood, all of which specialty service modification shall be consistent with the overall strategic plan and budget which shall be as established by CCF.

2.1.7 Upon request by Lakewood, CCF shall work together with Lakewood to establish and operate medical educational programs with Lakewood as a residency rotation site.

2.1.8 Upon request by Lakewood, CCF and Lakewood will jointly establish programs to improve administrative efficiency and cost reduction and other clinical/administrative services to which the parties agree.

2.1.9 At any time, CCF may cause the Board of Trustees of Lakewood to take all action necessary for the defeasance and/or redemption of any or all of its then outstanding tax exempt debt obligations; provided, however, that the cost of such defeasance and/or redemption, including the payment of principal thereunder, shall be borne by CCF.

SECTION 2.2 Maintenance of Insurance. From and after Closing, Lakewood will insure the hospital facilities at all times and carry such other insurance with respect to the operation and maintenance of the hospital facilities of such type and in such amounts as are normally carried by hospital facilities or health care facilities of similar type and size, and against such risks as are customarily insured against in connection with hospital operations and hospital facilities or health care facilities of similar type and size, and will at all times carry and maintain or cause to be carried and maintained, and will pay or cause to be paid timely premiums with financially sound and reputable insurers. Notwithstanding the forgoing, Lakewood will maintain at least the types of insurance listed in Exhibit 2.2.

## ARTICLE 3.
## REPRESENTATIONS AND WARRANTIES OF LAKEWOOD

Lakewood represents and warrants to CCF that, as of the date of this Agreement and except as set forth in the Schedules:

SECTION 3.1 Organization, Qualification and Corporate Power.

3.1.1 Lakewood and each Affiliate (as hereinafter defined in Section 3.2) is duly incorporated, validly existing, and in good standing under the laws of the State of Ohio. Lakewood and each Affiliate has the corporate power and authority to own and hold its respective properties and to carry on its respective business as now conducted.

3.1.2 The trustees, directors and officers of Lakewood and each Affiliate, a true and complete list of whom is set forth on Schedule 3.1, have been duly and properly elected and all actions of the Board of Trustees or Board of Directors of Lakewood and each Affiliate required for the consummation of the transactions contemplated by this Agreement thereby requiring Board of Trustee or Board of Director approval have been taken pursuant to proper and valid Board approvals. Lakewood and each Affiliate has previously made available to CCF for review complete and correct copies of minutes of all meetings of the members or shareholders of Lakewood and each Affiliate and copies of minutes of all meetings of the Board of Trustees or Board of Directors of Lakewood and each Affiliate.

SECTION 3.2 Affiliates.

3.2.1 Schedule 3.2.1 identifies each Affiliate of Lakewood and the percent ownership or voting control by Lakewood of such Affiliate. There are no Lakewood Affiliates other than those identified on Schedule 3.2.1. For purposes of this Agreement, the term "Affiliate" means an entity which is controlled by, controls, or is under common control with Lakewood, and shall also include Lakewood Health Care Foundation and Hospital Admission Physician Services, Inc. "Control" of an entity shall mean possession of more than fifty percent (50%) of the voting interest in the controlled entity. Except as disclosed on Schedule 3.2.1, Lakewood does not (i) own of record or beneficially, directly or indirectly, any shares of capital stock or securities convertible into capital stock, or hold the membership right of any other corporation or have any participating interest in any partnership, joint venture, limited liability company or other business enterprise; or (ii) control, directly or indirectly, any other entity.

3.2.2 With respect to Lakewood's membership interest in Surgery Center West, LLC, a company formed for the purpose of operating an ambulatory surgery center in Westlake, Ohio ("Surgery Center"), Lakewood is not required to provide any services, monies or make any capital contributions to the Surgery Center other than the commitments and contributions described in Schedule 3.2.2 hereof. To Lakewood's knowledge, (i) the Surgery Center is being operated in accordance with applicable law in all material respects; (ii) there is no pending or threatened claim, suit or action against the Surgery Center that would have a material adverse effect on the Surgery Center; (iii) the financial statements of Surgery Center for the period ended November 30, 1996 fairly present in all material respects the financial condition and results of operations of Surgery Center and there has been no material change in such financial condition; and (iv) the sale of membership interests in the Surgery Center to physicians as provided for under the terms of the Operating Agreement are in compliance with federal securities law and any other applicable law in all material respects. Neither Lakewood nor any Affiliate possesses any ownership, membership or other voting interest in the Lakewood Hospital Foundation ("Hospital Foundation") or the West Shore Medical Care Foundation ("West Shore") and, except as disclosed in Schedule 3.2.2, is obligated to provide any monies or other services to the Hospital Foundation or West Shore. Except as disclosed in Schedule 3.2.2, Lakewood and its Affiliates are not responsible for and are not guarantors of any obligations of Surgery Center, Hospital Foundation or West Shore.

SECTION 3.3 No Breach. The execution, delivery and performance by Lakewood of this Agreement and related agreements contemplated herein do not and will not (i) contravene or conflict with the respective Articles of Incorporation or respective Codes of Regulations (as contemplated by Section 1.1) of Lakewood or any of the Affiliates; (ii) contravene, violate, or conflict with any material law, regulation, judgment, order or decree applicable to Lakewood or any of the Affiliates; or (iii) constitute a default under or give rise to any right to terminate any material agreement, contract or other instrument binding upon Lakewood or any of the Affiliates, or any material license, permit or other similar authorization held by Lakewood or any of the Affiliates.

SECTION 3.4 Title to Properties. Except as disclosed in Schedule 3.4, Lakewood and the Affiliates have no title to any of the real property and equipment used in the operation of their respective businesses, as such real property and equipment is leased from the City.

SECTION 3.5 Compliance With Law. To the knowledge of Lakewood, Lakewood and each of the Affiliates has complied with and is complying with all applicable laws, rules, regulations, and ordinances (including Medicare and Medicaid laws, fraud and abuse and Stark laws) and has obtained all material state, federal, special or local governmental authorizations, licenses, certificates (including Certificates of Need) or permits (the "Permits") required to conduct their respective businesses, as such businesses are presently being conducted, the failure or absence of which would have a material adverse effect on the businesses of Lakewood and the Affiliates on a consolidated basis. Schedule 3.5A contains a list and brief description of all Permits, including those granted or derived from governmental sources, issued or granted to Lakewood and each of the Affiliates. To the knowledge of Lakewood, persons who provide professional services under agreements with any of Lakewood or the Affiliates have not been excluded from the Medicare program or any state health care program under 42 U.S.C. § 1320-7 and Lakewood is not aware of any pending or threatened exclusion action against such professional persons.

SECTION 3.6 Leasehold Interests. Except as disclosed in Schedule 3.6, all of the material real and personal property used by Lakewood in connection with their respective businesses are leased from the City. Such lease with the City is a valid and subsisting agreement without any default by Lakewood, and, to the knowledge of Lakewood, without any default thereunder by the City. No event has occurred and is continuing which, with due notice or lapse of time or both, would constitute a default or event of default by Lakewood under such existing lease with the City.

SECTION 3.7 Corporate Structure. Lakewood is a non-profit corporation. The current members of Lakewood are Lakewood's Board of Trustees. Lakewood's Board of Trustees is self-perpetuating, subject to the right of the City to elect ten members of the Board of Trustees. Except as set forth in Schedule 3.7, each of the Affiliates is a not-for-profit corporation without any capital stock and Lakewood is the sole member of each such Affiliate.

SECTION 3.8 Validity. Lakewood has the full corporate power and authority to execute and deliver this Agreement and all other agreements and documents necessary to consummate the contemplated transaction and all corporate action of Lakewood necessary for such execution and delivery and the performance thereof has been duly taken. This Agreement does, and all agreements related to the contemplated transaction when duly executed and delivered by Lakewood and by the other parties thereto will, constitute the legal, valid, and binding obligation of Lakewood enforceable in accordance with their terms, subject as to enforcement of remedies to the discretion of courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

SECTION 3.9 Financial Statements. Lakewood has furnished to CCF (i) the audited financial statements of Lakewood as of December 31, 1993, 1994 and 1995, including the balance sheet and the related statements of revenue and expenses, cash flows and changes in general fund balances of Lakewood for the years then ended, with an unqualified report thereon from KPMG Peat Marwick, LLP, independent certified public accounting firm (the "**Lakewood Audited Financial Statements**"), including any management letters regarding the internal operations of Lakewood with respect to such fiscal year that have been delivered to Lakewood, (ii) unaudited financial statements of Lakewood's Affiliates as of December 31, 1993, 1994 and 1995, including the balance sheet and the related statements of revenue and expenses, cash flows and changes in general fund balances of Lakewood for the years then ended (the "**Affiliates' Unaudited Financial Statements**"), and (ii) unaudited interim financial statements of Lakewood and its Affiliates for the monthly periods from January 1, 1996, to September 30, 1996, and will furnish such unaudited interim financial statements for the monthly periods through the month ending immediately prior to the Closing Date (collectively referred to as the "**Lakewood Unaudited Financial Statements**") (the Lakewood Audited Financial Statements, the Affiliates Unaudited Financial Statements and the Lakewood Unaudited Financial Statements are sometimes referred to herein collectively as the "Lakewood Financial Statements"). The Lakewood Financial Statements have been (or will be when delivered) prepared in accordance with generally accepted accounting principles consistently applied (except, in the case of the Lakewood and Affiliates Unaudited Financial Statements, for the absence of footnotes and year end adjustments) and fairly present in all material respects the financial position of Lakewood and its Affiliates and the results of operations and changes in financial position as of the dates and for the periods specified. Except as set forth in the Lakewood Financial Statements, neither Lakewood nor any of its Affiliates on a consolidated basis has incurred any material liability other than in the ordinary course of business. Since December 31, 1995, (i) there has been no material change in the assets, liabilities or financial condition of Lakewood or its Affiliates, on a consolidated basis, from that reflected in the most recent Lakewood Audited Financial Statements, except for changes in the ordinary course of business and consistent with past practice which, in the aggregate, have not been materially adverse to the business, prospects, financial condition, operations, property, or affairs of Lakewood or its Affiliates, on a consolidated basis; and (ii) none of the business, prospects, financial condition, operations, property, or affairs of Lakewood or its Affiliates, on a consolidated basis, has been materially adversely affected by any occurrence or development, individually or in the aggregate, whether or not insured against.

SECTION 3.10 Absence of Undisclosed Liabilities. None of Lakewood or the Affiliates, on a consolidated basis, has any material liability of any nature (whether absolute, accrued, contingent or otherwise) including, without limitation, liabilities to Medicare, Medicaid and other third party payors, or liabilities for federal, state, local or foreign taxes or liabilities to customers or suppliers, other than (i) liabilities for which full provision has been made on the Lakewood Financial Statements referred to in Section 3.9; and (ii) other material liabilities arising since the date of the Lakewood Audited Financial Statements and prior to the Closing Date in the ordinary course of business and consistent with past practice which are not inconsistent with the representations, warranties and covenants of Lakewood or any other provision of this Agreement or related agreements and instruments.

SECTION 3.11 Events Subsequent to the Date of the Lakewood Audited Financial Statements. Except as disclosed on Schedule 3.11, since the date of the Lakewood Audited Financial Statements, none of Lakewood or the Affiliates has: (i) issued any stock, bond or other corporate security or created any membership interest; (ii) borrowed any amount or incurred or become subject to any liability (absolute, accrued or contingent), except current liabilities incurred, and liabilities under contracts entered into in the ordinary course of business; (iii) discharged or satisfied any lien or encumbrance or incurred or paid any obligation or liability (absolute, accrued or contingent) other than current liabilities shown on the Lakewood Audited Financial Statements and current liabilities incurred since the date of the Lakewood Audited Financial Statements and reflected on the Lakewood Unaudited Financial Statements in the ordinary course of business; (iv) declared or made any payment or distribution to members or shareholders or purchased or redeemed any membership or share of its capital stock or other security; (v) mortgaged, pledged or subjected to lien any of its assets, tangible or intangible, other than liens which arise by operation of law, liens of current real property taxes not yet due and payable or liens on assets pursuant to purchase-money security interests incurred in the ordinary course of business; (vi) sold, assigned or transferred any of its tangible assets or cancelled any debt or claim, except in the ordinary course of business; (vii) suffered any material, uninsured loss of property or waived any material right whether or not in the ordinary course of business; (viii) made any change in officer compensation, other than regularly scheduled increases consistent with an existing compensation program and past practices; (ix) made any material change in the manner of business or operations including any change in accounting principles and practices; (x) entered into any transaction except in the ordinary course of business or as otherwise contemplated hereby; or (xi) entered into any commitment (contingent or otherwise) to do any of the foregoing.

SECTION 3.12 Outstanding Debt. There exists no default under the provisions of any instrument evidencing any indebtedness of Lakewood or any of the Affiliates, or otherwise of any agreement relating thereto. Except as disclosed in Schedule 3.12, none of Lakewood or the Affiliates has made any outstanding loans or advances to any person and is not obligated to make any such loans or advances other than advances to employees for expenses incurred on behalf of Lakewood or its Affiliates in the ordinary course of business.

SECTION 3.13 Litigation and Investigations. To the knowledge of Lakewood and its Affiliates, and except as disclosed on Schedule 3.13, there is no: (i) action, suit, claim, proceeding, or investigation pending or threatened against Lakewood or the Affiliates by any private party or any federal, state, municipal, or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which if decided adversely to

Lakewood or the Affiliates would have a material adverse effect on Lakewood's financial condition or results of operations on a consolidated basis; (ii) arbitration proceeding relating to Lakewood or the Affiliates pending under collective bargaining agreements or otherwise; or (iii) governmental or professional inquiry pending or threatened against or directly affecting Lakewood or the Affiliates (including, without limitation, any inquiry as to the qualification of Lakewood or the Affiliates to hold or receive any license or permit). None of Lakewood or the Affiliates is in default with respect to any order, writ, injunction, or decree known to or served upon it of any court or of any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign.

SECTION 3.14 Taxes.

3.14.1 Lakewood, on behalf of itself and the Affiliates, has filed all federal, state, county and local tax returns, including, without limitation, income, sales, single business, payroll, premium, withholding, informational and personal property tax returns, required to be filed by it and such returns have been duly prepared and filed and were true, correct, and complete. Except as disclosed in Schedule 3.14.1, all taxes due by reason of the operations conducted by Lakewood and the Affiliates have been paid, including, without limitation, all taxes which Lakewood and the Affiliates are obligated to withhold from accounts owing to employees, creditors, and third parties. Except as disclosed in Schedule 3.14.1, all such taxes for which any such party has become obligated pursuant to elections made in accordance with generally accepted accounting principles have been paid and adequate reserves have been established for all taxes accrued but not yet payable. The federal income tax returns of Lakewood and the Affiliates have never been audited by the Internal Revenue Service, except as disclosed in Schedule 3.14.1. There is no tax lien, whether imposed by any federal, state, county or local taxing authority outstanding against the assets, properties or businesses of Lakewood or the Affiliates. None of Lakewood or the Affiliates have executed or filed any consent or agreement to extend the period for assessment or collection of any such taxes.

3.14.2 Lakewood is exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), and Lakewood is a "hospital" within the meaning of Section 170(b)(1)(A)(iii) of the Tax Code. Lakewood is not aware of any proceeding, pending or threatened, or of any existing circumstances, which could reasonably be anticipated to result in the loss or revocation of the aforementioned exemption held by Lakewood.

SECTION 3.15 Labor Relations. Each of Lakewood and the Affiliates has complied in all material respects with all applicable laws relating to the employment of its employees, including provisions relating to wages, hours, equal opportunity, collective bargaining, and the payment of Social Security and other taxes, the failure of which will not have a material adverse effect on the businesses of Lakewood or the Affiliates, on a consolidated basis, and no employee or former employee has filed any pending claim nor has Lakewood or any Affiliate been notified to the contrary. None of Lakewood or any Affiliate has entered into any collective bargaining agreement and none of Lakewood or any Affiliate has received notice that any of their respective employees are represented by a collective bargaining agent.

SECTION 3.16 Insurance Coverage. Schedule 3.16 sets forth a complete and correct list of all insurance policies in force with respect to Lakewood and the Affiliates and identifies the insurer, type and amount of coverage for each, and the anniversary date for each.

SECTION 3.17 Contracts and Other Commitments. Schedule 3.17A lists all material written agreements and all material oral understandings including, but not limited to, all material provider contracts, material group, hospital and medical services agreements, material management agreements, material leases and material services contracts to which Lakewood and the Affiliates are subject on the date hereof. Each such material contract or commitment is a valid and binding obligation of Lakewood and the Affiliates, as applicable, and to their knowledge, the other parties thereto, 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 disclosed on Schedule 3.17B, none of the transactions contemplated by this Agreement creates in any party to such contracts and commitments the right to revise the terms of, to terminate, to accelerate any obligation of Lakewood or any Affiliate, or otherwise declare that such contracts or commitments have been breached. None of Lakewood or any Affiliate is aware of any defaults, and none of Lakewood or any Affiliate has any reason to believe that a default may occur by Lakewood or any Affiliate or any other party to the material contracts and commitments to which Lakewood and the Affiliates may become a party (by assignment, transfer by operation of law, succession, or otherwise).

SECTION 3.18 Other Approvals. To the knowledge of Lakewood and the Affiliates, upon Lakewood's and the Affiliate's receipt of written approval for the transactions contemplated from the applicable federal and state regulatory bodies, all consents, approvals, qualifications, orders or authorizations of, or filings with, any governmental authority, including any court or other governmental third party, required in connection with Lakewood's valid execution, delivery, or performance of this Agreement, or the consummation of any transaction contemplated by this Agreement, shall have been duly made and obtained and shall be effective on and as of the Closing Date.

SECTION 3.19 Cost Reports. The Medicare and Medicaid cost reports of Lakewood were filed when due. Except for disputes between Lakewood and the intermediary which concern the payment of an individual claim (as opposed to such disputes concerning the right of Lakewood to receive Medicare or Medicaid reimbursement generally or to participate in the Medicare or Medicaid programs), there is no dispute between Lakewood and any governmental authorities or the Medicare fiscal intermediary regarding such cost reports, other than with respect to adjustments thereto made in the ordinary course of business which do not involve amounts in excess of $300,000 in the aggregate. Lakewood is not subject to any pending, but unassessed Medicare or Medicaid claim payment adjustments, except to the extent Lakewood has established adequate reserves for such adjustments.

SECTION 3.20 Medicare and Medicaid Certification: Accreditation.

3.20.1 To the extent applicable to their respective businesses, each of Lakewood and the Affiliates has met and does meet, without material exception, the conditions for participation in the Medicare and Medicaid programs, and, to the knowledge of Lakewood, there is no pending or threatened proceeding or investigation under such programs involving Lakewood or the Affiliates.

3.20.2 Lakewood is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). To the knowledge of Lakewood, there is no pending or threatened investigation of Lakewood by JCAHO which investigation is not otherwise conducted in the ordinary course of business.

SECTION 3.21 Employee Benefit Plans. For purposes of this Agreement, the term "Employee Plan" includes any pension, retirement, savings, disability, medical, dental or other health plan, life insurance (including any individual life insurance policy as to which Lakewood or any Affiliate makes premium payments whether or not any of Lakewood or the Affiliates is the owner, beneficiary or both of such policy) or other death benefit plan, profit sharing, deferred compensation, stock option, bonus or other incentive plan, vacation benefit plan, severance plan or other employee benefit plan or arrangement (whether written or arising from custom), including, without limitation, any employee pension benefit plan ("Pension Plan") as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any employee welfare benefit plan as defined in Section 3(1) of ERISA ("Welfare Plan"), whether or not any of the foregoing is funded, and whether written or oral.

3.21.1 There are no Employee Plans, other than those listed in Schedule 3.21, (i) to which Lakewood or any Affiliate is a party or by which Lakewood or any Affiliate (or any of its rights, properties or assets) is bound or (ii) with respect to which Lakewood or any Affiliate has made payments, contributions or commitments or may otherwise have any liability (including any such plan or arrangement formerly maintained by Lakewood or any Affiliate.

3.21.2 Except as disclosed in Schedule 3.21, no Pension Plan is a "defined benefit plan" as defined in Section 3(35) of ERISA or a "multi-employer plan" as defined in Section 4001(a) of ERISA.

3.21.3 Except as disclosed in Schedule 3.21, to Lakewood's knowledge, each Employee Plan, the administrator and fiduciaries of each Employee Plan, and Lakewood and the Affiliates have at all times complied with the applicable requirements of ERISA, as it relates to them, including, but not limited to, the fiduciary responsibilities imposed by Part 4 of Title 1, Subtitle B of ERISA, and any other applicable law (including regulations and rulings thereunder) governing each Employee Plan, including, without limitation, Sections 403(b) and 457 of the Tax Code, and each Employee Plan has at all times been properly administered in accordance with all such requirements of law, and in accordance with its terms and the terms of any applicable collective bargaining agreement to the extent consistent with all such requirements of law with respect to all of the foregoing in this sentence, the failure of which will not have a material adverse effect on the businesses of Lakewood and the Affiliates on a consolidated basis. To the knowledge of Lakewood, no lawsuits or complaints to, or by, any person or governmental entity have been filed or are pending and no state of facts or contemplated event could be reasonably likely to give rise to any such lawsuit or complaint with respect to any Employee Plan. Without limiting the foregoing and except as disclosed in Schedule 3.21, the following are true, with respect to each Employee Plan:

3.21.3.1 Lakewood and the Affiliates have filed or caused to be filed on a timely basis each and every return, report, statement, notice, declaration and other document required by any government agency, federal, state and local (including, without limitation, the Internal Revenue Service and the Department of Labor), with respect to each Employee Plan.

3.21.4 Except as disclosed in Schedule 3.21, with respect to each Employee Plan, there has not occurred, nor is any person or entity contractually bound to enter into, any transaction giving rise to any tax or liability under Section 4975 of the Tax Code or Section 406 or Section 502(i) of ERISA for which an exemption is not available.

3.21.5 Lakewood has made available to CCF true and correct copies of all financial statements, if any, and annual reports on Form 5500 for each Employee Plan and, except as disclosed in Schedule 3.21, no change which has a material adverse effect to the financial condition of Lakewood and the Affiliates or any Employee Plan has occurred with respect to the financial condition or funding of the Employee Plans since the date of such financial statements.

3.21.6 Lakewood and the Affiliates have in all material respects complied with the requirements, to the extent applicable, of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") with respect to the continuation of employer-provided health benefits following a "qualifying event" which would otherwise terminate such benefits, as provided in Section 4980B(f) of the Tax Code and applicable regulations and Internal Revenue Service rulings, notices, and other pronouncements.

3.21.7 Except as disclosed in Schedule 3.21, there is no agreement or other promise, written or oral, of Lakewood or any of the Affiliates, to the effect that any Employee Plan may not be terminated at Lakewood's or the Affiliate's discretion at any time, subject to any applicable provisions of ERISA, the Tax Code and any regulations promulgated thereunder.

SECTION 3.22 Hill-Burton Loan. None of Lakewood or the Affiliates has any outstanding obligation to repay any loans, grants, or loan guarantees, or to provide uncompensated care in consideration thereof, pursuant to the Hill-Burton Act (42 U.S.C. § 291a, et seq.).

SECTION 3.23 Environmental Liabilities.

3.23.1 With regard to any of Lakewood's and the Affiliates' properties, Lakewood has knowledge of no facts regarding the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Materials or Petroleum Products in violation of Environmental Laws, the violation of which would have a material adverse effect on the businesses of Lakewood and the Affiliates on a consolidated basis.

3.23.2 To the knowledge of Lakewood, no pending claims have been made against Lakewood or the Affiliates, no currently outstanding citations or notices have been issued against Lakewood or the Affiliates and none of Lakewood or the Affiliates has any obligation or liability, matured or not matured, absolute or contingent, assessed or unassessed, which in the case of any of the foregoing have been or are imposed by reason of or based upon any provision of any Environmental Laws.

3.23.3 As used in this Section 3.23, "Environmental Laws" shall mean any and all federal, state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, or other court or arbitrator, in each case whether of the United States or foreign, regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material or Petroleum Products or environmental protection, as now or may at any time hereafter be in effect, together, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

3.23.4 As used in this Section 3.23, "Hazardous Materials" shall mean any hazardous materials, hazardous wastes, infectious medical wastes, hazardous or toxic substances, asbestos, asbestos fibers, friable asbestos, any PCB's, or constituents of the foregoing, defined or regulated as such in or under any Environmental Law.

3.23.5 As used in this Section 3.23, "Petroleum Products" shall mean gasoline, diesel fuel, motor oil, waste or used oil, heating oil, kerosene, and any other petroleum products.

## ARTICLE 4.
## REPRESENTATIONS AND WARRANTIES OF CCF

CCF represents and warrants to Lakewood as follows:

SECTION 4.1 Organization, Qualification & Corporate Power. CCF is duly incorporated, validly existing and in good standing under the laws of the State of Ohio. CCF has the corporate power and authority to own and hold its properties and to carry on its business as now conducted.

SECTION 4.2 No Breach. The execution, delivery and performance by CCF of this Agreement and related agreements contemplated herein do not and will not (i) contravene or conflict with the Articles of Incorporation or Codes of Regulations of CCF; (ii) contravene, violate, or conflict with any material law, regulation, judgment, order or decree applicable to CCF; or (iii) constitute a default under or give rise to any right to terminate any material agreement, contract or other instrument binding upon CCF, or any material license, permit or other similar authorization held by CCF.

SECTION 4.3 Validity. CCF has the full corporate power and authority to execute and deliver this Agreement and all other agreements and documents necessary to consummate the contemplated transactions and all corporate action of CCF necessary for such execution and delivery and the performance thereof will, by the Closing Date, have been duly taken. This Agreement and all agreements related to this transaction have been duly executed and delivered by CCF and, when duly executed by the other parties thereto, constitute the legal, valid, and binding obligation of CCF enforceable in accordance with their terms, subject as to enforcement of remedies to the discretion of courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally. To the knowledge of CCF, the execution and delivery by CCF of this Agreement, and the performance of its obligations hereunder, does not require any action or consent of any party other than CCF pursuant to any contract, agreement or other undertaking of CCF, or pursuant to any order or decree to which CCF is a party or to which its properties or assets are subject.

SECTION 4.4 Compliance With Law. To the knowledge of CCF, CCF has the lawful authority and all material state, federal, special or local governmental authorizations, licenses or permits required to conduct its business as such business is presently being conducted the absence of which would not have a material adverse effect on the business of CCF.

SECTION 4.5 Financial Statements. CCF has furnished to Lakewood (i) the audited financial statements of CCF as of December 31, 1993, 1994 and 1995, including the balance sheet and the related statements of revenue and expenses, cash flows and changes in general fund balances of CCF for the years then ended, with an unqualified report thereon from Ernst & Young, LLC, independent certified public accounting firm (the "**CCF Audited Financial Statements**"), including any management letters regarding the internal operations of CCF with respect to such fiscal year that have been delivered to CCF and (ii) unaudited interim financial statements of CCF for the monthly periods from January 1, 1996, to March 31, 1996, and will furnish such unaudited interim financial statements for the monthly periods through the month ending immediately prior to the Closing Date (collectively referred to as the "CCF **Unaudited Financial Statements**") (the CCF Audited Financial Statements and the CCF Unaudited Financial Statements are sometimes referred to herein collectively as the "CCF **Financial Statements**"). The CCF Financial Statements have been (or will be when delivered) prepared in accordance with generally accepted accounting principles consistently applied (except, in the case of the CCF Unaudited Financial Statements, for the absence of footnotes and year end adjustments) and fairly present in all material respects the financial position of CCF and the results of operations and changes in financial position as of the dates and for the periods specified. Except as set forth in the CCF Financial Statements, CCF has not incurred any material liability other than in the ordinary course of business. Since December 31, 1995, except as disclosed in Schedule 4.5: (i) there has been no material change in the assets, liabilities or financial condition of CCF from that reflected in the most recent CCF Audited Financial Statement, except for changes in the ordinary course of business and consistent with past practice which, in the aggregate, have not been materially adverse to the business, prospects, financial condition, operations, property, or affairs of CCF; and (ii) none of the business, prospects, financial condition, operations, property, or affairs of CCF has been materially adversely affected by any occurrence or development, individually or in the aggregate, whether or not insured against.

SECTION 4.6 Events Subsequent to the Date of the CCF Audited Financial Statements. Except as disclosed on Schedule 4.6, since the date of the CCF Audited Financial Statements, CCF has not incurred any liability of any nature which would have a material adverse effect on CCF's financial condition or results of operations on a consolidated basis, and CCF has not: (i) issued any stock, bond or other corporate security or created any membership interest; (ii) borrowed any amount or incurred or become subject to any liability (absolute, accrued or contingent), except current liabilities incurred, and liabilities under contracts entered into in the ordinary course of business; (iii) discharged or satisfied any lien or encumbrance or incurred or paid any obligation or liability (absolute, accrued or contingent) other than current liabilities shown on the CCF Audited Financial Statements and current liabilities incurred since the date of the CCF Audited Financial Statements and reflected on the CCF Unaudited Financial Statements in the ordinary course of business; (iv) declared or made any payment or distribution to members or shareholders or purchased or redeemed any membership or share of its capital stock or other security; (v) mortgaged, pledged or subjected to lien any of its assets, tangible or intangible, other than liens which arise by operation of law, liens of current real property taxes not yet due and payable or liens on assets pursuant to purchase money security interests incurred in the ordinary course of business; (vi) sold, assigned or transferred any of its tangible assets or cancelled any debt or claim, except in the ordinary course of business; (vii) suffered any material, uninsured loss of property or waived any material right whether or not in the ordinary course of business; (viii) made any change in officer compensation; (ix) made any material change in the manner of business or operations including any change in accounting principles and practices; (x) entered into any transaction except in the ordinary course of business or as otherwise contemplated hereby; or (xi) entered into any commitment (contingent or otherwise) to do any of the foregoing, any of which would have a material adverse effect on CCF's financial condition or results of operation on a consolidated basis.

SECTION 4.7 Litigation and Investigations. To the knowledge of CCF, and except as disclosed on Schedule 4.7, there is no: (i) action, suit, claim, proceeding, or investigation pending or, threatened against CCF by any private party or any federal, state, municipal, or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which if decided adversely to CCF would have a material adverse effect on CCF's financial condition or results of operations on a consolidated basis; (ii) arbitration proceeding relating to CCF pending under collective bargaining agreements or otherwise; or (iii) governmental or professional inquiry pending or threatened against or directly affecting CCF (including, without limitation, any inquiry as to the qualification of CCF or the Affiliates to hold or receive any license or permit), which if decided adversely to CCF would have a material adverse effect on CCF's financial condition or results of operations on a consolidated basis. CCF is not in default with respect to any order, writ, injunction, or decree known to or served upon it of any court or of any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign.

SECTION 4.8 Tax Exempt Status. CCF is exempt from Federal income tax pursuant to Section 501(c)(3) of the Tax Code, and CCF is a "hospital" within the meaning of Section 170(b)(1)(A)(iii) of the Tax Code. CCF is not aware of any proceeding, pending or threatened, or of any existing circumstances, which could reasonably be anticipated to result in the loss or revocation of the aforementioned exemption held by CCF.

SECTION 4.9 Medicare and Medicaid Certification; Accreditation.

4.9.1 To the extent applicable to its businesses, CCF has met and does meet, without material exception, the conditions for participation in the Medicare and Medicaid programs, and, to the knowledge of CCF, there is no pending or threatened proceeding or investigation under such programs involving CCF, which if decided adversely to CCF would have a material adverse effect on CCF's financial condition or results of operations on a consolidated basis.

4.9.2 CCF is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). To the knowledge of CCF, there is no pending or threatened investigation of CCF by JCAHO which investigation is not otherwise conducted in the ordinary course of business.

## ARTICLE 5.
## CONDITIONS TO THE OBLIGATIONS OF CCF

The obligations of CCF to consummate this Agreement and any other transaction contemplated by this Agreement are, at its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

SECTION 5.1 Opinion of Counsel for Lakewood. CCF shall have received from counsel for Lakewood an opinion, dated as of the Closing Date, in form and substance satisfactory to it and its counsel, to the effect that:

5.1.1 Lakewood (i) is validly existing, and in good standing under the laws of the State of Ohio; (ii) has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Tax Code, as an organization (and not a private foundation) as defined in Section 509(a) of the Tax Code, and a "hospital" within the meaning of Section 170(b)(1)(A)(iii) of the Tax Code; there have not been brought to our attention any changes in the Internal Revenue Service's position or the facts on which Lakewood's exemption is based which are likely to result in such exemption or status being jeopardized; (iii) is duly qualified to transact business in the State of Ohio; and (iv) has the corporate power to own and hold its properties and to carry on its business as now conducted. Lakewood has the corporate power and authority to execute, deliver, and perform its obligations under this Agreement and the Lease contemplated herein. All regulatory approvals necessary for Lakewood to perform fully the transactions contemplated herein have been obtained.

5.1.2 Lakewood has the full corporate power and authority to execute, deliver, and perform this Agreement, and, upon the requisite approvals thereof, all corporate action of Lakewood necessary for such execution, delivery, and performance will have been duly taken. This Agreement and the Lease have been duly executed and delivered by Lakewood and constitute the legal, valid, and binding obligation of Lakewood enforceable in accordance with their terms (subject as to enforcement of remedies to the discretion of the courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium, and similar laws affecting the rights of creditors generally).

SECTION 5.2 Representations and Warranties to be True and Correct. The representations and warranties made by Lakewood contained in Article 3 shall be true, complete, and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and an officer of Lakewood shall have certified to such effect to CCF in writing.

SECTION 5.3 Lease Agreement. The City and Lakewood shall enter into the Lease as referred to in Section 1.8, above.

SECTION 5.4 Bond Trustee Consent. Bond trustee for the holders of bonds for which Lakewood is the obligor shall have consented to the transactions contemplated herein, to the extent necessary.

SECTION 5.5 Performance. Lakewood shall have performed and complied in all material respects with all agreements contemplated herein that are required to be performed or complied with by Lakewood prior to or at the Closing Date.

SECTION 5.6 All Proceedings to be Satisfactory. All corporate and other proceedings to be taken by Lakewood in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to CCF and its counsel, and CCF and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they reasonably may request.

SECTION 5.7 Absence of Material Adverse Change. There shall have been no material adverse change, since the date of the most recent Lakewood Audited Financial Statements, in the business, assets, financial condition, or operations of Lakewood or any Affiliate or any other event that would, with the passage of time or otherwise, impair or otherwise affect in any material respect the accuracy of any of the representations and warranties of Lakewood. Prior to Closing, Lakewood shall have promptly notified CCF in writing of any event of which its officers have knowledge that occurred, or was reasonably likely to occur, and which was reasonably likely to result in a material adverse change in the business, assets, financial condition, or operations of Lakewood or any Affiliate and of any other event that would, with the passage of time or otherwise, impair or otherwise affect in any material respect the accuracy of any of the representations and warranties of Lakewood contained herein on and as of the Closing Date.

SECTION 5.8 Approvals. All necessary corporate and regulatory approvals for the transactions contemplated by this Agreement shall have been obtained, including, but not limited to: (i) approval of the Ohio Department of Health to the change of membership; and (ii) the approval of the Department of Justice and Federal Trade Commission (or passage of the appropriate waiting period) pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976. The Board of Trustees of Lakewood shall have approved the transactions contemplated hereby.

SECTION 5.9 Supporting Documents. CCF and its counsel shall have received copies of the following documents:

5.9.1 The Articles of Incorporation of Lakewood and each Affiliate, certified within thirty (30) days of the Closing by the Secretary of the State for the State of Ohio;

5.9.2 A certificate of the Secretary of State for the State of Ohio dated within thirty (30) days of the Closing as to the due incorporation and good standing of Lakewood and each Affiliate and listing all documents of Lakewood and each Affiliate on file with said Secretary; and

5.9.3 The Code of Regulations of Lakewood and each Affiliate.

5.9.4 A certificate of the Secretary or an Assistant Secretary of Lakewood dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of the Articles of Incorporation and the Code of Regulations of Lakewood, as amended and as in effect on the date of such certification; (ii) that attached thereto is a true and complete copy of all resolutions adopted by the Board of Trustees of Lakewood authorizing the execution, delivery, and performance of this Agreement and all transactions contemplated by this Agreement and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement; (iii) that the Articles of Incorporation have not been amended since the date of the last amendment referred to in the certificate delivered pursuant to Section 5.9.2 above; and (iv) to the incumbency and specimen signature of each officer of Lakewood executing this Agreement and a certification by another officer of Lakewood as to the incumbency and signature of the officer signing the certificate referred to in this Section 5.9.2.

5.9.5 A certificate of an officer of each of the Affiliates dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of the Articles of Incorporation and Code of Regulations of such entity in effect as of the date of such certification; and (ii) that Articles of Incorporation and Code of Regulations have not been amended since the date of the last amendment referred to in the certificate delivered pursuant to Section 5.9.2 above.

5.9.6 Such additional supporting documents and other information with respect to the operations and affairs of Lakewood as CCF or its counsel reasonably may request.

SECTION 5.10 Due Diligence. CCF shall have completed, and the results shall be to its reasonable satisfaction, a complete business, financial, and legal due diligence review of Lakewood and the Affiliates, including, but not limited to, an analysis of any antitrust implications of the contemplated transactions. If CCF does not terminate the Agreement on or before October 15, 1996 because of this condition, the condition shall be deemed to be waived.

## ARTICLE 6: CONDITIONS TO THE OBLIGATIONS OF LAKEWOOD

The obligations of Lakewood to consummate this Agreement and any other transaction contemplated by this Agreement are, at its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

SECTION 6.1 Opinion of Counsel for CCF. Lakewood shall have received from counsel for CCF an opinion, dated as of the Closing Date, in form and substance satisfactory to it and its counsel, to the effect that:

6.1.1 CCF (i) is validly existing, and in good standing under the laws of the State of Ohio; (ii) has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Tax Code and as an organization (and not a private foundation) as defined in Section 509(a) of the Tax Code; there have not been brought to our attention any changes in the Internal Revenue Service's position or the facts on which CCF's exemption is based which are likely to result in such exemption or status being jeopardized; (iii) is duly qualified to transact business in the State of Ohio; and (iv) duly empowered and authorized to own and hold its properties and to carry on its business as now conducted. CCF has the corporate power and authority to execute, deliver, and perform its obligations under this Agreement and the Lease contemplated herein. All regulatory approvals necessary for CCF to perform fully the transactions contemplated herein have been obtained.

6.1.2 CCF has the full legal power and authority to execute, deliver, and perform this Agreement and, upon the requisite approvals thereof, all corporate action of CCF necessary for such execution, delivery, and performance will have been duly taken. This Agreement has been duly executed and delivered by CCF and constitutes the legal, valid, and binding obligation of CCF enforceable in accordance with their terms (subject as to enforcement of remedies to the discretion of the courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium, and similar laws affecting the rights of creditors generally).

SECTION 6.2 Representations and Warranties to be True and Correct. The representations and warranties made by CCF contained in Article 4 shall be true, complete, and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and officers of CCF shall have certified to such effect to Lakewood in writing.

SECTION 6.3 Performance. CCF shall have performed and complied in all material respects with all agreements contemplated herein that are required to be performed or complied with by CCF prior to or at the Closing Date.

SECTION 6.4 All Proceedings to be Satisfactory. All corporate and other proceedings to be taken by CCF in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to Lakewood and its counsel, and Lakewood and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they reasonably may request.

SECTION 6.5 Absence of Material Adverse Change. There shall have been no material adverse change, since the date of the most recent CCF Audited Financial Statement, in the business, assets, financial condition, or operations of CCF or any other event that would, with the passage of time or otherwise impair or otherwise affect in any material respect, the accuracy of any of the representations and warranties of CCF. Prior to Closing, CCF shall have promptly notified Lakewood in writing of any material event of which its officers have knowledge that occurred, or was reasonably likely to occur, and which was reasonably likely to result in a material adverse change in the business, assets, financial condition, or operations of CCF and of any other event that would, with the passage of time or otherwise, impair or otherwise affect, in any material respect, the accuracy of any of the representations and warranties of CCF contained herein on and as of the Closing Date.

SECTION 6.6 Approvals. All necessary corporate and regulatory approvals for the transactions contemplated by this Agreement shall have been obtained, including, but not limited to: (i) approval of the Ohio Department of Health to the change of membership; and (ii) the approval of the Department of Justice and Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976. The Board of Trustees of CCF shall have approved the transactions contemplated hereby.

SECTION 6.7 Due Diligence. Lakewood shall have completed, and the results shall be to their reasonable satisfaction, a business, financial, and legal due diligence review of CCF, including, but not limited to, an analysis of any antitrust implications of the contemplated transactions. If Lakewood does not terminate the Agreement on or before October 15, 1996 because of this condition, the condition shall be deemed to be waived.

SECTION 6.8 Membership in Cleveland Health Network. Lakewood shall be a member of the Cleveland Health Network prior to or on the Closing Date.

## ARTICLE 7.
## INTERIM COVENANTS OF LAKEWOOD
## BETWEEN THE DATE OF THIS AGREEMENT AND THE CLOSING DATE

Lakewood covenants to CCF that for the period between the date of this Agreement and the Closing Date:

SECTION 7.1 Maintenance of Properties and Business. Lakewood shall use its reasonable best efforts to conduct Lakewood's business so as to maintain the properties and business of Lakewood and to preserve the business organization and the goodwill of customers and suppliers of Lakewood. Except as otherwise herein provided, without the prior written consent of CCF, which consent shall not be unreasonably withheld or delayed, Lakewood shall not:

7.1.1 Declare or pay any distributions of its assets to any member;

7.1.2 Amend its Articles of Incorporation or Code of Regulations except as otherwise provided by this Agreement;

7.1.3 Make any material change in its business, including any changes in accounting principles and practices or make any capital expenditures individually in excess of $2.5 million or in excess of $5 million in the aggregate ;

7.1.4 Execute, renew or extend any lease obligations which individually or in the aggregate are greater than $2.5 million per year;

7.1.5 Acquire any other material business or interest therein;

7.1.6 Increase the compensation of any trustee, officer, or employee other than regularly scheduled increases consistent with an existing compensation program and past practices;

7.1.7 Mortgage, sell, or lease any of its material assets, except as permitted under Section 8.1.1 above other than in the ordinary course of business and consistent with past practices;

7.1.8 Incur any indebtedness or make any loans, which individually or in the aggregate are greater than $2.5 million per year;

7.1.9 Enter into any material agreement or renew any material agreement except as is consistent with past practices; or

7.1.10 Agree to do any of the foregoing.

SECTION 7.2 Announcements. Lakewood will not, without prior consultation with CCF, make any announcement to the public concerning the transactions contemplated by this Agreement.

SECTION 7.3 Access to Information. Prior to Closing, Lakewood shall permit CCF and its counsel, accountants, and other representatives reasonable access during normal business hours to all properties, books, contracts, commitments, and records of Lakewood and the Affiliates reasonably necessary for CCF's due diligence review and Lakewood shall furnish such statements (financial and otherwise), records, reports, documents, and other information concerning the operations of Lakewood and the Affiliates as CCF and its counsel reasonably request from time to time. To the extent reasonably requested by CCF, Lakewood shall request its accountants, attorneys, and other representatives to cooperate with the representatives of CCF in connection with the right of access granted herein.

SECTION 7.4 Notice of Breach. Lakewood shall promptly give notice to CCF of the occurrence of any event, or the failure of any event to occur that results in a material breach of any representation or warranty of Lakewood or a failure by Lakewood to comply with any material covenant, condition or agreement contained herein.

SECTION 7.5 Consents and Approvals. Lakewood will use its reasonable efforts to obtain all licenses, consents or other approvals required to be obtained by it from any appropriate governmental agency or authority, or other person in connection with the consummation of the transactions contemplated by this Agreement.

## ARTICLE 8.
## INTERIM COVENANTS OF CCF BETWEEN THE DATE OF THIS AGREEMENT AND THE CLOSING DATE

SECTION 8.1 Announcements. CCF will not, without prior consultation with Lakewood, make any announcement to the public concerning the transactions contemplated by this Agreement.

SECTION 8.2 Access to Information. Prior to Closing, CCF shall permit Lakewood and its counsel, accountants, and other representatives access during normal business hours to all properties, books, contracts, commitments, and records of CCF, reasonably necessary for Lakewood's due diligence review of CCF and CCF shall furnish such statements, records, reports, documents and other information concerning the operations of CCF as Lakewood and its counsel reasonably request from time to time. To the extent reasonably requested by Lakewood, CCF shall request its counsel, accountants, and other representatives to cooperate with the representatives of Lakewood in connection with the rights of access granted herein.

SECTION 8.3 Notice of Breach. CCF will promptly give notice to Lakewood of the occurrence of any event or the failure of any event to occur that results in a material breach of any representation or warranty of CCF or a failure by CCF to comply with any material covenant, condition or agreement contained herein.

SECTION 8.4 Consents and Approvals. CCF will use its best efforts to obtain all licenses, consents and other approvals required to be obtained from any appropriate governmental agency or authority or other person in connection with the consummation of the transactions contemplated by this Agreement.

## ARTICLE 9. JOINT COVENANTS OF THE PARTIES

SECTION 9.1 Confidentiality of Business Information. The parties heretofore have received and hereafter may receive various financial and other information concerning their respective activities, businesses, assets, and properties. The parties agree that:

9.1.1 all such information thus received by the parties shall not at any time, or in any way or manner, be utilized by the parties for their respective advantage or disclosed by the parties to others for any purpose whatsoever;

9.1.2 the parties shall take all reasonable measures to assure that no employee or agent under their respective control shall at any time use or disclose any information described in this Section; and

9.1.3 this Section shall not apply to; (i) any such information that was known to the parties prior to its disclosure to the parties in accordance with this Section or was, is, or becomes generally available to the public other than by disclosure by the parties or any of their respective employees or agents in violation of this Section; or (ii) legally compelled disclosure of any such information,; provided, however, that prior to such latter disclosure, the party proposing to make such disclosure as a result of such legal process shall provide the other party with reasonable notice prior to disclosure to allow such other party to contest such disclosure or otherwise obtain any limitations on such disclosure from the applicable tribunal.

SECTION 9.2 Confidentiality of this Agreement. The existence, terms and contents of this Agreement and its Schedules and Exhibits and the nature and status of the transactions described herein and therein are confidential. Without the prior written consent of the other parties, no party will disclose to any person, other than to its respective trustees, officers, and key employees, affiliates, accounting, investment banking, and legal advisers, any such confidential information unless, in the written opinion of counsel to the party seeking to make the disclosure, such a disclosure is required by applicable corporation or securities laws, the Hart-Scott-Rodino Antitrust Improvement Act of 1976 or any other federal or state governmental authority, or as required by the City of Lakewood in connection with its approval of the Lease. The timing and content of any announcements, press releases, or other public statements concerning the transactions contemplated by this Agreement will occur upon, and be determined by, the mutual agreement and consent of the parties.

SECTION 9.3 Negotiations.

9.3.1 From the date of this Agreement to the earlier of the Closing Date or the termination of the Agreement (the "**Interim Period**"), CCF and Lakewood agree that the parties will negotiate with each other in good faith and only with each other regarding the subject matter of this Agreement; provided, however, that this Section 9.3 shall not be construed as limiting the ability of CCF, in any way, to discuss or negotiate any other transactions for the integration of other health care providers or practitioners, including hospitals and/or physicians, into the CCF health care system. Lakewood and any officer, director or controlling person thereof will not solicit any competing proposals for the integration, consolidation or acquisition of Lakewood by any other person or entity during the Interim Period. Further, any proposal which is received from any officer, director or controlling person of Lakewood, or any affiliate thereof, whether or not solicited by Lakewood shall be rejected during the Interim Period, in accordance with this Section 9.3.

9.3.2 Lakewood acknowledge and agree that a remedy at law for any breach or threatened breach of the provisions of Section 9.3 hereof would be inadequate and, therefore, agree that CCF shall be entitled to injunctive relief in addition to any other available rights and remedies in cases of any such breach or threatened breach; provided, however, that nothing contained herein shall be construed as prohibiting CCF from pursuing any other rights and remedies available for such breach or threatened breach.

## ARTICLE 10.
## TERMINATION

SECTION 10.1 Termination Prior to Closing. This Agreement may be terminated prior to Closing by mutual consent of the parties or by CCF or Lakewood by notice to the other party:

10.1.1 in the event that any of the conditions precedent to the performance of the obligations of the party giving such notice shall not have been fulfilled and cannot be fulfilled on or prior to the Closing Date and shall not have been waived by such party, or if a default shall be made by another party in the observance or in the due and timely performance of any of the covenants and agreements herein contained that cannot be cured on or prior to the Closing Date and shall not have been waived by the party giving such notice; provided, however, that nothing provided herein shall be construed as permitting a party to terminate when the party has been in default such that CCF may not terminate if CCF is in default and Lakewood may not terminate if Lakewood is in default;

10.1.2 at either CCF's or Lakewood's option, in the event of the institution of litigation or proceedings against CCF or Lakewood, which constitutes a serious threat to enjoin, hinder or delay or to obtain damages or other relief in connection with this Agreement or the transactions contemplated herein or therein; or

10.1.3 if any consents or approvals which are necessary to the consummation of the transactions contemplated by this Agreement or the continuing business properties or prospects of the entity resulting from the consummation of the transactions contemplated by this Agreement shall have been refused or withdrawn by any governmental authority having jurisdiction, including, but not limited to, the Department of Justice, the Federal Trade Commission or the Ohio Department of Health.

10.1.4 if the Closing does not occur within ninety (90) days of the date of execution of this Agreement (the "**Abandonment Date**"); provided, however, that if the Closing is delayed beyond ninety (90) days from the execution date of this Agreement solely by virtue of any delay in obtaining regulatory approvals, the Abandonment Date shall be extended until such approvals have been obtained or denied; provided further, however, that CCF or Lakewood shall have the option of terminating this Agreement after one hundred eighty (180) days after the date of execution of this Agreement.

SECTION 10.2 Termination After Closing. This Agreement may be terminated after Closing by mutual consent of the parties or:

10.2.1 If CCF sells all or substantially all of its assets to a for profit corporation, Lakewood shall have the right to terminate this Agreement; and

10.2.2 If the Lease expires or terminates, after CCF has had a reasonable opportunity to cure any such default.

SECTION 10.3 Approval by Board of Trustees. Any termination pursuant to Section 10.1 or 10.2 shall first be approved by the Board of Trustees of the party seeking termination, to the extent that such approval is required for such action.

SECTION 10.4 Appointment of Attorney in Fact. In the event of a termination arising out of Section 10.2, and CCF thereafter fails or refuses to approve a change to the Articles of Incorporation and/or Code of Regulations necessary to terminate its rights as the Member, the President of Lakewood or such other officer or agent of Lakewood as may be appointed by the Board of Trustees shall be deemed to be the attorney in fact of CCF solely to exercise CCF's power as the Member, to approve any amendments to the Articles of Incorporation and/or Code of Regulations necessary to terminate CCF's rights as the sole Member. Such attorney in fact shall have no other authority, express or implied, to act on behalf of CCF, except with regard to voting to approve any such necessary amendments.

SECTION 10.5 Continuation of Certain Sections. Upon termination of this Agreement, as provided in this Article 10, neither party shall have any further obligation to the other party (other than any obligation due as a result of any action at law or equity which either party may have against the other in the event of a termination arising from any breach of this Agreement), except that the provisions of Article 9 of this Agreement shall survive the termination.

## ARTICLE 11.
## DISPUTES

SECTION 11.1 Resolution of Certain Disputes.

11.1.1 A matter shall not be deemed a Dispute until one party (the "Declaring Party") declares, by the delivery of written notice (the "Notice") to the other party that there exists a Dispute. The notice shall specify the cause of the Dispute and the action that the Declaring Party deems necessary to resolve the Dispute. In the event the Dispute is not resolved within thirty (30) days of the date of the Notice, the matter shall be resolved in accordance with the following procedures, except as otherwise provided in Section 11.1.4, below.

11.1.2 At any time prior to the commencement of arbitration or otherwise during the pendency of any Dispute, either party may request that the matter be submitted for discussion and resolution, if possible, by the Chief Executive Officers of the parties. Notwithstanding this provision, the procedures, including time limits, set forth herein shall continue to apply.

11.1.3 At any time prior to the commencement of arbitration or otherwise during the pendency of a Dispute, either party may request that the matter be submitted for discussion and resolution, if possible, by a committee comprised of the Chief Executive Officer of Lakewood, the Chief Executive Officer of CCF, the Mayor of the City of Lakewood, a member of the Board of Trustees of Lakewood selected in accordance with Section 1.1.3.3, and two members of the Board of Trustees of Lakewood selected in accordance with Section 1.1.3.5.

11.1.4 Except as otherwise provided in Section 11.1.4, below, all Disputes, to the extent otherwise not resolved by informal action of the parties, or by voluntary mediation, shall be settled by arbitration in Cleveland, Ohio, or in such other location as mutually agreed to by the parties, in accordance with the then current rules of the American Arbitration Association. Any demand for arbitration must be made within thirty (30) days of the occurrence of the arbitration issue by the Declaring Party. An arbitration issue shall be deemed to have occurred upon the date that the Declaring Party provides written notice to the other party that an arbitration issue exists. The parties shall select one arbitrator to hear the controversy. If the parties are unable to agree on an arbitrator, each party shall each select one arbitrator and the two arbitrators shall select a third arbitrator who shall hear the controversy. The decision of the arbitrator shall be consistent with the terms of this Agreement, including the parties' intent as expressed herein, and shall be binding upon all parties; provided, however, that the decision of the arbitrator may not have the effect of causing either party to expend any funds as a result thereof. The expenses of the arbitration shall be borne jointly by the parties.

11.1.5 Notwithstanding the foregoing, the requirement of resolving a Dispute by arbitration shall not apply to any Dispute in which the remedy or relief sought by the Declaring Party includes the payment of money.

## ARTICLE 12.
## MISCELLANEOUS

SECTION 12.1 Definitions.

12.1.1 For the purposes of this Agreement, the word "knowledge" shall be defined as actual knowledge.

12.1.2 For purposes of this Agreement, the word "material" shall mean having an affect on the business, operations, prospects or condition of Lakewood, or having an affect on the properties or assets used by Lakewood in its business or operations, which has an economic effect of $2.5 million, singly, or $5 million, in the aggregate.

SECTION 12.2 Amendments. This Agreement may not be amended or modified without the written consent of the parties hereto.

SECTION 12.3 Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions of this Agreement at any one time shall not be deemed a waiver of such term, covenant, or condition at any other time nor shall any waiver or relinquishment of any right or power herein at any time be deemed a waiver or relinquishment of the same or any other right or power at any other time.

SECTION 12.4 Notices. All notices, payments, or other communications required or permitted hereunder shall be in writing and delivered by personal delivery, mail, overnight courier or telecopier and shall be deemed to have been duly given, if by personal delivery, when received; if by mail, when mailed by registered or certified mail, postage prepaid, and return receipt requested; or if by overnight courier or telecopier, when delivered to such courier or sent by telecopier (provided that the party giving the notice has confirmation of such delivery or sending), and addressed as follows (or at such other addresses as designated by the parties from time to time):

12.4.1 If to Lakewood:

Lakewood Hospital Association
14519 Detroit Avenue
Lakewood, Ohio 44107
Attn: Mr. Jules Bouthillet
President and Chief Executive Officer

with a copy to:

Lakewood Hospital Association
14519 Detroit Avenue
Lakewood, Ohio 44107
Attn: General Counsel

and

Christopher J. Swift, Esquire
Baker & Hostetler
3200 National City Center
1900 East 9th Street
Cleveland, Ohio 44114

and

Sara J. Fagnilli
Director of Law
City of Lakewood
12650 Detroit Avenue
Lakewood, Ohio 44107

12.4.2 If to CCF:

Cleveland Clinic Foundation
9500 Euclid Avenue
Cleveland, Ohio 44195
Attn: Frank L. Lordeman
Chief Operating Officer

and

David W. Rowan, Esquire
General Counsel
Cleveland Clinic Foundation
9500 Euclid Avenue
Cleveland, Ohio 44195

with a copy to:

Steven B. Epstein, Esquire
Robert D. Reif, Esquire
Epstein Becker & Green, P.C.
1227 25th Street, N.W.
Washington, D.C. 20037

SECTION 12.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 12.6 Enforceability and Severability. In the event any provision of this Agreement or portion thereof is found to be wholly or partially invalid, illegal, or unenforceable in any proceeding, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally incorporated herein, as the case may be.

SECTION 12.7 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Ohio.

SECTION 12.8 Section Titles. The titles of the sections have been inserted as a matter of convenience and reference only and shall not control or affect the meaning or construction of this Agreement.

SECTION 12.9 Assignment. This Agreement shall not be assignable or delegated by any party without the prior written consent of the other party.

SECTION 12.10 Expenses. Each party hereto will pay its own expenses in connection with the transactions contemplated hereby, whether or not such transactions shall be consummated.

SECTION 12.11 Survival of Representations and Warranties. All representations and warranties made herein or in any other agreement, certificate, or instrument delivered to any party pursuant to or in connection with this Agreement shall survive the execution and delivery of this Agreement for a period of two years from the date of Closing. All statements contained in any certificate or other instrument delivered by CCF or Lakewood hereunder or in connection herewith shall be deemed to constitute representations and warranties made by that entity. Such representations and warranties shall survive until the time specified herein in full force and effect notwithstanding any investigation by the party relying upon them.

SECTION 12.12 Brokerage. Each party hereto will indemnify and hold the others harmless against and in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, based in any way on agreements, arrangements, or understandings made or claimed to have been made by such party with any third party.

SECTION 12.13 Parties in Interest. All representations, covenants, and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

SECTION 12.14 Remedies. All remedies for breach of this Agreement shall be cumulative.

SECTION 12.15 Third Parties. Except as specifically provided herein, this Agreement does not and is not intended to create any rights in any person or entity which is not a party to this Agreement.

SECTION 12.16 Entire Agreement. This Agreement, including the Schedules hereto, constitutes the sole and entire agreement and understanding of the parties with respect to the subject matter hereof. All Schedules hereto are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have duly executed this Definitive Agreement this 19 day of December, 1996.

| THE CLEVELAND CLINIC FOUNDATION | LAKEWOOD HOSPITAL ASSOCIATION |
| --- | --- |
| By: Floyd Loop | By: William R. [illegible] |
| Floyd D. Loop, M.D. | |
| Title: Chief Executive Officer and Chairman, Board of Governors | Title: Chairman. |

Schedule 1.1A

## CERTIFICATE OF ADOPTION OF

## AMENDED AND RESTATED ARTICLES OF INCORPORATION

The undersigned, William R. Gorton and Colleen M. Shannon, do hereby certify that they are the duly-elected, qualified and acting Chairman and Secretary, respectively of LAKEWOOD HOSPITAL ASSOCIATION, an Ohio non-profit corporation (the "Corporation") and that at a special meeting of the Members held on the 27th day of February, 1997, at which a quorum was present, the following resolution was adopted by the Corporation:

> RESOLVED, that the Articles of Incorporation of the Corporation be, and they hereby are, amended by the adoption of the Amended and Restated Articles of Incorporation hereinafter set forth, to henceforth be and read as follows:

## AMENDED AND RESTATED ARTICLES OF INCORPORATION OF LAKEWOOD HOSPITAL ASSOCIATION

### ARTICLE ONE

### NAME

The name of the Corporation is Lakewood Hospital Association.

## ARTICLE TWO

## LOCATION OF PRINCIPAL OFFICE

The location of the principal office of the Corporation is the City of Lakewood, Cuyahoga County, Ohio.

## ARTICLE THREE

## PURPOSES

(a) The Corporation is organized and at all times shall be operated exclusively for the following charitable, educational, and scientific purposes:

(1) To establish, operate, maintain and support hospitals and other health care facilities, within or without the City of Lakewood, for the diagnosis, treatment and/or prevention of injury, disease, illness or any health related disorder, and for the promotion of health, to provide services attendant thereto including, but not limited to, outpatient care, extended care and home care, and to undertake any activities relating thereto.

(2) To develop, participate in and carry on activities for or related to rendering care to the sick and injured and/or designed and carried on to promote the health of the general community.

(3) To provide funds or to expend funds to further the diagnosis, treatment or prevention of injury, disease and illness, and to promote health, including, without limitation, to promote and carry on scientific research related to the care of the sick and injured and/or the promotion of health in the general community.

(4) To provide community information and carry on any educational programs or activities relating to any aspect of health care.

(5) To otherwise assist persons affected by injury, disease, illness, sickness, infirmities and/or health related disorders of any kind and to participate in any activities relating thereto.

(b) Solely for the above purposes, the Corporation is empowered to take and hold by bequest, devise, gift, contribution, purchase, lease or any other form, either absolutely or in trust, any property, real or personal, tangible or intangible, without limitation as to amount or value; to sell, convey, use, apply, and dispose of any such property and to invest and reinvest the income and principal thereof; to deal with and expend the income and principal of the Corporation; to make gifts or contributions to other entities or persons; and to exercise all other rights and powers conferred by the laws of the State of Ohio upon non-profit corporations.

## ARTICLE FOUR

## MEMBERS

The member of the Corporation shall be The Cleveland Clinic Foundation, an Ohio nonprofit corporation.

## ARTICLE FIVE

## CERTAIN RESTRICTIONS ON ACTIVITIES

(a) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its Members, Trustees, Officers or any other private persons, except that the Corporation shall be authorized to pay reasonable amounts for goods and services provided and rendered and to make payments and distributions in furtherance of the purposes set forth in Article Three hereof.

(b) No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

(c) Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not carry on any activities not permitted to be carried on (i) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") (or the corresponding provisions of any future United States Internal Revenue law), or (ii) by a corporation, contributions to which are deductible under Section 170(c)(d) of the Code (or the corresponding provisions of any future United States Internal Revenue law).

## ARTICLE SIX

## DISSOLUTION

(a) Upon the dissolution of the Corporation, all of the Corporation's property of every nature and description shall, after making provision for discharge of all the liabilities and obligations of the Corporation, be paid over and transferred to the City of Lakewood, Ohio for public purposes which also serve one or more of the purposes of the Corporation or to another nonprofit charitable organization which is exempt from Federal income tax under Section 501(c)(3) of the Code and which is organized for the purpose of operating Lakewood Hospital, in such manner as the Board of Trustees shall determine.

(b) For purposes of this Article, it is recognized (i) that the surrender by the Corporation to the City of Lakewood of the Lakewood Hospital premises and any other related assets which the Corporation is required to surrender pursuant to the terms of any lease of Lakewood Hospital upon the expiration of termination of any such lease is not considered a dissolution of the Corporation and (ii) that if, upon the expiration or termination of any such lease, the Corporation is also dissolved through action of the Trustees under Ohio law, any obligation to surrender the aforementioned property to the City of Lakewood will be an obligation of liability of the Corporation to be satisfied or provided for under paragraph (a) of this Article before the remaining assets of the Corporation, if any, are disposed of pursuant to paragraph (a) of this Article.

## ARTICLE SEVEN

These Amended and Restated Articles of Incorporation supersede and take the place of the existing Articles of Incorporation of the Corporation as heretofore amended.

Colleen Shannon

FTG3604 31259 96001 FTG-02 ART
2/24/97

Schedule 1.1B

# COMPOSITE OF
# CODE OF REGULATIONS
# OF
# LAKEWOOD HOSPITAL ASSOCIATION

| | |
|---|---|
| Adopted: | January 27, 1987 |
| First Amendment: | June 25, 1987 |
| Second Amendment: | January 21, 1988 |
| Third Amendment: | December 1, 1988 |
| Fourth Amendment: | January 25, 1990 |
| Fifth Amendment: | January 28, 1993 |
| Sixth Amendment: | January 25, 1996 |
| Seventh Amendment: | February 27, 1997 |

# CODE OF REGULATIONS

# OF

# LAKEWOOD HOSPITAL ASSOCIATION

## ARTICLE I

### Member

Section 1.1 - Designation of Member. The sole Member of the Corporation shall be The Cleveland Clinic Foundation, an Ohio nonprofit corporation (the "Member").

Section 1.2 - Members of Affiliates. To the extent required by the Lease and unless otherwise directed by the Board of Trustees, this Corporation or its Member or Trustees, to the extent so empowered, shall cause the members of any Affiliated Corporation (as defined in the Lease) which requires members to be at all times either this Corporation or those individuals who are then Trustees of this Corporation. For this purpose "Lease" means the lease under which the City of Lakewood leases Lakewood Hospital and other related assets to this Corporation.

## ARTICLE II

### Meetings of Member

Section 2.1 - Quorum and Adjournments. The presence of the sole Member shall constitute a quorum, provided, that at any meeting adjourned for lack of a quorum, a quorum at the adjourned meeting shall consist of the sole Member present, so long as notice of the adjourned meeting has been given in accordance with these Regulations.

Section 2.2 - Action by Member. At any meeting of the Member all questions shall be determined by the affirmative vote of the Member. Any action which may be taken at a meeting of the Member may also be taken in writing without a meeting as permitted under Ohio law if such writing is signed by the Member and such writing contains a determination by the Member that public discussion or action by the Board with respect to the subject of such written action would be detrimental to the interests of the patients of Lakewood Hospital (the "Hospital") or the welfare of the residents of the City of Lakewood or the Hospital or the subject matter of such written action was previously the subject matter of a Board of Trustees meeting or an Executive Committee meeting that was an open meeting.

Section 2.3 - Annual Meeting. The Annual Meeting of the Member shall be held in or near Cuyahoga County, Ohio, at such place as is designated by the Board of Trustees ("Board" or "Board of Trustees") on the first Tuesday of December in each year or at such other time as is set by the Board.

Section 2.4 - Special Meetings. Special meetings of the Member shall be held in or near Cuyahoga County, Ohio, at the place and time designated in the notice therefor, and may be called by (a) the Chairman of the Board or (b) the Member.

Section 2.5 - Notice of Meetings. Written notice of each annual or special meeting of the Member stating the time, location, and purpose thereof shall be given by mail or by personal delivery to the Member, not less than five (5) nor more than thirty (30) days prior to such meeting. Notice may be waived in writing either before or after the meeting, and notice shall be waived by attendance at the meeting unless a lack of proper notice is alleged in writing prior to or at the commencement of the meeting.

Section 2.6 - Electronic Meetings. The Member may attend a meeting of the Member through any form of electronic communication pursuant to which the Member is able to hear each other Member who is participating and, in the case of a meeting which is open to the public, each person attending the meeting from the public is also able to hear each Member who is participating. Such participation by electronic communication shall constitute attendance at such meeting.

Section 2.7 - Reserved Powers. The following corporate actions to be taken by the Board of Trustees shall require the approval of the Member (but may not be exercised independently by the Member):

(a) Changes to the Articles of Incorporation and Code of Regulations of the Corporation.

(b) Any merger, consolidation or other affiliation of the Corporation with any other entity or the sale of all or substantially all of the assets of the Corporation or a dissolution or material change in the operations or purpose of the Corporation.

(c) Any management contract, lease or similar contract between the Corporation and any outside entity involving a significant portion of the assets or operations of the Corporation.

(d) Appointment of the Corporation's auditors.

(e) Any unbudgeted capital projects in excess of $500,000 or such greater amount as the Member may from time to time specify in writing, or any project requiring a certificate of need.

(f) The Corporation's incurrence, assumption, or guarantee of any indebtedness, capital expenditures, or disposal of assets, in excess of $500,000 or such greater amount as the Member may from time to time specify in writing.

(g) The Corporation's annual operating and capital budgets.

(h) Strategic plans consistent with the overall strategic direction and plan of CCF Health Care System.

(i) The Corporation's strategic and financial plans, including the implementation of new or elimination of existing services offered at Lakewood Hospital.

(j) Coordination of financial management programs with such programs utilized by the Member.

Section 2.8 - Member Powers. The following corporate actions shall be exercised by the Member as set forth herein:

(a) Appointment of the chief executive officer of the Corporation; provided, however, that such individual also must be approved by the Board of Trustees.

(b) Termination of the chief executive officer after consultation with the Board of Trustees; provided, however, that the Board of Trustees shall have the right to terminate the chief executive officer after consultation with the Member; and provided further that the Member hereby designates its Chief Executive Officer as the officer having the authority to exercise the right granted in this subsection 2.8(b).

(c) Review of all managed care contracts at any point in time and provide specific requirements with regard to the terms thereof or whether or not to renew such agreement, at the time of renewal of such agreements.

(d) The right to cause the Corporation to sell or factor its accounts receivables, provided, however, that such right shall only arise at such time or times when the Corporation's accounts receivables exceeds, as measured by days in receivable, the median accounts receivable for Northeast Ohio hospitals by thirty percent (30%), as published by the Greater Cleveland Hospital Association ("GCHA"). National median accounts receivable data may be used if information regarding Northeast Ohio hospital median data are not available from GCHA or such other reliable source.

## ARTICLE III

## Trustees

Section 3.1 - Corporate Authority. Except as otherwise provided by law or these Regulations, all of the authority of the Corporation shall be exercised by the Board of Trustees.

Section 3.2 - Composition of Board of Trustees. So long as the Lease remains in effect, the Board of Trustees shall consist of twenty-three (23) Trustee positions, of which nine (9) shall be General Trustee positions, three (3) shall be Community Trustee positions, four (4) shall be Special Trustee positions, three (3) shall be Member Trustee positions and four (4) shall be Ex-Officio Trustee positions as hereinafter provided. The four (4) Ex-Officio Trustee positions shall be filled by the following individuals:

(a) The Executive of the City of Lakewood, Ohio. For the purposes of these Regulations, "Executive" means the Mayor of the City of Lakewood, Ohio, or, in his or her absence or unavailability, the acting Mayor as provided in the City Charter.

(b) Two (2) Council Representatives. For the purposes of these Regulations, "Council Representatives" means the two (2) members of the Council of the City of Lakewood, Ohio (the "Council"), who are selected to act as such Representatives by a majority vote of all the members of the Council, provided that, if more than one (1) political party is represented on the Council at the time of such selection, one (1) of the individuals so selected shall be a member of the political party having the largest number of representatives on the Council as of the date of such selection and the other shall be a member of the political party having the second largest number of representatives on the Council as of the date of such selection. The Council Representatives shall be selected by the Council as of January 2 in each even numbered year.

(c) The immediate past President of the Medical Staff of Lakewood Hospital.

Each Trustee, including each Ex-Officio Trustee, shall have the right to vote on matters coming before the Board of Trustees and shall be counted for purposes of a quorum.

Section 3.3 - Qualifications of Elected Trustees. Hereinafter General Trustees, Community Trustees and Special Trustees shall be referred to collectively as "Elected Trustees" and singly as an "Elected Trustee." Each Elected Trustee shall be a mature individual who has an interest in the Corporation and its purposes and who has experience or interests that would be valuable to the Corporation.

Section 3.4 - Classification, Term and Election of Elected Trustees.

(a) General Trustees. General Trustees shall be divided into four (4) classes designated General Class A1, A2, A3 and A4, respectively. General Class A1, A3 and A4 shall each consist of two (2) General Trustees and General Class A2 shall each consist of three (3) General Trustees. The term of each General Trustee shall be five (5) years commencing as of a January 1 and ending as of a December 31; provided, however, that the term of each initial General Trustee shall end as follows: Class A1 - December 31, 1997, Class A2 - December 31, 1998, Class A3 - December 31, 1999, and Class A4 - December 31, 2000. At each Annual Meeting of the Member in a year when the terms of General Trustees are due to expire, beginning with the 1997 annual meeting, the Board shall appoint either three (3) or two (2) General Trustees, as the case may be, to fill the positions of the General Trustees in the Class whose term expires in that year. The persons so appointed shall be submitted for consideration of ratification by the Member, which may, but need not ratify the appointment of one or more of the persons appointed by the Board and shall request the Board of Trustees to approve additional persons for any position not filled.

(b) Community Trustees. Community Trustees shall be divided into three (3) classes designated Class B1, B2 and B3, respectively. Each Class shall consist of one (1) Community Trustee. The term of each Community Trustee shall be five (5) years commencing as of a January 1 and ending as of a December 31; provided, however, that the term of each initial Community Trustee shall end as follows: Class B1 - December 31, 1998, Class B2 - December 31, 1999 and Class B3 - December 31, 2000. The Council shall designate as the initial Community Trustees three (3) representatives of Community Organizations. For the purpose of these Regulations, "Community Organizations" means organizations which are religious congregations or organizations representing spiritual leaders of religious congregations located in the City of Lakewood, organizations located in the City of

Lakewood, Ohio which restrict membership to persons age sixty (60) or older or whose activities are directed toward persons age sixty (60) or older and organizations located in the City of Lakewood, Ohio which direct their activities to civic, educational or philanthropic endeavors for the benefit of the City of Lakewood, Ohio or its residents. At each Annual Meeting of the Member in a year when the terms of Community Trustees are due to expire, beginning with the 1998 annual meeting, the Council shall nominate persons to fill the position of the Community Trustee whose term expires in that year. The persons so nominated shall be considered first by the Board of Trustees and if approved by the Board of Trustees submitted for consideration of ratification by the Member which may, but need not, ratify the approval of one or more of the nominees as Community Trustees. If the Board of Trustees or the Member does not approve or ratify the approval of a nominee, it shall request the Council to nominate additional persons for any position not filled.

(c) Special Trustees. Special Trustees shall be divided into four (4) classes designated Class C1, C2, C3 and C4, respectively. Each Class shall consist of one (1) Special Trustee. The term of each Special Trustee shall be five (5) years commencing as of a January 1 and ending as of a December 31; provided, however, that the term of each initial Special Trustee shall end as follows: Class C1 - December 31, 1997, Class C2 - December 31, 1998, Class C3 - December 31, 2000 and Class C4 - December 31, 2001. The Council and the Executive shall each nominate two (2) persons to serve as initial Special Trustees. At each Annual Meeting of the Member in a year when the terms of Special Trustees are due to expire, beginning with the 1997 annual meeting, the Council shall nominate persons to fill the position of a Special Trustee whose term expires in that year and was previously nominated by the Council; the Executive shall nominate persons to fill the positions of a Special Trustee whose term expires in that year and was previously nominated by the Executive. The persons so nominated shall be considered first by the Board of Trustees and if approved by the Board of Trustees submitted for consideration for ratification by the Member which may, but need not, ratify the approval of one or more of the nominees approved by the Board of Trustees as Special Trustees. If the Board of Trustees or the Member does not approve or ratify the approval of a nominee, it shall request the nominator of any nominee not approved or ratified to nominate additional names for the position not filled.

(d) No person shall become a Trustee of the Board of Trustees pursuant to subsections (a), (b) and (c) of this Section 3.4 until ratification by the Member has occurred.

(e) An Elected Trustee shall hold office until his or her earlier resignation, death or removal. An Elected Trustee whose term has expired but whose successor has not been elected shall continue to serve as a Trustee until his or her successor has been elected.

Section 3.5 - Member Trustees. Three (3) Member Trustees. Member Trustees shall be divided into three (3) classes designated Class D1, D2 and D3 respectively.

each Class shall consist of one (1) Member Trustee. The Member shall elect three (3) initial Member Trustees which election shall be conclusive and not subject to any other approval or designation. The term of each Member Trustee shall be five (5) years commencing as of a January 1 and ending as of a December 31; provided, however, that the term of each initial Member Trustee shall end as follows: Class D1 - December 31, 1998, Class D2 - December 31, 2000, December 31, 2001. At each Annual Meeting of the Member in a year when the terms of Member Trustees are due to expire, beginning with the 1998 annual meeting, the Member shall elect persons to fill the position of the Member Trustee whose term expires in that year. In the event any person selected pursuant to this paragraph should cease to be a Trustee prior to the expiration of the term, the vacancy shall be filled for the unexpired term in the same manner as for the original appointment. A Member Trustee shall hold office until his or her earlier resignation, death or removal. A Member Trustee whose term has expired but whose successor has not been elected shall continue to serve as a Trustee until his or her successor has been elected.

Section 3.6 - Term of Ex-Officio Trustees. The term of office of each Ex-Officio Trustee shall begin when he or she assumes the office or position which qualifies him or her to be an Ex-Officio Trustee and shall end when he or she no longer holds such office or position.

Section 3.7 - Nomination of Elected Trustees.

(a) No later than seven (7) days before the Annual Meeting of Member in each year, beginning in 1997, the Development Committee shall submit to the Member the names of its candidates for election to the positions of the General Trustees whose terms expire at the end of such year.

(b) No later than November 1 in each year in which the term of a Community Trustee is to expire, beginning in 1998, the Council shall submit to the Development Committee the name of its candidate for election to the position of the Community Trustee whose term expires at the end of such year. The Development Committee may approve such nominee or may require the Council to withdraw such nomination and submit a substitute nomination to the Development Committee no later than fourteen (14) days before the Annual Meeting of Member. No later than seven (7) days before the Annual Meeting of Member the Development Committee shall submit the name of the Council's nominee to the Member along with an indication of whether the Development Committee does or does not endorse such nominee. All nominees for the position of Community Trustee must be representatives of Community Organizations.

(c) No later than November 1 in each year in which the term of a Class C1 or Class C4 Special Trustee is to expire, beginning in 1997, the Executive shall submit to the Development Committee the name of his candidate for election to the position of the Special Trustee whose term expires at the end of such year. The Development Committee may approve such nominee or may require the Executive to withdraw such nomination and submit a substitute nomination to the Development Committee no later than fourteen (14) days before the Annual Meeting of Member. No later than seven (7) days before the Annual Meeting of Member the Development Committee shall submit the name of the

Executive's nominee to the Member along with an indication of whether the Development Committee does or does not endorse such nominee.

(d) No later than November 1 in each year in which the term of a Class C2 or Class C3 Special Trustee is to expire, beginning in 1998, the Council shall submit to the Development Committee the name of its candidate for election to the position of the Special Trustee whose term expires at the end of such year. The Development Committee may approve such nominee or may require the Council to withdraw such nomination and submit a substitute nomination to the Development Committee no later than fourteen (14) days before the Annual Meeting of Member. No later than seven (7) days before the Annual Meeting of Member the Development Committee shall submit the name of the Council's nominee to the Member along with an indication of whether the Development Committee does or does not endorse such nominee.

(e) The nomination process set forth in this Section with respect to each type of Elected Trustee shall be the only method of nomination with respect to such type of Trustee.

Section 3.8 - Removal of Trustees. With the exception of Member Trustees, an Elected Trustee may be removed with or without cause by the affirmative vote of at least two-thirds (2/3) of all other Trustees then in office. Such removal shall create a vacancy on the Board of Trustees. Ex-Officio Trustees may not be removed from office. A Member trustee may be removed, with or without cause, by the Member.

Section 3.9 - Vacancies.

(a) Among Elected Trustees. Whenever any vacancy shall occur in the position of an Elected Trustee, whether occasioned by death, resignation, removal, failure to elect a nominee to a position as an Elected Trustee or otherwise, the vacancy shall be filled in the same manner as the original appointment.

(b) Among Certain Ex-Officio Trustees. Whenever a vacancy shall occur in the Ex-Officio Trustee position occupied by the immediate past President of the Medical Staff of Lakewood Hospital, whether occasioned by death, resignation or otherwise, such position will be filled by the next most recent past President of the Medical Staff of Lakewood Hospital until there is a new immediate past President at which time such new immediate past President will fill such Ex-Officio Trustee position. Whenever a vacancy shall occur in an Ex-Officio position occupied by a Council Representative, whether occasioned by death, resignation, loss of his or her position on the City Council or otherwise, the remaining unexpired portion of the term of such Ex-Officio Trustee position shall be filled by the member of City Council who is selected as a replacement Council Representative by a majority vote of all members of City Council, provided the individual so selected is a member of the same political party as the person he or she is replacing.

(c) Among Member Trustees. Whenever any vacancy shall occur in the position of a Member Trustee, whether occasioned by death, resignation, removal, or otherwise, the vacancy shall be filled in the same manner as the original appointment.

(d) During any period that a vacancy exists the remaining Trustees shall continue to act with the powers and authority of the full Board of Trustees.

Section 3.10 - Compensation. No compensation shall be paid to any person for services as Trustee, but each Trustee may be reimbursed for actual and reasonable expenses incurred by such person in the performance of his or her duties.

Section 3.11 - Duality of Interest. A Trustee having a conflict of interest or conflict of responsibility on any matter involving the Corporation and any other business entity or person shall disclose such conflict and shall refrain from voting on such matter. A Trustee shall not be considered to have a conflict of interest and shall not be required to refrain from voting on any matter merely because such Trustee is also a trustee or director of any direct or indirect subsidiary or sister entity of the Corporation. No Trustee shall use his or her position as a Trustee of the Corporation for his or her own direct or indirect financial gain.

Section 3.12 - No Trustee to Hold Public Office. Other than the Executive and the Council Representatives, no person who holds any public office or public employment (other than as a member of the state militia or a reserve component of the armed forces of the United States of America) shall be eligible to become or to continue to be a Trustee of the Corporation.

## ARTICLE IV

### Meetings of Board of Trustees

Section 4.1 - Quorum and Adjournments. The presence of one-half (1/2) of the Trustees then in office shall constitute a quorum, provided, that at any meeting adjourned for lack of a quorum, a quorum at the adjourned meeting shall consist of those Trustees present, so long as notice of the adjourned meeting has been given in accordance with these Regulations.

Section 4.2 - Action by Board of Trustees. At any meeting of Trustees all questions shall be determined by the affirmative vote of not less than a majority of the votes cast on such questions, except as Ohio law, the Articles or these Regulations may require the affirmative vote of a greater number of Trustees to take an action. Any action which may be taken at a meeting of Trustees may also be taken in writing without a meeting as permitted under Ohio law if such writing is signed by all of the Trustees and such writing contains a determination by the Board of Trustees that public discussion or action by the Board with respect to the subject of such written action would be detrimental to the interests of the patients of the Hospital or the welfare of the residents of the City of Lakewood or the Hospital.

Section 4.3 - Annual Meetings. The annual meeting of the Board of Trustees shall be held on such day in January in each year and at such place in or near Cuyahoga County, Ohio, as shall be designated by the Board. Officers shall be elected at the annual meeting and such other business transacted as may come before the Board at the meeting.

Section 4.4 - Regular Meetings. Regular meetings of the Board of Trustees shall be held at least four (4) times a year (or at such other intervals as approved by the Board of Trustees) at the Hospital or other convenient location and at such time as shall be determined by the Chairman of the Board as set forth in the notice(s) for such meetings.

Section 4.5 - Special Meetings. Special meetings of the Board of Trustees may be held at any time upon call by the Chairman of the Board, by the President or by one-third (1/3) of the members of the Board. A meeting called by members of the Board shall be held within fourteen (14) days of receipt of a written request for such meeting. Unless otherwise specified in the notice thereof, the business to be transacted at any special meeting shall be limited to that set forth in the notice of meeting.

Section 4.6 - Notice. Except as otherwise provided in these Regulations, notice of each annual, regular or special meeting of Trustees shall be given by the Secretary to each Trustee by letter or telegram or in person not less than one (1) nor more than thirty (30) days prior to such meeting. Any Trustee may waive notice of any meeting in writing either before or after such meeting, and, by attending any meeting without protesting the lack of proper notice, shall be deemed to have waived notice thereof. Unless otherwise limited in the notice thereof, any business may be transacted at any annual or regular meeting.

Section 4.7 - Attendance. Members of the Board of Trustees shall attend at least one-half (1/2) of all regularly scheduled Board meetings and at least one-half (1/2) of all assigned committee meetings unless otherwise excused by the Board. Consistent absenteeism from committee meetings can be reason for removal of a Trustee from a committee by the Chairman of the Board.

Section 4.8 - Electronic Meetings. Any Trustee may attend a meeting of Trustees through any form of electronic communication pursuant to which each Trustee is able to hear each other Trustee who is participating and, in the case of a meeting which is open to the public, each person attending the meeting from the public is also able to hear each Trustee who is participating. Such participation by electronic communication shall constitute attendance at such meeting.

Section 4.9 - Disclosure. The name of each Trustee shall be available to any person upon request.

Section 4.10 - Open Meetings. All meetings of the Member, the Board of Trustees and the Executive Committee of the Board of Trustees when it is exercising the power and authority of the Board of Trustees pursuant to Section 5.2 of these Regulations shall be open to the public to assure full disclosure of the operations of the Hospital unless the Member, the Board of Trustees or the Executive Committee when exercising the power and authority of the Board of Trustees, as the case may be, determines that public discussion or action by that entity would be detrimental to the interests of the patients of the Hospital or the welfare of the residents of the City of Lakewood or the Hospital or in the case of the Member's meeting, the subject matter of such action was previously the subject matter of a Board of Trustees meeting or an Executive Committee meeting that was an open meeting.

## ARTICLE V

## Committees of the Trustees

Section 5.1 - Committees of the Trustees. Committees of the Trustees shall be either standing or special. All committee members, other than the Ex-Officio members and

Executive Committee and Community Advisory Committee members, shall be appointed and shall be subject to removal by the Executive Committee. The members of the Executive Committee, other than the Chairman of the Board, shall be appointed by and shall be subject to removal by the Chairman of the Board, subject to the approval of the Board of Trustees. The chairperson of each committee, other than the Executive Committee, shall be appointed by and subject to removal by the Executive Committee. The Chairman of the Executive Committee shall be the Chairman of the Board. The Chairman of the Development Committee shall be the Vice Chairman of the Board-Development. Standing Committees of the Trustees shall include the Executive Committee, Finance and Audit Committee, Patient Care Committee, Community Relations Committee, Development Committee and such other Standing Committees as the Board of Trustees may authorize. In addition, there will be a non-Trustee advisory committee known as the Community Advisory Committee.

Special Committees may be appointed by the Executive Committee for such special tasks as circumstances warrant. A Special Committee shall limit its activities to the accomplishment of the task for which it is appointed and shall have no power to act except as its authority is specifically conferred to it by action of the Board. Upon completion of the task for which it is appointed, such Special Committee shall stand discharged.

At a committee meeting a quorum shall be the members of the committee attending the meeting. The act of a majority of the members of the committee who are present at a meeting shall be the act of such committee. Actions may be taken by a committee without a meeting by a writing signed by all of the members of such committee. Each committee shall have an agenda and shall submit minutes of its meetings to the Board. The President of the Hospital, or his or her designee, shall be an Ex-Officio member of all Board committees.

The membership of each Standing Committee and each Special Committee shall be comprised only of Trustees unless otherwise indicated below in the description of Standing Committees; provided, however, that the chairperson of the Standing or Special Committee may appoint subcommittees and include thereon persons who are not members of the Board.

Section 5.2 - Executive Committee. The Executive Committee shall be comprised of the Chairman of the Board and at least five (5) other Trustees, two (2) of whom shall be General Trustees. This Committee shall:

(a) Provide institutional policy, direction and planning to the Board of Trustees and the administration of the Hospital;

(b) Assure that the Board attains the performance of its objectives, including quality of patient care;

(c) Recommend to the Board of Trustees the adoption of amendments to, or repeal of, by-laws, rules and regulations governing the Medical Staff of the Hospital and the Articles, Code of Regulations and any Bylaws of the Board of Trustees, as appropriate, at least once every two (2) years; and

(d) Through a subcommittee to this Committee, act as a forum for discussion of Hospital policy on medical practice, as a medico-administrative liaison with the Board of Trustees and the administration of the Hospital, and as a search committee for medico-administrative personnel, whenever the occasion demands.

(e) Through a subcommittee to this committee, review the performance, compensation, and terms of employment of the appointed officers of the Hospital.

During intervals between the meetings of the Board, the Executive Committee shall have and may exercise all the powers and authority of the Board except that the Executive Committee shall not have the power or authority to (1) remove an Officer or elect an Officer, (2) fill vacancies in the Board of Trustees or in any committee of the Board, or (3) amend these Regulations. Notwithstanding the foregoing, but subject to rights of third persons, any action taken or authorized by the Executive Committee shall be subject to revocation, revision or alteration by the Board of Trustees. The Executive Committee shall appoint a secretary (who may but need not be a member of the Committee) to record minutes of the meetings of the Committee. Minutes of the meetings of the Executive Committee shall be submitted to the Board of Trustees.

Section 5.3 - Finance and Audit Committee. The Finance and Audit Committee shall consist of at least five (5) Trustees. The purpose of the Finance and Audit Committee is to provide financial policy, planning and direction to the Board of Trustees. This Committee shall:

(a) Develop the financial goals of the Hospital and the strategic policy to accomplish these goals;

(b) Review the budget and financial performance of the Hospital;

(c) Review the monthly financial statements and apprise the Board of Trustees of the Hospital's operating performance;

(d) Recommend annually to the Board of Trustees a firm of accountants experienced in hospital auditing to conduct the annual audit of the Hospital's books and records;

(e) Review any proposed changes in personnel policies and the wage and salary structure;

(f) Recommend to the Board of Trustees the Hospital's annual operating budget, capital budget (including any significant changes in the physical structure and the acquisition of fixed and other equipment relating to the changes), rate increases, salary adjustments, proposed borrowings and other financial changes; and

(g) Supervise the investment of Hospital funds and recommend the adoption of appropriate investment policy.

Section 5.4 - Patient Care Committee. The Patient Care Committee shall consist of at least four (4) Trustees and the President of the Medical Staff. The Chief of Medicine, the Chief of Surgery, and Chairperson of the Quality Assurance Committee, Vice President for Nursing Service, and the President of the Hospital shall be available to the committee as required in the pursuit of its responsibilities. This Committee shall:

(a) Assure that appropriate standards for reviewing Medical Staff applications are established, maintained and followed;

(b) Receive recommendations from the Medical Staff and make final recommendation to the Board of Trustees on all appointments to the Medical Staff of the Hospital and on assignments of responsibilities within the Medical Staff, including definition of the scope of privileges, reappointments, reductions, extensions, suspensions, and termination of privileges;

(c) Recommend to the Board of Trustees the specific clinical privileges to be granted to each member of the Medical Staff consistent with the scope of clinical privileges allowed in the institution;

(d) Receive and consider all reports on the work of the Medical Staff, and all reports with respect to patient care, quality assurance and utilization review, serve as the Quality Assurance Committee of the Hospital pursuant to R.C. 2305.251 or the same as may be amended from time to time, and make such recommendations to the Board of Trustees in respect thereto as the Committee considers to be in the best interests of the Hospital and its patients; and

(e) Review the effectiveness of the surveillance functions of reviewing and evaluating performance, as specified in the Bylaws of the Medical Staff, and make recommendations to the Board of Trustees for corrective action, as necessary.

(f) Monitor Hospital activities and programs to assure continued accreditation status with the Joint Commission on Accreditation of Health Care Organizations and any other accreditation and/or licensing organizations.

Section 5.5 - Community Relations Committee. The Community Relations Committee shall consist of at least five (5) Trustees. The Committee shall:

(a) Develop the community relations and marketing goals of the Hospital and the strategic policy to accomplish such goals and recommend same to the Board of Trustees. Included within the purview of the Community Relations Committee is the marketing of Hospital services, the image projected by the Hospital to its employees, patients and public, and to the government and general public, and the relationships between the Hospital and its patients, their families and the general public; and

(b) Meet with the Community Advisory Committee on a regular basis.

Section 5.6 - Development Committee. No later than forty-five (45) days prior to each Annual Meeting of Member, the Executive Committee shall appoint three (3) Trustees, who together with the Vice Chairman of the Board-Development, shall serve as the Development Committee. This Committee shall serve until the next Development Committee is constituted so that it can also function should the position of an Elected Trustee become vacant before the next Development Committee is appointed. The Development Committee shall:

(a) Identify and recruit qualified candidates to serve on the Board of Trustees, forwarding the qualifications of said candidates to nominating sources on a timely basis; and

(b) Implement educational programs designed to enhance the leadership effectiveness of the Board of Trustees, including Trustee orientation, continuing education and self-evaluation.

Section 5.7 - Community Advisory Committee. The Community Advisory Committee shall consist of at least seven (7) members who shall be appointed and subject to removal by the Community Relations Committee, subject to approval of the Board of Trustees. Appointments shall be made from among individuals who are representatives of Community Organizations. No member of the Community Advisory Committee shall be a Trustee. The Community Advisory Committee shall meet on a regular basis with the Community Relations Committee for the purpose of providing its views to the Community Relations Committee.

Section 5.8 - Medical Staff Representation at Board Meetings. A member of the Medical Staff, on the recommendation of the Executive Committee of the Medical Staff, may be in attendance (without vote) at all meetings of the Board of Trustees.

## ARTICLE VI

### Officers and Administration

Section 6.1 - Election or Appointment of Officers.

(a) Elected Officers. At the annual meeting of Trustees, the Board of Trustees shall elect a Chairman of the Board, a Vice Chairman of the Board, a Vice Chairman of the Board-Development, a Secretary, a Treasurer, and such other elected Officers as the Board may deem necessary. Only a Trustee is eligible to hold the office of Chairman of the Board and Vice Chairman of the Board. Other elected Officers need not be Trustees.

(b) Appointed Officers. The Member shall select and appoint a President, subject to the approval of the Board of Trustees. In addition, the Board of Trustees shall select and appoint one or more Vice Presidents and such other Appointed Officers as the Board may deem necessary. Appointed Officers need not be Trustees.

Section 6.2 - Tenure of Office. Elected Officers of the Corporation shall hold office until the next annual meeting of the Trustees and until their successors are chosen and qualified, except in the case of resignation, death or removal. Appointed Officers shall hold office until resignation, death or removal, subject to any contract rights. The Member or the Board of Trustees, after consultation with the other, may remove the President, with or without cause, subject to any contract rights. The Board of Trustees may remove any other Officer at any time, with or without cause, subject to any contract rights with respect to appointed Officers. A vacancy, however created, in any office may be filled by the Board of Trustees.

Section 6.3 - Chairman of the Board. The Chairman of the Board shall preside at meetings of the Board of Trustees and perform such other duties as are usually incident to such office, subject to the directions of the Board of Trustees. The Chairman of the Board may execute all authorized deeds, mortgages, bonds, contracts and other obligations in the name of the Corporation and shall have such other powers and duties as may be prescribed by the Board of Trustees.

Section 6.4 - Vice Chairman of the Board. The Vice Chairman of the Board shall preside at meetings of the Board of Trustees if the Chairman of the Board is unavailable and shall have such other powers and duties as may be prescribed by the Board of Trustees.

Section 6.5 - Vice Chairman of the Board-Development. The Vice Chairman of the Board-Development shall assist the Board in its efforts to recruit persons for nomination to the position of Trustee, serve as Chairman of the Development Committee, have such other duties as pertain to the improvement and growth of the Hospital, and have such other powers and duties as may be prescribed by the Board of Trustees.

Section 6.6 - President and Chief Executive Officer. The President shall be the Chief Executive Officer and shall serve as the Board of Trustees' representative in the management and administration of the Hospital. The President shall have the necessary authority and responsibility to operate the Hospital in all its activities and departments, subject only to such policies as may be adopted and such orders as may be issued by the Board of Trustees or by any of its committees to which it has delegated power for such action. Unless otherwise determined by the Trustees, the President shall have authority to represent the Corporation at meetings of the shareholders or members of other corporations or organizations in which the Corporation holds shares or is a member, and to execute on behalf of the Corporation discretionary or restricted proxies. The President shall act as the duly authorized representative of the Board of Trustees in all matters in which these Regulations or the Board has not formally designated some other person or group such as the Medical Staff to so act. The President may execute all authorized deeds, mortgages, bonds, contracts and other obligations in the name of the Corporation. The authority and responsibility of the President shall include:

(a) Carrying out all policies established by the Board of Trustees and advising the Board on the formation of these policies;

(b) Developing and submitting to the Board of Trustees for approval a plan of organization for the conduct of hospital operations and the organization of personnel and others concerned with the operation of the Hospital, and recommending changes thereto when necessary;

(c) Preparing an annual budget showing the expected revenue and expenditures, as required by the Board of Trustees or its Finance Committee;

(d) Selecting, employing, controlling, and discharging employees and developing and maintaining personnel policies and practices for the Hospital;

(e) Maintaining physical properties in a good and safe state of repair and operating condition;

(f) Supervising business affairs to assure that funds are collected and expended to the best possible advantage;

(g) Cooperating and consulting with the Medical Staff and with all those concerned with the rendering of professional service to the end that high-quality care may be rendered to patients;

(h) Presenting to the Board of Trustees or its authorized committees periodic reports reflecting the professional services and financial activities of the Hospital and such special reports as may be required by the Board of Trustees;

(i) Attending all meetings of the Board of Trustees and service on committees thereof;

(j) Serving as the liaison and channel of communications for all official communications between the Board of Trustees or any of its committees and the Medical Staff, and participating in all Medical Staff activities and making recommendations with respect thereto;

(k) Presenting the financial and management goals of the Hospital on an annual basis;

(l) Presenting the five-year plan for the Hospital and annual reviews thereof;

(m) Representing the Hospital in its relationships with other health agencies; and

(n) Performing other duties that may be necessary in the best interest of the Hospital.

Section 6.7 - Vice Presidents. The Vice Presidents shall have such powers and duties as may be prescribed by the Board of Trustees, the Chairman of the Board or the President.

Section 6.8 - Secretary. The Secretary shall attend and keep the minutes of all meetings of the Trustees. The Secretary shall keep such books as may be required by the Board of Trustees, and shall give all notices of meetings of Trustees, provided, however, that any persons calling such meetings may, at their option, themselves give such notice. The Secretary shall have other powers and duties as may be prescribed by the Board of Trustees, the Chairman of the Board or the President.

Section 6.9 - Treasurer. The Treasurer shall have responsibility for maintaining all funds, property and securities of the Corporation, subject to such regulations as may be imposed by the Board of Trustees. The Treasurer shall see that a true and accurate accounting of the financial transactions of the Corporation is made. The day-to-day financial operations may be carried out by a fiscal director employed by the Corporation. On the expiration of the Treasurer's term of office, the Treasurer shall turn over to the successor Treasurer or the Trustees the property, books, papers and money of the Corporation in the Treasurer's hands. The Treasurer shall have such other powers and duties as may be prescribed by the Board of Trustees, the Chairman of the Board or the President.

Section 6.10 - Other Officers. The Assistant Secretaries, Assistant Treasurers, and other officers, if any, shall have such powers and duties as the Board of Trustees, the Chairman of the Board or the President may prescribe.

Section 6.11 - Delegation of Duties. The Board of Trustees is authorized to delegate the duties of any Officer to any other Officer and generally to control the action of the Officers and to require the performance of duties in addition to those mentioned herein.

Section 6.12 - Compensation. The Board of Trustees is authorized to determine or to provide the method of determining the compensation of appointed Officers. An Elected Officer shall not receive compensation for serving as an Officer, but may be reimbursed for actual and reasonable expenses incurred in the performance of his or her duties.

Section 6.13 - Bond. Any Officer or employee, if required by the Board of Trustees, shall give bond in such sum and with such security as the Board may require for the faithful performance of his duties.

Section 6.14 - Signing Checks and Other Instruments. The Board of Trustees is authorized to determine or provide the method of determining how checks, notes, bills of exchange and similar instruments shall be signed, countersigned or endorsed.

Section 6.15 - Disclosure. The name of each Officer shall be available to any person upon request.

## ARTICLE VII

## Medical Staff

Section 7.1 - Organization. The Board of Trustees shall organize the physicians and appropriate other practitioners granted practice privileges in the Hospital into a Medical Staff under Medical Staff By-Laws approved by the Board of Trustees. The Board of Trustees shall consider recommendations of the Medical Staff, and appoint to the Medical Staff in numbers not exceeding the Hospital's needs, physicians and other practitioners who meet the qualifications for membership as set forth in the Medical Staff By-Laws. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his patients, subject to such limitations as are contained in these Regulations and in the By-Laws, Rules and Regulations for the Medical Staff, and subject, further, to any limitations attached to his or her appointment.

Section 7.2 - Medical Staff Membership, Privileges, Appointment, Reappointment and Termination. All applications for appointments to the Medical Staff shall be in writing and addressed to the President of the Hospital. The application shall contain full information concerning the applicant's education, Ohio licensure, practice, previous hospital experience, and any unfavorable history with regard to licensure and hospital privileges. All privileges will be delineated by the Board based on recommendations from the Medical Staff and such delineation shall be consistent with the practitioner's experience and training.

All appointments to the Medical Staff shall be for a term of two (2) years, renewable by the Board of Trustees. The Board shall review the classification of the Medical Staff annually and make reclassifications thereof as it deems necessary or appropriate.

Section 7.3 - Fair Hearing Plan. The Board of Trustees shall require that any adverse recommendation made by the Medical Staff or any committee thereof or any adverse action taken by the Board, with respect to a practitioner's staff appointment, reappointment, department affiliation, staff category, admitting prerogatives or clinical privileges, shall, except under circumstances for which specific provision is made in the Medical Staff By-Laws, be accomplished in accordance with the Board-Approved Written Fair Hearing Plan ("Fair Hearing Plan") then in effect and incorporated in the Medical Staff By-Laws.

Such Plan shall provide for procedures to assure fair treatment and afford opportunity for the presentation of all pertinent information. Such Plan shall include a hearing before the Executive Committee of the Medical Staff with respect to an adverse recommendation of the Medical Staff and a hearing before a review committee with respect to an adverse action of the Board of Trustees. Such a review committee shall consist of three (3) members of the Board of Trustees and three (3) members of the Medical Executive Committee appointed by the Chairman of the Board. For purposes of this Section, an "adverse recommendation" of the Medical Staff or any committee thereof and an "adverse action" of the Board shall be as defined in the Plan.

Section 7.4 - Medical-Administrative Positions and Medical Staff Officers. The Board of Trustees shall appoint all physicians who hold medical-administrative positions on the Hospital staff, such as Directors, Chairmen or Chiefs of Departments. Appointments shall be for an indefinite period of time, but may be terminated by the Board of Trustees at any time upon written notice without any right to a hearing, subject to any contract rights. The election of all officers of the Medical Staff shall be subject to the approval of the Board of Trustees.

Section 7.5 - Medical Care and Its Evaluation. The Board of Trustees shall, in the exercise of its overall responsibility, assign to the Medical Staff responsible authority for ensuring appropriate professional care to the Hospital's patients. The Medical Staff shall conduct an on-going review and appraisal of the quality of professional care rendered in the Hospital and shall report such activities and their results to the Board of Trustees. The Medical Staff shall make recommendations to the Board of Trustees concerning:

(a) Appointments, reappointments and other changes in Medical Staff status;

(b) Granting of clinical privileges;

(c) Disciplinary action;

(d) All matters relating to professional competency; and

(e) Such specific matters as may be referred to it by the Board of Trustees.

The Medical Staff may participate with all departments of the Hospital in furthering improved patient care and may make recommendations to the Board with respect thereto.

Section 7.6 - Medical Staff By-Laws. There shall be By-Laws, Rules and Regulations for the Medical Staff that set forth its organization and government. Proposed By-Laws, Rules and Regulations, and any amendments thereto, may be recommended by the Medical Staff, but shall become effective only upon approval by the Board of Trustees, such approval not to be unreasonably withheld. The power of the Board of Trustees to adopt or amend Medical Staff By-Laws, Rules and Regulations shall not be dependent upon ratification by the Medical Staff.

## ARTICLE VIII

### Auxiliary Organizations

The Board of Trustees at its discretion may authorize voluntary auxiliary organizations to organize and act under their own Bylaws for the benefit of Lakewood

Hospital. The governing instruments of such organizations shall be reviewed and approved by the Board of Trustees of this Corporation. Such organizations may perform functions benefitting Lakewood Hospital, including but not limited to:

(a) Providing voluntary service within the Hospital as organized by the President;

(b) Organizing and promoting various related and appropriate activities to raise funds or promote the Hospital with approval of the President; and

(c) Undertaking activities or services which may be useful and beneficial to the Hospital.

## ARTICLE IX

### Indemnification and Insurance

Section 9.1 - Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative ("Proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Member, Trustee or Officer of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, member, or officer of another corporation, partnership, joint venture, trust, or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by law, including but not limited to the Ohio Nonprofit Corporation Law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including attorney's fees, judgments, fines and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, the Corporation shall indemnify any such person only if such action, suit or proceeding (or part thereof) initiated by such person was authorized by the Board of Trustees of the Corporation. Such indemnification rights shall include the right to be paid by the Corporation for expenses, including attorney's fees, incurred in defending any such Proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of such Proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such person, in which such person agrees to repay all amounts so advanced if it should be ultimately determined that such person is not entitled to be indemnified hereunder. Any amendments to the Regulations or Articles of Incorporation which would lessen or remove the indemnification provided hereunder shall have no adverse effect on the indemnification rights hereunder of Member, Trustees and Officers or former members, trustees, or officers for acts performed by such persons prior to the adoption, or effective date, of such amendments, whichever is later. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to indemnify employees, agents and others as permitted by the Ohio Nonprofit Corporation Law.

Section 9.2 - Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any person described in this Article against such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Ohio Nonprofit Corporation Law. The indemnification rights provided under this Article shall be excess over any rights under insurance policies or other sources of indemnification or reimbursement.

## ARTICLE X

### Fiscal Year

The fiscal year of the Corporation shall be the twelve (12) month period ending on December 31, or ending on such other date as the Trustees may determine from time to time.

## ARTICLE XI

### Corporate Seal

The Corporation shall have no seal.

## ARTICLE XII

### Provisions in Articles of Incorporation

These Regulations are at all times subject to the provisions of the Articles of Incorporation (including in such term whenever used in these Regulations, amendments thereto).

## ARTICLE XIII

### Amendments

These Regulations may be amended, or new or amended Regulations may be adopted, by the Member (subject to approval by the Board of Trustees) at a meeting held for such purpose.

| | |
|---|---|
| Adopted: | January 27, 1987 |
| First Amendment: | June 25, 1987 |
| Second Amendment: | January 21, 1988 |
| Third Amendment: | December 1, 1988 |
| Fourth Amendment: | January 25, 1990 |
| Fifth Amendment: | January 28, 1993 |
| Sixth Amendment: | January 25, 1996 |
| Seventh Amendment: | February 27, 1997 |

misc\regulati.lha

Schedule 1.3A
Lakewood Hospital Association
Board of Trustees

| | | Term |
|---|---|---|
| Madeline A. Cain | (Mayor) | 1/1/96-12/31/99 |
| Thomas J. George | (Council) | 1/1/96-12/31/97 |
| Pamela J. Smith | (Council) | 1/1/96-12/31/97 |
| | | |
| Peter E. Shimrak | (Mayor) | 1/1/93-12/31/97 |
| Curtis M. Brosky* | (Mayor) | 1/1/97-12/31/01 |
| Phyllis Dykes | (Council) | 1/1/94-12/31/98 |
| John D. Monson | (Council) | 1/1/96-12/31/00 |
| Mary B. Holland | (Community) | 1/1/94-12/31/98 |
| The Reverend Jerome Duke | (Community) | 1/1/95-12/31/99 |
| James R. Vine | (Community) | 1/1/96-12/31/00 |
| | | |
| Floyd D. Loop, M.D. | (Member) | 1/1/97-12/31/98 |
| Frank L. Lordeman | (Member) | 1/1/97-12/31/00 |
| *(Vacant)* | (Member) | 1/1/97-12/31/01 |
| | | |
| Duret S. Smith, M.D. | (Medical Staff) | 1/1/96-12/31/97 |
| | | |
| Albert E. Fowerbaugh | (LHA) | 1/1/96-12/31/00 |
| William R. Gorton | (LHA) | 1/1/94-12/31/98 |
| Graham Hall | (LHA) | 1/1/94-12/31/98 |
| John C. Kappus | (LHA) | 1/1/96-12/31/00 |
| Dudley J. Taw | (LHA) | 1/1/95-12/31/99 |
| Karl E. Ware | (LHA) | 1/1/93-12/31/97 |
| *(Vacant)* | (LHA) | 1/1/97-12/31/97 |
| *(Vacant)* | (LHA) | 1/1/97-12/31/98 |
| Robert C. Weber* | (LHA) | 1/1/97-12/31/99 |

* These individuals were appointed to the designated positions of Board of Trustees effective February 27, 1997.

Schedule 1.3B
Lakewood Hospital Assocation
Officers

| | |
|---|---|
| Chairman | William R. Gorton |
| Vice Chairman | Robert C. Weber |
| Vice Chairman - Development | Karl E. Ware |
| Secretary | Colleen M. Shannon |
| Treasurer | Paul Sahney |

Schedule 1.3C
Lakewood Hospital Association
Board of Trustees
Committees

**EXECUTIVE COMMITTEE**

W. Gorton - *Chair*
J. Duke
M. Holland
J. Kappus
P. Shimrak
J. Vine
R. Weber
J. M. Mervart, M.D., Ex-Officio

**FINANCE & AUDIT COMMITTEE**

J. Kappus - *Chair*
C. Brosky
W. Gorton
G. Hall
M. Holland
J. Monson
D. Smith, M.D.
J. Vine
R. Weber

**PATIENT CARE COMMITTEE**

J. Vine - *Chair*
P. Dykes
A. Fowerbaugh
J. Mervart, M.D.
D. Smith, M.D.
P. Smith
D. Taw

**DEVELOPMENT COMMITTEE**

K. Ware - *Chair*
A. Fowerbaugh
J. Monson
D. Taw

**COMMUNITY RELATIONS**

J. Duke - *Chair*
M. Cain
P. Dykes
T. George
W. Gorton
P. Shimrak
R. Weber

**CAPITAL DEVELOPMENT**

P. Shimrak - *Chair*
M. Holland
R. Weber

**JOINT CONFERENCE COMMITTEE**

J. Bouthillet - *Chair*
A. Fowerbaugh
W. Gorton
J. Vine

**COMPENSATION COMMITTEE**
(Subcommittee of Executive Committee)

W. Gorton - *Chair*
A. Fowerbaugh
J. Kappus
P. Shimrak
J. Vine
R. Weber

Schedule 1.3C
Lakewood Hospital Association
Board of Trustees
Committees

## COMMUNITY ADVISORY COMMITTEE

**AACCESS**
Khalid Ataya, M.D.
Emad Raja

**AARP**
Helen Gatto

**Barton Center**
Curt Brosky
Larry E. Faulhaber

**Catholic Diocese of Cleveland**
The Reverend Frank Godic
The Reverend James A. Viall

**Cleveland Department of Public Health**
Robert Staib

**Junior Women's Club of Lakewood**
Mary McDonnell

**Kiwanis Club of Lakewood**
John Brinkman

**Kiwanis Club–West Shore**
Edward G. Hack

**Lakewood Board of Education**
Celena Roebuck

**Lakewood Chamber of Commerce**
Carol A. Bennis

**Lakewood Child Care Services**
Judith Church

**Lakewood Christian Service Center**
Ona Mae Baxter

**Lakewood Commission on Aging**
Richard C. Ebner
Coletta Lang
Russell Lang

**Lakewood Community Care Center**
Kathy Guscott

**Lakewood Division on Aging**
Paulette McMonagle

**Lakewood Division of Health**
John Sanders, M.D.

**Lakewood Hospital Volunteer Advisory Committee**
Eloise Meckes

**Lakewood League of Women Voters**
Ellen Carter

**Lakewood Ministerial Association**
The Reverend William G. Noyes, D.D.

**Lakewood/Rocky River Rotary**
Robert P. Scott

**North Coast Health Ministry**
Lee Elmore

**Rocky River Chamber of Commerce**
Frank Eilberg

**Rocky River Seniors Council, Inc.**
The Reverend James Walker, D.D.

**Sts. Cyril & Methodius R.C. Church**
Sr. Mary Therese Brown, SND

**Westlake Office on Aging**
Eileen Humphrey

**West Shore Chamber of Commerce**
Marjorie L. Snyder

Schedule 3.1
Lakewood Hospital Association
Trustees and Officers

Board of Trustees

| CATEGORY | TRUSTEE |
|---|---|
| General Trustees* | Karl E. Ware<br>William R. Gorton<br>Graham Hall<br>Dudley J. Taw<br>Albert E. Fowerbaugh<br>John C. Kappus<br>Robert C. Weber |
| Special Trustees | Peter E. Shimrak<br>Phyllis Dykes<br>John D. Monson<br>Curtis M. Brosky[1] |
| Community Trustees | Mary B. Holland<br>Reverend Jerome Duke<br>James R. Vine |
| Ex-Officio Trustees | Thomas J. George<br>Pamela J. Smith<br>Duret S. Smith, M.D.<br>Madeline A. Cain |

Officers

| | |
|---|---|
| Chairman | William R. Gorton |
| Vice Chairman | Robert C. Weber |
| Vice Chairman-Development | Karl E. Ware |
| Secretary | Dianne M. DePasquale[2] |
| Treasurer | Paul Sahney |

* Two (2) positions of General Trustees are vacant

---

[1] Curtis M. Brosky was appointed to the Board of Trustees effective February 27, 1997

[2] Colleen M. Shannon was elected as Secretary to the Board of Trustees effective February 27, 1997

Schedule 3.1
Lakewood Hospital Association
Trustees and Officers

**Hospital Admission Physician Services, Inc.**

| | |
|---|---|
| Directors | Carrie K. Schopf, M.D.<br>James Stewart, M.D. |
| Officers | |
| Chairman of Board and President | Carrie K. Schopf, M.D. |
| Secretary | James Stewart, M.D. |
| Treasurer | Leanne Smith |

*To be dissolved in Third Quarter, 1997*

**Lakewood Home Care, Inc.**

| | |
|---|---|
| Directors | Gail E. Bromley<br>Phyllis Dykes<br>John C. Kappus<br>Brian M. King<br>Paulette McMonagle<br>S. Craig Pearse, M.D.<br>Paul Sahney |
| Officers | |
| Chairman of Board | John C. Kappus |
| President | Paul Sahney |
| Secretary | Colleen M. Shannon |
| Treasurer | Brian M. King |

**Lakewood Health Care Foundation**

| | |
|---|---|
| Trustees | Henry G. Adams, M.D.<br>Jules W. Bouthillet<br>Robert A. Hahn, M.D.<br>Candace A. Rich, M.D.<br>Paul Sahney<br>Steven H. Suess, M.D. |
| Officers | |
| President | Robert A. Hahn, M.D. |
| Secretary | Dianne M. DePasquale[1] |
| Treasurer | Paul Sahney |

---

[1] Dianne DePasquale resigned as Secretary to the Corporation effective December 31, 1996 and the position currently remains vacant.

Schedule 3.1
Lakewood Hospital Association
Trustees and Officers

**Lakewood Managed Care**

| | |
|---|---|
| <u>Trustees</u> | Paul Sahney<br>Jules W. Bouthillet<br>J. Michael Mervart, M.D. |
| <u>Officer</u> | |
| Secretary | Colleen M. Shannon[1] |

[1] Colleen M. Shannon was elected as Secretary to the Board of Trustees effective March 6, 1997.

Schedule 3.2.1.
Lakewood Hospital Association
Affiliates

For Profit Affiliates:

| | Ownership |
|---|---|
| Hospital Admission Physician Services, Inc. | 200 shares of common stock issued; 100 shares common stock issued to Carrie K. Schopf, M.D.; 100 shares common stock issued to James Stewart, M.D. All shares held in trust for benefit of Lakewood Hospital Association |
| Lakewood Home Care, Inc. | 100% capital stock |

Non-Profit Affiliates:

| | |
|---|---|
| Lakewood Managed Care | Sole member |
| Lakewood Health Care Foundation | Supporting organization to Lakewood Hospital Association |

Schedule 3.2.2
Lakewood Hospital Association
Guaranties, Commitments and Contributions

Lakewood Hospital Association ("LHA"), having forty percent (40%) ownership interest of The Surgery Center West, Ltd., is obligated to contribute a proportionate share of the necessary capital to operate the limited liability company. In addition, the members of this company, LHA and Columbia HCA Health Care Corporation (formerly Medical Care International), are obligated to guarantee the debt of the company.

Lakewood Hospital Association has a service agreement with West Shore Medical Care Foundation, Inc. dated December 12, 1996.

Schedule 3.4
Lakewood Hospital Association
Title to Properties

1471 Belle Avenue (House)

1472 Belle Avenue (House)

1470 Marlowe Avenue (House)

1474 Marlowe Avenue (House)

1441 St. Charles Avenue (Part of Community Health Center; Parking Lot and Playground)

1457 St. Charles Avenue (House)

1477 St. Charles Avenue (House)

14501 Detroit Avenue (Marlowe Building)

12409 Lorain Avenue (Doctors Medical Building)

768 Columbia Road (Westlake Properties)

Lakewood Hospital Association has ownership rights to all equipment purchased subsequent to June 26, 1987 (the commencement date of the Lease), with the exception of equipment leased from third parties other than the City.

Schedule 3.5A
Lakewood Hospital Association
Material Permits

| Agency | License/Certification | Effective Date |
| --- | --- | --- |
| Ohio Department of Alcohol and Drug Addiction Services | Alcohol and Drug Addiction Outpatient Treatment Program | 06/12/95 |
| Ohio Department of Health | Bed Registration | 07/01/96 |
| Ohio Department of Mental Health | Psychiatric | 10/22/96 |
| Ohio Department of Health | Maternity | 08/28/96 |
| Ohio Department of Health | Home Care | 10/25/96 |
| Ohio Department of Health | Skilled Nursing Facility | 06/24/96 |
| American Association of Blood Banks | Transfusion Services | 12/08/95 |
| American College of Surgeons | Level II Trauma Center | 12/12/95 |
| College of American Pathologists | Accredited Laboratory | 09/05/95 |
| College of American Pathologists | Accredited O.R. Laboratory | 07/26/95 |
| Health Care Financing Administration | CLIA Laboratory | 06/07/95 |
| Health Care Financing Administration | CLIA Laboratory - Family Practice Associates | 06/15/96 |
| Health Care Financing Administration | CLIA Laboratory - Blood Gas Lab | 01/03/95 |
| Health Care Financing Administration | CLIA Laboratory - Columbia Urgent Care | 10/25/96 |
| Department of Justice/Drug Enforcement Administration | Controlled Substance Registration | 03/09/96 |
| Department of Health and Human Services | Inpatient Rehab Unit (PPS) | 02/13/96 |
| Ohio State Board of Pharmacy | Terminal Distributor of Dangerous Drugs | ---- |
| American College of Radiology | Mammographic Imaging Services - GE Seno 600T 1990 | 02/10/94 |
| American College of Radiology | Mammographic Imaging Services - GE Seno 600T 1991 | 05/23/96 |
| American College of Radiology | Mammographic Imaging Services - GE Seno 600THF 1993 | 03/31/95 |

| Agency | License/Certification | Effective Date |
|---|---|---|
| Department of Health and Human Services | Certified Mammograph Facility - LHA | ---- |
| Department of Health and Human Services | Certified Mammography Facility - Columbia Urgent Center | ---- |
| Ohio Department of Health | Certificate of Registration - Radiation Sources - LHA | 06/01/95 |
| Ohio Department of Health | Certificate of Registration - Radiation Services - Columbia Urgent Care | 06/15/95 |
| Ohio Department of Health | Certificate of Registration - Radiation Services - Women's Center | 10/21/95 |
| Ohio Department of Health/Lakewood District | Food Services | 02/15/96 |
| Ohio EPA* | Generator of Infectious Waste Registration | 07/13/95 |

* Certificate of Registration includes the additional premises of: Lakewood Hospital Professional Building, Family Healthcare Center, Lakewood Medical Center-Columbia Road

Schedule 3.6
Lakewood Hospital Association
Property and Equipment

1471 Belle Avenue (House)

1472 Belle Avenue (House)

1470 Marlowe Avenue (House)

1474 Marlowe Avenue (House)

1441 St. Charles Avenue (Part of Community Health Center; Parking Lot and Playground)

1457 St. Charles Avenue (House)

1477 St. Charles Avenue (House)

14501 Detroit Avenue (Marlowe Building)

12409 Lorain Avenue (Doctors Medical Building)

768 Columbia Road (Westlake Properties)

Lakewood Hospital Association has ownership rights to all equipment purchased subsequent to June 26, 1987 (the commencement date of the Lease), with the exception of equipment leased from third parties other than the City.

Schedule 3.7
Lakewood Hospital Association
Affiliates

Lakewood Home Care, Inc., For-profit Corporation

Hospital Admission Physician Services, Inc., For-profit Corporation

Lakewood Health Care Foundation, Inc., a supporting organization which Lakewood Hospital Association is not the sole member

Schedule 3.11
Lakewood Hospital Association
Events Subsequent to the Audited Financial Statements

(i) The non-profit corporation, Lakewood Managed Care, was incorporated. Lakewood Hospital Association is the sole member of this corporation.

(ii) none

(iii) none

(iv) none

(v) none

(vi) none

(vii) none

(viii) none

(ix) Lakewood Hospital Association's 1996 Audited Financial Statements will reflect a material change in the accounting principles and practices due to the adoption of FASB 124 (Accounting for certain Investments by Not-for-Profit Organizations).

(x) none

(xi) none

Schedule 3.12
Lakewood Hospital Association
Loans to Physicians

Lakewood Hospital Association has five physician loans outstanding in the approximate amount of $200,000. In addition, Lakewood Hospital Association has outstanding loan guarantees in the approximate amount of $500,000.

Schedule 3

REPORT # 688 03/05/1997

# LAKEWOOD HOSPITAL

## LOSS RUN REPORT
## AS OF FEBRUARY 18, 1997

| CLAIM | CLAIM.DATE | STATUS | DESC |
|---|---|---|---|
| LH00021 | 06/03/1991 | OL | ALLEGES "FEAR OF CONTRACTING AIDS" |
| LH00023 | 11/09/1992 | OL | PT. HAD CEREBRAL INFARCT POST SURGURY |
| LH00091 | 05/11/1993 | OL | ADMITTED WITH SEVERE ARTHRITIC KNEE |
| LH00156 | 10/01/1993 | OL | HISTORY OF HODGKIN'S DISEASE |
| LH00171 | 04/06/1994 | OL | PATIENT EXPIRED- RUPTURED ANEURYSM |
| LH00196 | 08/18/1994 | OL | ALLEGING UNDISCOUNTED CO-PAYMENTS CO-PAYMENTS |
| GC94-LHGL.001 | 09/30/1994 | OL | SLIP AND FALL<br>LH<br>OL |
| GC95-LHOTH.005 | 01/10/1995 | OL | ALLEGED BREACH OF CONTRACT |
| GC95-LHHPL.007 | 05/24/1995 | OL | LEFT HIP DISLOCATION |
| GC95-LHHPL.008 | 05/31/1995 | OC | FALL FROM GURNEY |
| GC95-LHGL.016 | 11/07/1995 | OC | ALLEGED INJURY FROM FALLING CRUTCH |



KEY: HPL = Hospital Professional Liability; GL = General Liability; NA = Not Applicable; ADML = Administrative Liability; D&O = Directors & Officers; OL = Open Litigation; OC = Open Claim

# LAKEWOOD HOSPITAL

## LOSS RUN REPORT
## AS OF FEBRUARY 18, 1997

| CLAIM | CLAIM.DATE | STATUS | DESC |
|---|---|---|---|
| GC95-LHHPL.015 | 11/09/1995 | OC | VISITOR FALL |
| GC95-LHHPL.019 | 12/01/1995 | OL | FRACTURE OF MANDIBLE |
| GC95-LHHPL.021 | 12/04/1995 | OC | DELAYED DIAGNOSIS |
| GC96-LHGL.008 | 01/14/1996 | OR | SLIP OUTSIDE CCU |
| GC96-LHHPL.018 | 02/07/1996 | OL | ALLEGES BRAIN DAMAGE AND NEUROLOGIC INJURIES AT BIRTH |
| GC96-LHHPL.003 | 03/06/1996 | OL | INAPPROPRIATE HANDLING OF INVOLUNTARY COMMITMENT. |
| GC96-LHHPL.004 | 04/01/1996 | OL | SPONTANEOUS FRACTURE OF RIGHT FEMUR |
| GC96-LHHPL.005 | 04/01/1996 | OL | INJURY TO SPINAL CORD |
| GC96-LHHPL.007 | 04/26/1996 | OL | TRAUMATIC INJURY |
| GC96-LHHPL.010 | 05/28/1996 | OC | FAILURE TO DIAGNOSE |
| GC94-LHGL.002 | 05/29/1996 | OL | SLIP & FALL |
| GC96-LHADML.011 | 07/09/1996 | OC | ALLEGED EMPLOYMENT DISCRIMINATION DUE TO HANDICAP. |



KEY: HPL = Hospital Professional Liability
GL = General Liability
NA = Not Applicable
ADML = Administrative Liability
= Directors & Officers
OL = Open Litigation
OC = Open Claim

Schedule 3.14.1
Lakewood Hospital Association
Tax Issues

* All tax obligations due from Lakewood Hospital Association and its Affiliates are current (no delinquencies).

* Lakewood Hospital Association was audited by the Internal Revenue Service in 1989. No significant findings resulted from the audit.

# Sch 'e 3.16
# Lakewood Hospital Association
# Insurance Coverage

| COVERAGE | CARRIER | POLICY NUMBER | POLICY TERM | LIMITS & DEDUCTIBLES | COVERED ENTITIES |
|---|---|---|---|---|---|
| PRIMARY HPL/GL | PHICO | HCL 6043 | 10/1/96-97 | $1MM/3MM Institutional Liab<br>$1MM/3MM Physician Liab<br>$1MM/3MM General Liab | Lakewood Healthcare Foundation<br>DBA Family Practice Assoc<br>Lakewood Homecare Inc.<br>West Shore Medical Care Foundation<br>HAPS<br>Lakewood Hosp Assoc DBA<br>Lakewood Day Care Center (GL only) |
| EXCESS/UMBRELLA | PHICO | PUP 6043 | 10/1/96-97 | $15MM/$15MM HPL Excess<br>Subj. to $1Mm/3Mm SIR | Lakewooc Hospital Assn<br>Lakewooc Hospital Foundation |
| | | | | $15MM/$15MM Umbrella | Lakewood Healthcare Foundation<br>DBA Family Practice Assoc<br>Lakewood Homecare, Inc<br>West Shore Medical Care Foundation<br>HAPS<br>Lakewood Hosp., Ass DBA<br>Lakewood Day Care Center |
| COMMERCIAL AUTO | ST PAUL INS. | HK03400215 | 5/1/96-97 | $1MM Liability<br>$1MM Uninsured Motorists<br>$2,000 Medical Payments | Lakewood Hospital Association<br>Lakewood Hospital Foundation<br>Lakewood Home Care Inc<br>HAPS<br>Lakewood Healthcare Foundation DBA<br>Family Practice Assoc |
| DIRECTORS OFFICERS LIAB. | PHICO | HCL 6043 | 10/1/96-97 | $10MM Limit of Liab.<br>$50,000 deductible<br>$1MM Anti-Trust Sublimit<br>$1MM Employment Practices Sublimit | Lakewood Hospital Association<br>Lakewood Hospital Foundation<br>Lakewood Healthcare Foundation<br>Lakewood Homecare Inc<br>HAPS<br>Surgery Center West Ltd (ODL Coverage Only) |

# Sch le 3.16
## Lakewood Ho: :al Association
## Insurance Coverage

| COVERAGE | CARRIER | POLICY NUMBER | POLICY TERM | LIMITS & DEDUCTIBLES | COVERED ENTITIES |
|---|---|---|---|---|---|
| CRIME | AETNA | 02BY101070716 | 10/1/96-99 | $5MM Employee Dishonesty<br>$5MM Forgery<br>$5MM Theft, Disappearance Money<br>$5MM Computer Fraud<br>$25,000 Deductible | Lakewood Hospital Assoc<br>Lakewood Hospital Primary Pension Plan<br>Lakewood Hospital Foundation<br>DBA Family Practice Assoc<br>HAPS<br>Lakewood Home Care, Inc<br>Urgent Care of Westlake Inc |
| FIDUCIARY LIABILITY | AETNA | FF100724963 | 10-1-95/98 | $1MM | Lakewood Hospital Primary Pension Plan<br>Lakewood Hospital Supplemental Savings Plan<br>Lakewood Hospital Employee Life/Disability<br>Lakewood Hosp Medical Surgical & Dental |
| PROPERTY | CHUBB | 35335821 | 11/15/96-97 | $130,290,000 Blanket Building<br>Personal Property, EDP, Business<br>Income & Extra Expense<br>$5,000 Deductible | Lakewood Hospital Association including<br>Broad Named Insured Endt |
| EXCESS WORK COMP | SAFETY NATIONAL | SP3640-OH | 3/1/97-98 | $5MM Specific Excess<br>$500,000 Employers Liability<br>$400,000 SIR | Lakewood Hospital Association |
| BOND-BUREAU OF EMPLOYMENT SERV | PEERLESS | 018-79-15-5553 | 5/1/96-98 | $500,000 | Lakewood Hospital Association |
| BOND-STATE OF OHIO | AETNA | S100901782 | 9/13/96-97 | $5,000 | Lakewood Skilled Nursing Facility |
| PROVIDER EXCESS | FORTIS | 9150100069 | 7/1/96-97 | $1MM Per Member/Per Policy<br>$100,000 Ded. Hosp. In-Patient Serv<br>$20,000 Ded. Physician Services | Lakewood Hospital Assoc |

Schedule 3.17A
Lakewood Hospital Association
Agreements in Excess of One Million Dollars

| Service Agreements | Term |
|---|---|
| Emergency Professional Services, Inc. | 1/1/96 - 12/31/98 |
| Lakewood IPC, Inc. (PruCare) | 9/8/94 - 9/7/97 |
| Lakewood IPC, Inc. (Emerald HMO) | 1/1/95 - 12/31/98 |
| Western Reserve Radiology, Inc. | 4/18/96 - 4/18/97 |
| Lakewood Anesthesia Associates, Inc. | 9/1/95 - 1/1/98 |
| West Shore Medical Care Foundation, Inc. | 9/1/96 - 12/31/98 |
| The Cleveland Clinic Foundation | 11/1/96 - |

Supply Agreements[1]

| | |
|---|---|
| AmeriSource Corporation | 3/9/95 - |
| Owens & Minor | 9/1/94 - |
| Picker International | 1/1/96 - 12/31/99 |

Third-Party Payor Agreements

| | |
|---|---|
| Blue Cross Blue Shield of Ohio Hospital Agreement | 1/1/90 - 12/31/97 |
| Qualchoice, Inc. Hospital Facility Agreement | 3/1/93 - 12/31/97 |
| Prudential Care Plan, Inc. | 11/1/94 - 12/31/97 |
| Ohio Health Choice | |
| Emerald Health Network | 7/1/96 - 12/31/99 |

Other Agreements

| | |
|---|---|
| QualChoice, Inc. - Employee Benefits | 3/1/93 - 12/31/97 |
| Amended and Restated Lease by and between The City of Lakewood and Lakewood Hospital | |

1 Agreements accessed through the University Hospital Consortium Services Company.

Schedule 3.17B
Lakewood Hospital Association
Third Party Rights to Amend Agreements

**None**

Schedule 3.21
Lakewood Hospital Association
Employee Benefits Plan

**Pension Plan**

Lakewood Hospital Primary Pension Plan dated June 26, 1987
Lakewood Hospital Supplemental Savings Plan dated June 26, 1987[1]
Supplemental Executive Retirement Plan dated January 1, 1995
Public Employees Retirement System

**Health Benefits**

| | |
|---|---|
| Dental | QualChoice, Inc. |
| Healthcare | QualChoice, Inc.<br>Emerald HMO<br>Kaiser Permanente |

**Life and Accidental Death and Dismemberment and Dependents Life Insurance**

Trans-General Life Insurance Co. dated April 1, 1996

**Long Term Disability Insurance**

Trans-General Life Insurance Co. dated April 1, 1996

**Benefits**

Free parking
Time off (vacation, holiday, sick, etc.) based on job classification and years of service
Educational Assistance of $1,600/year
Dependent Care Assistance Plan
Center for Interpersonal Development - Employee Assistance Plan

**Incentive Plan** (Vice Presidents and Chief Executive Officer)

Lakewood Hospital Association Performance Cash Plan dated January 1, 1990

---

[1] Lakewood Hospital Association engaged Ernst & Young, L.L.P., to conduct Tax Sheltered Annuity Compliance audit, the report dated October 11, 1996 identified certain reporting deficiencies, which the management is currently addressing.

Schedule 3.21
Lakewood Hospital Association
Employee Benefits Plan

**Severance**

Chief Executive Officer pursuant to Employment Agreement dated August 24, 1995 and as amended on April 25, 1996.
Senior Vice President of Finance and Strategic Planning pursuant to Employment Agreement dated August 24, 1995 and as amended on April 25, 1996.
The Lakewood Hospital Association Board of Trustees Compensation Committee has approved severance arrangements for the Vice President and Chief Operating Officer, and the Vice President, Clinical Services. The terms and conditions of these arrangements are currently being drafted, which are similar to the above-referenced severance arrangements.

SCHEDULE 4.5
THE CLEVELAND CLINIC FOUNDATION

*On June 20, 1996, pursuant to certain agreements between the Foundation and the County of Cuyahoga, Ohio (the County), the County issued $80 million of Hospital Improvement Revenue Bonds (the Series 1996A Bonds). Proceeds from the sale of the Series 1996A Bonds will be used primarily for acquiring, constructing, improving and equipping certain additions and improvements to the Foundation's facilities. The Series 1996A Bonds were issued under and secured by the provisions of the Master Trust Indenture, dated June 1, 1987, as supplemented by the supplemental bond indentures.

*On July 24, 1996, pursuant to certain agreements between the Foundation and the County, the County issued $40 million of variable rate Hospital Improvement Revenue Bonds (the Series 1996B Bonds). Proceeds from the sale of the Series 1996B Bonds will be used primarily to pay the costs of acquiring, constructing, reconstructing, equipping and renovating certain additions and improvements to the Foundation's hospital facilities. The Series 1996B Bonds were issued under and secured by the provisions of the Master Trust indenture, dated June 1m, 1987, as supplemented by the supplemental bond indentures.

## SCHEDULE 4.6

**Events subsequent to the date of the Audited Financial Statements**

Definitive Agreement signed December 19, 1996 between The Cleveland Clinic Foundation and Lakewood Hospital Association

Definitive Agreement signed January 15, 1997 by and among The Cleveland Clinic Foundation, Fairview Health System and Fairview Foundation

Definitive Agreement signed February 7, 1997 by and between The Cleveland Clinic Foundation and Meridia Health System

Additional Projects: Lorain Ambulatory Surgery Center
Strongsville Family Health Center

skw/Lkwd46
3/10/97

## SCHEDULE 4.7

## LITIGATION AND INVESTIGATIONS

None.

DWR/Lkwd47
3/10/97

Exhibit 2.1.4A

Development/Improvement of Programs and Facilities

* Primary Care Practice Development

* Managed Care Organization Development

* Telecommunication

* Purchase or upgrade of Information Systems including, Radiology/Pathology Clinical Information Systems, Managed Care Organization and Hospital Information System

* Psychiatric Program

* Purchase or upgrade of Monitoring Equipment (Obstetrics/Gynecologic, Intensive Care, Cardiac Care, Operating Room)

* Institutional Refurbishment (Architects Report)

* Other as decided by Lakewood Hospital Association and The Cleveland Clinic Foundation

Exhibit 2.2
Lakewood Hospital Association
Maintenance of Insurance

(a) Insurance against loss and/or damage to the Hospital Facilities and equipment and other properties, operations and equipment of the Issuer and any lessees at, on or in the Hospital Facilities, under a policy or policies covering such risks as are ordinarily insured against by similar hospitals and facilities, including without limiting the generality of the foregoing, fire and standard extended coverage, including builder's uniform risk, insuring against loss or damage by fire, loss or damage covered by the uniform standard extended coverage endorsements, and vandalism and malicious mischief and sprinkler leakage as may be approved for issuance in the State. Such insurance shall cover Hospital Facilities even during their construction to the extent not covered by a policy of any contractor. Such insurance shall at all times be in an amount not less than the Required Property Insurance Coverage.

(b) Comprehensive general liability insurance, including landlord's liability, covering bodily injury or death to persons in amounts not less than the Required Liability Insurance Coverage.

(c) Workers' compensation coverage and employers' liability insurance as required by the laws of the State.

(d) Use and occupancy insurance, covering loss of revenues by reason of the total or partial suspension of, or interruption in, the operation of the Hospital Facilities caused by damage to or destruction of any part of the Hospital Facilities (with such exceptions as are customarily imposed by insurers), covering a period of suspension or interruption and in amounts not less than the Required Use and Occupancy Insurance Coverage.

(e) Professional liability insurance, insuring the Issuer against liability for death, injury, loss or damage occurring in or resulting from examination, diagnosis, treatment or care of any patient at or any occupant of the Hospital Facilities in amounts at least equal to the Required Professional Liability Insurance Coverage.

(f) Excess liability insurance coverage, in excess of the comprehensive general liability insurance coverage provided for in clause (b) and the professional liability insurance provided in clause (e) of this Section, in an amount at least equal to the Required Additional Liability Insurance Coverage.

(g) Comprehensive motor vehicle insurance in amounts not less than the Required Motor Vehicle Insurance Coverage.

(h) Insurance coverage of explosion and/or breakdown of boilers, pressure vessels or similar apparatus, auxiliary and pressure piping and selected machinery (pumps and compressors) in amounts not less than the Required Boiler Insurance Coverage.

(i) Fidelity bonds on all officers and employees of the Issuer who collect or have access to or have custody of revenues, receipts or income from the Hospital Facilities in amounts customarily carried by like organizations.

...

# LAKEWOOD HOSPITAL

## LOSS RUN REPORT
## AS OF FEBRUARY 18, 1997

| CLAIM | CLAIM.DATE | STATUS | DESC |
|---|---|---|---|
| GC97-LHHPL.003 | 01/23/1997 | OL | POOR SURGICAL OUTCOME AFTER GALLBLADDER REMOVAL AND CHOLANGIOGRAPHS |
| GC97-LHHPL.004 | 01/28/1997 | OL | FELL OUT OF BED AND FRACTURE LEFT HIP ON 12/5/96 |
| GC97-LHHPL.005 | 02/05/1997 | OL | DELAYED DIAGNOSIS AND TREATMENT OF LOWER BACK |
| GC97-LHHPL.008 | 02/05/1997 | OL | RETURN TO SURGERY TO REPAIR VESSELS CAUSING RETROPERITENEAL BLEEDING; CARDIOPULMANARY ARREST AND DEATH |
| GC97-LHHPL.006 | 02/07/1997 | OL | FALL FROM CART AFTER COLLAPSE OF SIDERAIL |



KEY: HPL = Hospital Professional Liability
GL = General Liability
NA = Not Applicable
ADML = Administrative Liability
D&' Directors & Officers
OL = Open Litigation
OC = Open Claim

# LAKEWOOD HOSPITAL

## LOSS RUN REPORT
## AS OF FEBRUARY 18, 1997

| CLAIM | CLAIM.DATE | STATUS | DESC |
|---|---|---|---|
| GC96-LHHPL.013 | 08/07/1996 | OC | MEDICATION MISADMINISTRATION. |
| GC95-LHHPL.023 | 08/22/1996 | OC | DEATH WITHIN 6 DAYS OF ER DISCHARGE |
| GC96-LHHPL.009 | 10/23/1996 | OL | ACID BURN |
| GC96-LHHPL.015 | 12/13/1996 | OL | INABILITY TO VOID |
| GC96-LHDO.017 | 12/19/1996 | OL | ALLEGED BREACH OF CONTRACT |
| GC96-LHNA.019 | 12/23/1996 | OC | INVESTIGATION OF OUTPATIENT LABORATORY BILLINGS |
| GC97-PCHPL.001 | 01/06/1997 | OL | EPIDURAL NERVE BLOCK COMPLICATIONS |
| GC97-LHHCFHPL.007 | 01/15/1997 | OL | ALLEGES DELAYED DIAGNOSIS OF PRIMARY LUNG CANCER |
| GC97-LHHPL.002 | 01/23/1997 | OL | INJURY TO LEFT INDEX FINGER |



KEY: HPL = Hospital Professional Liability
GL = General Liability
NA = Not Applicable
ADML = Administrative Liability
D&O = Directors & Officers
OL = Open Litigation
OC = Open Claim