

**Memorandum of Understanding
University of South Alabama and Infirmiry Health System, Inc.**

The University of South Alabama (“USA”) and Infirmiry Health System, Inc. (“IHS”) each desire to maintain and enhance the quality of health care in the Mobile region, to foster the development of cancer research and treatment, and to improve the quality of clinical education for medical students and residents in the area. To assist in achieving these goals, each of USA and IHS agree to proceed immediately to negotiate in good faith to achieve the following:

- Construction by USA of the USA Cancer Research Center on approximately four plus (4+) acres of land procured by USA from IHS for a nominal price, such land being adjacent to the Mobile Infirmiry Medical Center and the USA Children’s and Women’s Hospital and such site being adequate for said construction. USA Cancer Research Center will be owned and operated by USA.
- Long term lease by USA to IHS (or its affiliate) of the acute care and long term acute care hospitals currently known as Knollwood Hospital. IHS will operate the Knollwood Hospital at its sole expense and shall be entitled to all revenues obtained from such operation. Continuously throughout the term of the lease, IHS will work to enhance the clinical services currently offered at Knollwood Hospital and to increase the number of community based primary care physicians and medical specialists on the medical staff to serve the community need.
- USA will continue to concentrate its primary medical teaching services at the USA Medical Center, USA Children’s and Women’s Hospital, and Knollwood Hospital; Mobile Infirmiry Medical Center’s role in medical education and training of USA students and residents will be expanded to become USA’s primary teaching affiliate.

This Memorandum of Understanding is entered into by the presidents of USA and IHS on the dates set forth below and is subject to approval by their respective governing boards. Its provisions are not severable. The parties hereto agree to submit this Memorandum of Understanding to their respective governing boards for approval no later than August ____, 2005. The closing of the transaction is subject to satisfactory negotiation of definitive documents and further approval by the respective governing boards.

Agreed:

V. Gordon Moulton, President
University of South Alabama

E. Chandler Bramlett, President
Infirmiry Health System, Inc.

Date: _____

Date: _____

Press Release on USA/Infirmiry Health System Alliance

Letter from USA President Moulton to Employees