

April 18, 2020

VIA EMAIL Scott.Chan@doj.ca.gov

Scott Chan
Deputy Attorney General
California Department of Justice
Office of the Attorney General
Charitable Trusts Section
455 Golden Gate Ave., Suite 11000
San Francisco, CA 94102-7004

Re: St. Francis Medical Center
Request for Waiver under California Corporations Code §5914(c) and Title 11,
Division 1, Chapter 15 of the California Code of Regulations §999.5(a)(5)

Dear Mr. Chan:

St. Francis Medical Center, a California nonprofit public benefit corporation (“*SFMC*”) and Verity Health System of California, Inc., a California nonprofit public benefit corporation (“*VHS*”) (*SFMC* and *VHS* are collectively referred to herein as “*Verity*”) hereby request, pursuant to Section 5914(c) of the California Corporations Code (“*Code*”) and Section 999.5 of Title 11, Division 1, Chapter 15, of the California Code of Regulations Section 999.5 (“*Section 999.5*”), subdivision (a)(5), that the California Attorney General provide a written waiver of the requirements of Code Section 5914(a)(1) and Section 999.5, subdivision (a)(1) in connection with the pending sale by Verity of substantially all of the assets of St. Francis Medical Center, located in the City of Lynwood, California (the “*Hospital*”) to Prime Healthcare Services, Inc., a Delaware corporation (“*Prime*”) or an affiliate thereof. Pursuant to 11 C.C.R. Section 999.5, subdivision (a)(5), “[w]ritten notice to, and the written consent of, the Attorney General shall not be required under Section 999.5 of these regulations if the Attorney General has given the nonprofit corporation a written waiver of the proposed agreement or transaction.” Further, pursuant to Section 999.5, subdivision (a)(5)(A), a “corporation may request such a waiver by submitting, in writing, a description of the proposed agreement or transaction, a copy of all documents that effectuate any part of the proposed transaction, a description of the proposed use by the nonprofit corporation of any sales proceeds, and an explanation of why the waiver should be granted.” We address each of these requirements below.

DWT.COM

I. Description of Proposed Agreement or Transaction

Verity and Verity Holdings, LLC, a California limited liability company (collectively referred to herein as “*Sellers*”), and Prime have entered into an Asset Purchase Agreement dated as of April 3, 2020 (the “*APA*”), pursuant to which substantially all of the assets associated with the operation of the Hospital will be sold to Prime or an affiliate thereof (collectively referred to herein as “*Purchaser*”). The transactions contemplated by the APA are referred to herein as the “*Transaction*.” As you know, on August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the “*Bankruptcy Court*”), which are jointly administered with their affiliates under Case No. 18-20151 (the “*Bankruptcy Cases*”). On April 9, 2020, the Bankruptcy Court issued an order approving the Sellers entering into the APA (the “*Sale Order*”), a copy of which order is attached hereto as **Exhibit A**. A summary of the primary terms of the APA is included on pages 6 through 12 of Debtor’s Memorandum in Support of Entry of the Sale Order, filed on April 8, 2020 [Bankruptcy Cases Docket No. #4471].¹

II. Copies of all Documents that Effectuate any Part of the Transaction

A copy of the APA and all Schedules and Exhibits thereto are attached hereto as **Exhibit B**. It is intended that all of the Exhibits to the APA (other than Exhibit 5.8(c)) are substantially all of the documents that are necessary to effectuate the transaction contemplated by the APA, and that such Exhibits will be executed and delivered by the parties at the Closing in the same form as the corresponding Exhibit that is attached to the APA. Promptly after the Closing, Verity will provide a complete set of the final closing documents to the Attorney General.

III. Proposed Use by Verity of any Sales Proceeds

The net proceeds from the sale of SFMC’s assets will be used to pay administrative costs related to the Bankruptcy Cases and creditors in the priority scheme set forth in the Bankruptcy Code (i.e., secured creditors, priority unsecured creditors, and general unsecured creditors). After the closing of the sale, and the sale of VHS’ other facilities, VHS and its affiliated entities will seek confirmation of a plan of liquidation to be confirmed pursuant to Section 1129 of the Bankruptcy Code, as approved by the Bankruptcy Court (the “*Plan*”). As part of the Plan, the St. Francis Medical Center will be dissolved.

¹ Copies of all documents filed in the Bankruptcy Cases are available at www.kcellc.net/verityhealth.

IV. Why the Waiver Should be Granted

Under the circumstances outlined below, the Attorney General should grant the waiver being requested in this letter.

A. Recently Issued Attorney General Conditions for the Hospital Render a New Approval Process Unnecessary

As you are aware, by letter dated September 25, 2019 (the “*September 2019 Letter*”), a copy of which is attached hereto as **Exhibit C**, the Attorney General conditionally consented to Verity’s proposed sale of substantially all of the assets of the Hospital, along with the sale of substantially all of the assets comprising St. Vincent Medical Center and Seton Medical Center, to Strategic Global Management, Inc. and/or one of its affiliates (“*SGM*”). The September 2019 Letter contained separate attachments setting forth the Attorney General’s conditions that would be specifically applicable to the sale of each of (a) the Hospitals (the “*September 2019 Hospital Conditions*”), (b) St. Vincent Medical Center and (c) Seton Medical Center and Seton Coast side.

Section 999.5, subdivision (a)(5)(B) states that the “Attorney General may condition the grant of a waiver in a manner that eliminates the need for full Attorney General Review.” As referenced above in this letter, Exhibit 5.8(c) to the APA sets forth the Attorney General’s conditions which Prime is ready, willing and able to accept be imposed upon its acquisition of the Hospital pursuant to the APA (referred to in the APA as the “*Accepted Conditions*”).

We recognize that the September 2019 Hospital Conditions were issued by the Attorney General in the context of the Asset Purchase Agreement between Verity and SGM, which transaction did not close. However, with the exception of the challenges imposed by COVID-19 that all California communities and California hospitals are facing, we are not aware of any material changes in the needs of the communities served by the Hospital since the date of the Attorney General’s previously obtained Health Care Impact Statement for the Hospital, which Health Care Impact Statement was utilized in issuing the September 2019 Hospital Conditions. Accordingly, it is not necessary for the Attorney General to engage its consultant at this time to update the Health Care Impact Statement for the Hospital that was prepared after hundreds and hundreds of hours of work a little over six months ago, and that was utilized by the Attorney General as it developed the September 2019 Hospital Conditions, particularly in light of the current pandemic and these chapter 11 Bankruptcy Cases.

The Accepted Conditions are substantially similar to the September 2019 Hospital Conditions, with any changes from the September 2019 Hospital Conditions reflected in the redline set forth on **Exhibit D** attached hereto (which also contains an addendum with a brief explanation provided to us by Prime for the material changes that Prime made to the September 2019 Hospital Conditions, as reflected in the Accepted Conditions). In particular, note that all of the post-closing timeframes that were contained in the September 2019 Hospital Conditions are acceptable to Prime.

B. Identity of the Purchaser

Although the September 2019 Letter was written in connection with SGM as the prospective purchaser, the change in purchaser does not make necessary the full Attorney General review process under Code Section 5914(a).

Attached to this letter as **Exhibit E** are the following materials that are specific to Prime that are relevant in connection with considering this waiver request.

- A list of the officers and directors of Prime and its applicable affiliate that would acquire the Hospital;
- The most recent audited financial statements for Prime (provided by Prime to your attention under separate cover);
- Prime's Articles of Incorporation and Bylaws;
- A description of Prime's policies, procedures, and eligibility requirements for the provision of charity care; and
- Copies of the parties' respective Hart-Scott-Rodino Act filings with the Federal Trade Commission for the Transaction (also provided under separate cover).

Additional information has already been provided to your attention about Prime and its other hospitals and Prime is committed to continuing to work with the Attorney General's office to provide addition information as requested. Please let us know if there is any additional information concerning Prime that the Attorney General desires to review in connection with this waiver request.

C. Evaluation of Decisional Factors in Code Section 5917 Section 999.5(a)(5)(B) states that the Attorney General shall consider whether any of the decisional factors set forth in Code Section 5917 are applicable to the proposed agreement or transaction and that a waiver shall be denied if any of these decisional factors require full Attorney General review of the proposed agreement or transaction. Each such decisional factor as it relates to the Transaction is addressed individually below, but you will note that the Bankruptcy Court approved the sale of St. Francis Medical Center to Prime and in doing so, has already addressed many of these decisional factors, including as set forth in the Sale Order. The thorough and complete review of the Transaction by the Bankruptcy Court is a critical factor in the Attorney General evaluating whether to waive its complete review here.

We review each of the factors outlined in Code Section 5917(a) below:

1. Code Section 5917(a): The terms and conditions of the agreement or transaction are fair and reasonable to the nonprofit corporation.
 - The Bankruptcy Court found in Section E of the Sale Order that the terms and conditions of the Transaction are fair and reasonable:

“The terms and conditions of the APA and the other Transaction Documents, including, without limitation, the consideration provided in respect thereof, are fair and reasonable, and are not avoidable and shall not be avoided...”
2. Code Section 5917(b): The agreement or transaction will result in inurement to any private person or entity.
 - The Bankruptcy Court determined, in Section F of the Sale Order, that the transaction will not result in any inurement to any private person or entity:

“(iv) all payments to be made by Prime and other agreements entered into or to be entered into between Prime and the Debtors in connection with the Transaction have been disclosed; (v) the negotiation and execution of the APA and related Transaction Documents were conducted in good faith and constituted an arm’s length transaction;...and (vii) the APA was not entered into, and the Transaction being consummated pursuant to and in accordance with the APA is not being consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors.”
3. Code Section 5917(c): Any agreement or transaction that is subject to this article is at fair market value. In this regard, “fair market value” means the most likely price that the assets being sold would bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and in their own best interest, and a reasonable time being allowed for exposure in the open market.
 - Fair market value is “[t]he price that a seller is willing to accept and a buyer is willing to pay on the open market and in an arm’s-length transaction.” *In re Hayden*, No. 1:14-AP-01182-MT, 2015 WL 9491310, at *6 (Bankr. C.D. Cal. Dec. 28, 2015) (quoting Black’s Law Dictionary 1691 (9th ed.2009)); *see also In re Cinema City Car Wash, Inc.*, 935 F.2d 273 (9th Cir. 1991) (noting a sale price the bankruptcy court found to be “the best price obtainable under the circumstances . . . represents the property’s fair market value”); *In re Verity Health Sys. of California, Inc.*, No. 2:18-BK-20151-ER, 2019 WL 5585007, at *14 (Bankr. C.D. Cal. Oct. 23, 2019) (“[F]air market value’ means the most likely price that the assets being sold would bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably

and in their own best interest, and a reasonable time being allowed for exposure in the open market.”) *vacated on other grounds* No. 2:18-BK-20151-ER, 2019 WL 6519342 (Bankr. C.D. Cal. Nov. 13, 2019).

- The Bankruptcy Court found in Section E of the Sale Order that the Transaction is at fair market value:

“The terms and conditions of the APA and the other Transaction Documents, including, without limitation, the consideration provided in respect thereof, are fair and reasonable...The consideration provided by Prime is fair, adequate and constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and any other applicable laws of the United States or any of its jurisdictions or subdivisions, including the State of California.”

4. Code Section 5917(d): The market value has been manipulated by the actions of the parties in a manner that causes the value of the assets to decrease.

- In addition to its finding in Section E of the Sale Order as set forth above in the response concerning Code Section 5917(c), the Bankruptcy Court has also found in Section F of the Sale Order that the market value has not been so manipulated:

“Prime has proceeded in good faith and without collusion in all respects in connection with the sale process, in that: (i) Prime, in proposing and proceeding with the Transaction in accordance with the APA, recognized that the Debtors were free to deal with other interested parties; (ii) Prime agreed to provisions in the APA that would enable the Debtors to accept a higher and better offer; (iii) Prime complied with all of the provisions in the Bidding Procedures Order applicable to Prime; (iv) all payments to be made by Prime and other agreements entered into or to be entered into between Prime and the Debtors in connection with the Transaction have been disclosed; (v) the negotiation and execution of the APA and related Transaction Documents were conducted in good faith and constituted an arm’s length transaction; (vi) Prime did not induce or cause the chapter 11 filings by the Debtors;”

- Further, it bears noting that Prime was the only party to submit a Qualified Bid for St. Francis Medical Center.

5. Code Section 5917(e): The proposed use of the proceeds from the agreement or transaction is consistent with the charitable trust on which the assets are held by the health facility or by the affiliated nonprofit health system.

- As outlined above, the proceeds from the sale of St. Francis Medical Center will be used to pay administrative costs related to the Bankruptcy Cases and creditors in the priority scheme set forth in the Bankruptcy Code. The Bankruptcy Court will

oversee the distribution of the sale proceeds as well as the ultimate plan of liquidation of the Debtors.

6. Code Section 5917(f): The agreement or transaction involves or constitutes any breach of trust.
 - Please see response above in connection with Code Section 5917(d).
7. Code Section 5917(g): The Attorney General has been provided, pursuant to Code Section 5250, with sufficient information and data by the nonprofit corporation to evaluate adequately the agreement or transaction or the effects thereof on the public.
 - Verity previously made all such information available to the Attorney General in conjunction with the previous SGM transaction, and also submitted this week a complete notice and request for consent of this Transaction pursuant to Code Section 5914. Verity requests that this waiver request and notice and request to consent to approve the sale of St. Francis Medical Center be reviewed and processed by the Attorney General's office concurrently, so as to avoid any unnecessary delay.
8. Code Section 5917(h): The agreement or transaction may create a significant effect on the availability or accessibility of health care services to the affected community.
 - Please see discussion above concerning the previously obtained Health Care Impact Statement and Prime's willingness to be responsible for the Accepted Conditions, which will ensure the availability and accessibility of needed health care services to the communities served by the Hospital.
9. Code Section 5917(i): The proposed agreement or transaction is in the public interest.
 - Please see response above in connection with Code Section 5917(h). In addition, the prompt closure of the Transaction will help to ensure that the Hospital continues to serve the needs of the communities that it serves, which is especially critical in light of the current COVID-19 health care crisis.
10. Code Section 5917(j): The agreement or transaction may create a significant effect on the availability and accessibility of cultural interests provided by the facility in the affected community.
 - Please see discussion above concerning the previously obtained Health Care Impact Statement and Prime's willingness to be responsible for the Accepted Conditions.

D. Public Meetings; Time is of the Essence

While Code Section 5916 on its face contemplates that the Attorney General shall conduct one or more public meetings prior to giving a written waiver under Code Section 5914(c), the current State of California and County of Los Angeles Stay-at-Home orders would prevent the occurrence of any in-person public meeting concerning the Transaction. We are committed to working with the Attorney General's office, as needed, to ensure that any required public meeting requirements can be satisfied in a way that honors the various executive orders and local orders.

E. Other Considerations

Perhaps most importantly, the prompt closure of the Transaction is in the best interests of the communities served by the Hospital for a variety of reasons, including:

- (i) VHS has been actively trying to sell the Hospital since the middle of 2018. Maintaining the continuity of leadership and staff is challenging during a normal sale process, and is especially difficult for a hospital in bankruptcy. This difficulty becomes even more acute when the timeframe for consummating a sale is extended by virtue of a failed sale transaction like the proposed sale to SGM last year. St. Francis Medical Center can simply not endure another failed sale.
- (ii) Prime has committed in the APA to investing \$47 million in capital expenditures for the Hospital (including NPC-3 seismic compliance responsibilities). The sooner the Transaction is consummated, the sooner Prime will be able to begin deploying this capital at the Hospital.
- (iii) The current COVID-19 health care crisis is leading to an unprecedented amount of demand and uncertainty in the operation of all hospitals in California, including the Hospital. As such, it is imperative that the Hospital be operated by a party (in this case, Prime) that is in a strong financial condition to be able to support the needs of the Hospital, not only while the COVID-19 crisis continues, but also in the long-term.

Further delaying the consummation of the Transaction by undertaking a 90-135 day Attorney General review, including re-doing an impact evaluation report that was produced less than a year ago and conducting public hearings remotely would unnecessarily delay the ability of Prime to initiate its planned Hospital turn-around and under the circumstances, is an unnecessary delay given the Bankruptcy Court's thorough and complete review of the transaction and Prime's willingness to accept most of the conditions previously issued by the Attorney General's office in September 2019 in the context of the SGM sale.

* * * * *

For the reasons set forth above, we hereby request that the Attorney General promptly grant Verity a written waiver pursuant to Code Section 5914(c) and Section 999.5, subdivision (a)(5), in connection with the Transaction and concurrently condition the grant of such waiver on terms and conditions consistent with the Accepted Conditions.

Thank you for your consideration of this request. We are committed to ensuring a smooth transition for St. Francis Medical Center and preserving this vital community resource and believe the best way this can be done is through the prompt closure of the Transaction and sale to Prime. If you need additional information or would like to discuss this request further, please contact me at (213) 633-8608 or at hopelevybiehl@dwt.com.

Sincerely,



Hope R. Levy-Biehl

Enclosures

cc: Rich Adcock, CEO (*via email*)
Verity Health Systems of California, Inc.

A. Joel Richlin, Esq. (*via email*)
Vice President and Chief Counsel
Prime Healthcare Services, Inc.

Tania M. Ibanez, Esq. (*via email*)
Senior Assistant Attorney General

Exhibit A

Sale Order

See attached.

1 SAMUEL R. MAIZEL (Bar No. 189301)
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2 TANIA M. MOYRON (Bar No. 235736)
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4 DENTONS US LLP
601 South Figueroa Street, Suite 2500
5 Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924
6 Attorneys for the Chapter 11 Debtors and
7 Debtors In Possession



8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

CHANGES MADE BY COURT

9 In re

10 VERITY HEALTH SYSTEM OF
11 CALIFORNIA, INC., *et al.*,

12 Debtors and Debtors In
13 Possession.

- 13 Affects All Debtors
- 14 Affects Verity Health System of
California, Inc.
- 15 Affects O'Connor Hospital
- 16 Affects Saint Louise Regional Hospital
- 17 Affects St. Francis Medical Center
- 18 Affects St. Vincent Medical Center
- 19 Affects Seton Medical Center
- 20 Affects O'Connor Hospital Foundation
- 21 Affects Saint Louise Regional Hospital
Foundation
- 22 Affects St. Francis Medical Center of
Lynwood Foundation
- 23 Affects St. Vincent Foundation
- 24 Affects St. Vincent Dialysis Center, Inc.
- 25 Affects Seton Medical Center Foundation
- 26 Affects Verity Business Services
- 27 Affects Verity Medical Foundation
- 28 Affects Verity Holdings, LLC
- Affects De Paul Ventures, LLC
- Affects De Paul Ventures - San Jose
Dialysis, LLC

25 Debtors and Debtors In
26 Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

- Case No. 2:18-bk-20162-ER
- Case No. 2:18-bk-20163-ER
- Case No. 2:18-bk-20164-ER
- Case No. 2:18-bk-20165-ER
- Case No. 2:18-bk-20167-ER
- Case No. 2:18-bk-20168-ER
- Case No. 2:18-bk-20169-ER
- Case No. 2:18-bk-20171-ER
- Case No. 2:18-bk-20172-ER
- Case No. 2:18-bk-20173-ER
- Case No. 2:18-bk-20175-ER
- Case No. 2:18-bk-20176-ER
- Case No. 2:18-bk-20178-ER
- Case No. 2:18-bk-20179-ER
- Case No. 2:18-bk-20180-ER
- Case No. 2:18-bk-20181-ER

Hon. Judge Ernest M. Robles

**ORDER (A) AUTHORIZING THE SALE
OF CERTAIN OF THE DEBTORS'
ASSETS TO PRIME HEALTHCARE
SERVICES, INC. PURSUANT TO THE APA
ATTACHED HERETO FREE AND CLEAR OF
LIENS, CLAIMS, ENCUMBRANCES, AND
OTHER INTERESTS; (B) APPROVING THE
ASSUMPTION AND ASSIGNMENT OF
CERTAIN ASSIGNED CONTRACTS
RELATED THERETO; AND (C) GRANTING
RELATED RELIEF**

Hearing:

Date: April 9, 2020

Time: 10:00 a.m.

Location: Courtroom 1568

255 E. Temple St., Los Angeles, CA

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

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(213) 623-9300

1 This matter came before the Court on the *Debtors' Notice of Motion and Motion for the*
2 *Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction*
3 *and Sale Format and Bidding Procedures; (3) Approving Process for Discretionary Selection of*
4 *Stalking Horse Bidder and Bid Protections; (4) Approving Form of Notice to be Provided to*
5 *Interested Parties; (5) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest*
6 *and Best Bidder; and (6) Approving Procedures Related to the Assumption of Certain Executory*
7 *Contracts and Unexpired Leases; and (II) An Order Authorizing the Sale of Property Free and*
8 *Clear of All Claims Liens and Encumbrances* [Docket No. 4069] (the "Motion"), filed by Verity
9 Health System of California, Inc. ("VHS"), and the above-referenced affiliated debtors and debtors
10 in possession in the above-captioned chapter 11 bankruptcy cases (the "Debtors"), for the entry of
11 an order, pursuant to §§ 105(a), 363, and 365 of title 11 of the United States Code (the "Bankruptcy
12 Code"), Rules 2002, 6004, 6006, 9007, and 9014, and LBR 6004-1.¹ This Sale Order relates to the
13 sale of certain assets used in the operation of the general acute care hospital known as "St. Francis
14 Medical Center," which are owned, as applicable, by St. Francis Medical Center, a California
15 nonprofit public benefit corporation ("SFMC"), VHS, and Verity Holdings LLC, a California
16 limited liability company ("Holdings").

17 At the previous hearing on the Motion on February 26, 2020 (the "Bidding Procedures
18 Hearing"), the Court granted the Motion [Docket No. 4165] (the "Bidding Procedures Order").
19 Any objections that were filed and overruled at the Bidding Procedures Hearing are not listed
20 herein.

21 The Court, having reviewed the Memorandum [Docket No. 4471], the Declarations of
22 Richard Adcock [Docket Nos. 8, 4132, 4471], James Moloney [Docket Nos. 4132 and 4471], and
23 A. Joel Richlin [Docket No. 4471] in support thereof, the *Notice To Counterparties To Executory*
24 *Contracts And Unexpired Leases Of The Debtors That May Be Assumed And Assigned* [Docket No.
25 4267] (the "Cure Notice"), the *Notice of Sale Procedures, Auction Date, and Sale Hearing* [Docket

26 _____
27 ¹ Unless specified otherwise, all chapter and section references are to the Bankruptcy Code, 11
28 U.S.C. §§ 101-1532, all "Rule" references are to the Federal Rules of Bankruptcy Procedure, and
all "LBR" references are to the Local Bankruptcy Rules for the United States Bankruptcy Court for
the Central District of California.

1 No. 4167] (the “Auction Notice”), the objections filed by various counterparties to certain
2 executory contracts and unexpired leases [Docket Nos. 4354, 4366, 4371, 4391, 4392, 4403, 4405,
3 4406, 4407, 4408, 4409, 4414, 4415, 4416, 4418, 4419, 4420, 4421, 4422, 4423, 4424, 4425, 4426,
4 4427, 4443] (the “Cure Objections”), the *SEIU-UHW’s Objection and Reservation of Rights to*
5 *Debtors’ Motion for Sale of St. Francis Medical Center* [Docket No. 4495] (the “SEIU-UHW
6 Objection”), the *Objection and Reservation of Rights by United Nurses Associations of California,*
7 *to Debtors’ Motion [Dkt. 4069] and Memorandum [Dkt. 4471] in Support of Entry of an Order*
8 *Authorizing the Sale of Saint Francis Medical Center and Related Assets* [Docket No. 4498] (the
9 “UNAC Objection”), *Hooper Healthcare Consulting, LLC’s Limited Response to Sale Motion*
10 *[Dkt. No. 4069], and Reservation of Rights* [Docket No. 4463] (the “Hooper Reservation”), and
11 any objections set forth on the record at the Sale Hearing, and any withdrawals thereof, the
12 statements, arguments and representations of the parties made at the Sale Hearing; and the entire
13 record of these cases; and the Court, having determined that the relief sought in the Motion is in
14 the best interests of the Debtors, their estates, their creditors, and that the legal and factual bases set
15 forth in the Motion and presented at the Sale Hearing establish just cause for the relief granted
16 herein and for the reasons set forth in the Court’s tentative ruling issued on April 9, 2020, which
17 the Court adopts as its final ruling and which is incorporated herein by reference [**Docket No. 4507**];
18 and all objections to the Motion, if any, having been withdrawn, continued or overruled; and after
19 due deliberation and sufficient good cause appearing therefor:

20 **THE COURT HEREBY FINDS AND CONCLUDES THAT:²**

21 A. Jurisdiction and Venue. This Court has jurisdiction to hear and determine the
22 Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of the
23 Debtors’ bankruptcy estates and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b)
24
25

26 ² The findings and conclusions set forth herein constitute the Court’s findings of fact and
27 conclusions of law pursuant to Rule 7052, made applicable to this proceeding pursuant to Rule
28 9014. To the extent that any of the following findings of fact constitute conclusions of law, they
are adopted as such. To the extent that any of the following conclusions of law constitute findings
of fact, they are adopted as such.

1 (2) (A), (M), (N) and (O). Venue of these cases is proper in this District and in this Court pursuant
2 to 28 U.S.C. §§ 1408 and 1409.

3 B. Statutory Predicates. The statutory predicates for the relief requested in the Motion
4 are (i) §§ 105(a), 363(b), (f), (k), (l) and (m), and 365, (ii) Rules 2002(a)(2), 2002(c)(1) and (d),
5 6004 (a), (b), (c), (e), (f) and (h), 6006(a), (c) and (d), 9006, 9007, 9013 and 9014, and (iii) LBR
6 6004-1 and 9013-1.

7 C. Notice. As evidenced by the affidavits of service previously filed with the Court,
8 the Debtors have provided proper, timely, adequate and sufficient notice with respect to the
9 following: (i) the Motion and the relief sought therein, including the entry of this Sale Order and
10 the transfer and sale of the assets (the "Purchased Assets"), as set forth in the Asset Purchase
11 Agreement, dated April 3, 2020, a copy of which is attached as Exhibit "B" to Docket No. 4471
12 (the "APA"); (ii) the Sale Hearing; (iii) the Auction Notice; and (iv) the assumption and assignment
13 of the executory contracts and unexpired leases and proposed cure amounts owing under such
14 executory contracts and unexpired leases (the "Cure Amounts"); and no further notice of the
15 Motion, the relief requested therein or the Sale Hearing is required. The Debtors have also
16 complied with all obligations to provide notice of the Auction, the Sale Hearing, the proposed sale
17 and otherwise, as required by the Bidding Procedures Order. A reasonable opportunity to object
18 and to be heard regarding the relief provided herein has been afforded to parties-in-interest.

19 D. Title in the Purchased Assets. The Purchased Assets constitute property of the
20 Debtors' estates and title thereto is vested in the Debtors' estates within the meaning of § 541(a).
21 The Debtors are the sole and lawful owner of the Purchased Assets.

22 E. Arm's Length Transaction. The APA and other documents and instruments (the
23 "Transaction Documents") related to and connected with this transaction (the "Transaction") and
24 the consummation thereof were negotiated and entered into by the Debtors and Prime Healthcare
25 Services, Inc. ("Prime"), as Purchaser under the APA without collusion, in good faith and through
26 an arm's length bargaining process. Neither Prime nor any of its affiliates or representatives is an
27 "insider" of the Debtors, as that term is defined in § 101(31). None of the Debtors, Prime, or their
28 respective representatives engaged in any conduct that would cause or permit the APA, any of the

1 other Transaction Documents or the Transaction to be avoided under § 363(n), or have acted in any
2 improper or collusive manner. The terms and conditions of the APA and the other Transaction
3 Documents, including, without limitation, the consideration provided in respect thereof, are fair
4 and reasonable, and are not avoidable and shall not be avoided, and no damages may be assessed
5 against Prime or any other party as set forth in § 363(n). The consideration provided by Prime is
6 fair, adequate and constitutes reasonably equivalent value and fair consideration under the
7 Bankruptcy Code and any other applicable laws of the United States or any of its jurisdictions or
8 subdivisions, including the State of California.

9 F. Good Faith Purchaser. Prime has proceeded in good faith and without collusion in
10 all respects in connection with the sale process, in that: (i) Prime, in proposing and proceeding with
11 the Transaction in accordance with the APA, recognized that the Debtors were free to deal with
12 other interested parties; (ii) Prime agreed to provisions in the APA that would enable the Debtors
13 to accept a higher and better offer; (iii) Prime complied with all of the provisions in the Bidding
14 Procedures Order applicable to Prime; (iv) all payments to be made by Prime and other agreements
15 entered into or to be entered into between Prime and the Debtors in connection with the Transaction
16 have been disclosed; (v) the negotiation and execution of the APA and related Transaction
17 Documents were conducted in good faith and constituted an arm's length transaction; (vi) Prime
18 did not induce or cause the chapter 11 filings by the Debtors; and (vii) the APA was not entered
19 into, and the Transaction being consummated pursuant to and in accordance with the APA is not
20 being consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors.
21 Prime is therefore entitled to all of the benefits and protections provided to a good-faith purchaser
22 under § 363(m) and any other applicable bankruptcy or non-bankruptcy law with respect to the sale
23 and assignment of the Purchased Assets and Assumed Contracts that Prime is acquiring pursuant
24 to the APA and the other terms thereof. Accordingly, the reversal or modification on appeal of the
25 authorization provided herein to consummate the Transaction shall not affect the validity of the
26 Transaction, any terms or conditions of the Transaction or Prime's status as a "good faith"
27 purchaser.
28

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1 G. Justification for Relief. Good and sufficient reasons for approval of the APA and
2 the other Transaction Documents and the Transaction have been articulated to this Court in the
3 Motion and at the Sale Hearing, and the relief requested in the Motion and set forth in this Sale
4 Order is in the best interests of the Debtors, their estates, and their creditors. The Debtors have
5 demonstrated through the Motion and other evidence submitted at the Sale Hearing both (i) good,
6 sufficient and sound business purpose and justification and (ii) compelling circumstances for the
7 transfer and sale of the Purchased Assets as provided in the APA outside the ordinary course of
8 business, and (iii) such transfer and sale pursuant to the terms of the APA and this Order is an
9 appropriate exercise of the Debtors' business judgment and in the best interests of the Debtors, their
10 estates, and their creditors.

11 H. Free and Clear. In accordance with §§ 363(b) and 363(f), the consummation of the
12 Transaction pursuant to the Transaction Documents shall be a legal, valid, and effective transfer
13 and sale of the Purchased Assets and shall vest in Prime, through the consummation of the
14 Transaction, all of the Debtors' right, title, and interest in and to the Purchased Assets, free and
15 clear of all liens, claims, interests, rights of setoff, recoupment, netting and deductions, rights of
16 first offer, first refusal and any other similar contractual property, legal or equitable rights, and any
17 successor or successor-in-interest liability theories (collectively, the "Encumbrances"). The
18 Debtors have demonstrated that one or more of the standards set forth in § 363(f)(1)-(5) have been
19 satisfied. Those holders of Encumbrances who did not object, or who withdrew their objections, to
20 the sale or the Motion are deemed to have consented pursuant to § 363(f)(2). Those holders of
21 Encumbrances who did object fall within one or more of the other subsections of § 363(f). All
22 holders of the Encumbrances in the Purchased Assets are adequately protected by having their
23 respective Encumbrances attach to the Debtors' interests in the proceeds of the sale of the Purchased
24 Assets under the APA (subject to any Challenge within the meaning of that certain *Final Order (I)*
25 *Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens*
26 *and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection,*
27 *(V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] (the "Final DIP
28 Order") that has been, or may be, timely filed), and any related documents or instruments delivered

1 in connection therewith, whenever and wherever received (the “Sale Proceeds”) to the extent and
2 manner provided herein, including, without limitation, in paragraphs 6, 7 and 16 hereunder. The
3 outcome of any Challenge (as defined in the Final DIP Order) does not affect the findings in this
4 paragraph as it relates to Purchaser.

5 I. Prompt Consummation. The Debtors have demonstrated good and sufficient cause
6 to waive the stay requirement under Rules 6004(h) and 6006(d). Time is of the essence in
7 consummating the Transaction, and it is in the best interests of the Debtors and their estates to
8 consummate the Transaction within the timeline set forth in the Motion and the APA. The Court
9 finds that there is no just reason for delay in the implementation of this Order, and expressly directs
10 entry of judgment as set forth in this Order.

11 J. Assumption of Executory Contracts and Unexpired Leases. The Debtors have
12 demonstrated that it is an exercise of their sound business judgment to assume and assign to Prime
13 the “Assigned Contracts” (as that term is defined in the APA), subject to Prime’s right to designate
14 any Assigned Contracts as “Rejected Contracts” (as that term is defined in the APA) pursuant to
15 the APA, in connection with the consummation of the Transaction, and the assumption and
16 assignment of the Assigned Contracts is in the best interests of the Debtors and their estates.

17 K. Cure/Adequate Assurance. In connection with the Closing, and pursuant to the APA,
18 unless otherwise ordered, any and all defaults existing on or prior to the Closing under any of the
19 Assigned Contracts will have been cured, within the meaning of § 365(b)(1)(A), by payment of the
20 amounts (the “Cure Amounts”) and in the manner set forth below, unless otherwise agreed by Prime
21 and the counterparty (each a “Counterparty”) or as ordered by the Court. Prime has provided
22 adequate assurance of future performance of and under the Assigned Contracts within the meaning
23 of § 365(b)(1)(C) and § 365(f)(2)(B), and shall have no further obligation to provide assurance of
24 performance to any Counterparty to an Assigned Contract. Pursuant to § 365(f), the Assigned
25 Contracts to be assumed by the Debtors (i.e., SFMC, VHS, and Holdings), and assigned to Prime
26 under the APA shall be assigned and transferred to, and remain in full force and effect for the
27 benefit of Prime, notwithstanding any provision in such Assigned Contracts prohibiting their
28 assignment or transfer. The Debtors have demonstrated that no other parties to any of the Assigned

1 Contracts has incurred any actual pecuniary loss resulting from a default on or prior to the Closing
2 under any of the Assigned Contracts within the meaning of § 365(b)(1)(B).

3 L. Rejection of Executory Contracts and Unexpired Leases. The Debtors will have
4 demonstrated that it is a reasonable and appropriate exercise of their sound business judgment for
5 SFMC to reject all of its executory contracts and unexpired leases, excluding (i) Assigned
6 Contracts, (ii) any prepetition multiparty contract affecting more than one Debtor in addition to
7 SFMC, (iii) any prepetition contract that is the subject of a Rule 9019 settlement motion prior to
8 Closing, and (vi) any collective bargaining agreement (a “CBA”), pension plan or health and
9 welfare plan providing collectively bargained benefits to which SFMC is a party or sponsor. The
10 Debtors shall file an appropriate motion to reject the contracts, covered by this paragraph K, prior
11 to Closing and shall request therein that the rejection be effective as of the Closing or as otherwise
12 appropriate.

13 M. Highest and Best Offer. The Debtors solicited offers and noticed the Auction in
14 accordance with the provisions of the Bidding Procedures Order. The Auction was duly noticed,
15 the sale process was conducted in a non-collusive manner and the Debtors afforded a full, fair and
16 reasonable opportunity for any person or entity to make a higher and better offer to purchase the
17 Purchased Assets. Commencing on January 3, 2020, the Debtors contacted all parties that had
18 executed a nondisclosure agreements (an “NDA”) in connection with the Debtors’ previous efforts
19 to market St. Francis and, following the receipt of executed NDAs, granted fifty three (53) parties
20 access to a secured diligence data site and received seven written indications of interest for the
21 potential acquisition of St. Francis by January 31, 2020. Other than Prime’s Bid, the Debtors
22 received no other Qualified Bids by the Bid Deadline (as such terms are defined by the Bidding
23 Procedures Order). The Debtors properly consulted with the Consultation Parties in selecting
24 Prime’s Bid as the highest and best bid pursuant to the Bidding Procedures Order. The transfer and
25 sale of the Purchased Assets to Prime on the terms set forth in the APA constitutes the highest and
26 best offer for the Purchased Assets and will provide a greater recovery for the Debtors’ estates than
27 would be provided by any other available alternative. The Debtors’ determination, in consultation
28

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1 with the Consultation Parties (as defined in the Bidding Procedure Order), that the APA constitutes
2 the Winning Bid, constitutes a valid and sound exercise of the Debtors' business judgment.

3 N. No De Facto or Sub Rosa Plan of Reorganization. The sale of the Purchased Assets
4 does not constitute a *de facto* or *sub rosa* plan of reorganization or liquidation because it does not
5 propose to (i) impair or restructure existing debt of, or equity or membership interests in, the
6 Debtors, (ii) impair or circumvent voting rights with respect to any plan proposed by the Debtors,
7 (iii) circumvent chapter 11 safeguards, including those set forth in §§ 1125 and 1129, or (iv) classify
8 claims or equity or membership interests.

9 O. Legal and Factual Bases. The legal and factual bases set forth in the Motion and at
10 the Sale Hearing establish just cause for the relief granted herein.

11 **NOW THEREFORE, IT IS HEREBY ORDERED THAT:**

12 1. The relief requested in the Motion is GRANTED and APPROVED in all respects to
13 the extent provided herein.

14 2. The UNAC Objection is overruled as premature. The Hooper reservation is
15 preserved for adjudication at the hearing scheduled before this Court on April 29, 2020, at 10:00
16 a.m. All other objections with regard to the relief sought in the Motion that have not been
17 withdrawn, waived, settled, or provided for herein or in the Bidding Procedures Order, including
18 any reservation of rights included in such objections, are overruled on the merits with prejudice,
19 including, without limitation, the SEIU-UHW Objection. To the extent of any inconsistency
20 between this Sale Order and the Bidding Procedures Order, the terms of this Sale Order shall
21 prevail.

22 3. Notice of the Sale Motion, and the assumption and assignment of the Assumed
23 Contracts (including proposed Cure Amounts related thereto), the Auction, the Sale Hearing and
24 the Sale was fair and equitable under the circumstances and complied in all respects with the
25 Bidding Procedures, §§ 102(1), 363, and 365, and Rules 2002, 6004, 6006, 9006, and 9007.

26 4. Pursuant to §§ 105(a), 363(b), 363(f), and 365, the Transaction, including the
27 transfer and sale of the Purchased Assets to Prime on the terms set forth in the APA, is approved
28 in all respects, and the Debtors are authorized and directed to consummate the Transaction in

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1 accordance with the APA, including, without limitation, by executing all of the Transaction
2 Documents (and any ancillary documents or instruments that may be reasonably necessary or
3 desirable to implement the APA or the Transaction) and taking all actions necessary and appropriate
4 to effectuate and consummate the Transaction (including the transfer and sale of the Purchased
5 Assets) in consideration of the Purchase Price (as defined in § 1.1 of the APA) upon the terms set
6 forth in the APA, including, without limitation, assuming and assigning to Prime the Assigned
7 Contracts. The Debtors and Prime shall have the right to make any mutually agreeable, non-material
8 changes to the APA, which shall be in writing signed by both parties, without further order of the
9 Court provided, that after reasonable notice, the Official Committee of Unsecured Creditors (the
10 “Committee”) and the Prepetition Secured Creditors (as defined in the Final DIP Order) do not
11 object to such changes. Any timely objection by the aforementioned parties to any agreed non-
12 material changes to the APA may be resolved by the Court on shortened notice.

13 5. As of the Closing, (i) the Transaction set forth in the APA shall effect a legal, valid,
14 enforceable and effective transfer and sale of the Purchased Assets to Prime free and clear of all
15 Encumbrances as further set forth in the APA and this Sale Order; and (ii) the APA, and the other
16 Transaction Documents, and the Transaction, shall be enforceable against and binding upon, and
17 not subject to rejection or avoidance by, the Debtors, any successor thereto including a trustee or
18 estate representative appointed in the Bankruptcy Cases, the Debtors’ estates, all holders of any
19 Claim(s) (as defined in the Bankruptcy Code) against the Debtors, whether known or unknown,
20 any holders of Encumbrances on all or any portion of the Purchased Assets, all Counterparties to
21 the Assigned Contracts and all other persons and entities.

22 6. Encumbrances in and to Purchased Assets shall attach (subject to any Challenge
23 within the meaning of the Final DIP Order that has been, or may be, timely filed) to the Sale
24 Proceeds of such Purchased Assets with each such Encumbrance having the same force, extent,
25 effect, validity and priority as such Encumbrance had on the Purchased Assets giving rise to the
26 Sale Proceeds immediately prior to the Closing. For the avoidance of doubt, the foregoing force,
27 extent, effect, validity and priority of such Encumbrances of the Prepetition Secured Creditors that
28 attach to the Sale Proceeds shall: (i) reflect and include, without limitation, the security interests,

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1 liens (including any Prepetition Replacement Liens arising for diminution of value, if any) and
2 rights, powers and authorities that have been granted to the Prepetition Secured Creditors, as
3 applicable, pursuant to the Financing Orders,³ subject to (x) the results of the appeal from the Final
4 DIP Order filed by the Committee on November 29, 2019 challenging the rights granted to the
5 Prepetition Secured Creditors pursuant to the Final DIP Order with respect to Sections 506(c) and
6 552(b); and/or (ii) the results of any Challenge within the meaning of the Final DIP Order that has
7 been, or may be, timely filed. In addition, the Intercreditor Agreement (as defined in the Final DIP
8 Order) and the Final DIP Order shall apply with respect to the rights of the parties thereto in and to
9 the Sale Proceeds and the Escrow Deposit Accounts, to the extent of and in accordance with its
10 terms with all parties reserving all rights thereunder. Each of the Prepetition Secured Creditors
11 opposes all existing Challenges and the appeal brought by the Committee, and nothing contained
12 herein shall constitute an express or implicit admission by any of the Prepetition Secured Creditors
13 in connection therewith, or shall be deemed to be a waiver of any rights in respect thereof. The
14 outcome of any such Challenge does not affect the Transaction in any respect.

15 7. The Accounts Receivable shall be transferred from Debtors to Prime free and clear
16 of all Encumbrances as further set forth in the APA and this Sale Order, subject only to the A/R
17 Accounting set forth in the APA. Subject to the fulfillment of the terms and conditions of the APA,
18 this Sale Order shall, as of the Closing, be considered and constitute for all purposes a full and
19 complete general assignment, conveyance, and transfer of the Purchased Assets and/or a bill of sale
20 transferring all of the Debtors' rights, title and interest in and to the Purchased Assets to Prime free
21

22 ³ The "Financing Orders" refer, collectively, to (i) the Final DIP Order; (ii) the *Final Order (A)*
23 *Authorizing Continued Use of Cash Collateral, (B) Granting Adequate Protection, (C) Modifying*
24 *the Automatic Stay, and (D) Granting Related Relief* [Docket No. 3022]; (iii) the *Final Order*
25 *Approving Stipulation Between the Prepetition Secured Creditors and the Debtors to (A) Amend*
26 *Cash Collateral Order, Authorize Continued Use of Cash Collateral, Grant Adequate Protection,*
27 *(D) Modify Automatic Stay, and (E) Grant Related Relief* [Docket No. 3883]; (iv) the *Final Order*
28 *Approving Stipulation to (A) Amend the First Amended Supplemental Cash Collateral Order,*
Authorize Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic
Stay, and (E) Grant Related Relief [Docket No. 4028]; and (v) the *Final Order Approving*
Stipulation to (A) Amend the Second Amended Supplemental Cash Collateral Order, Authorize
Continued Use of Cash Collateral, Grant Adequate Protection, (D) Modify Automatic Stay, and
(E) Grant Related Relief [Docket No. 4187].

1 and clear of the Encumbrances. Consistent with, but not in limitation of the foregoing, each and
2 every federal, state, and local governmental agency or department, except as stated herein, is hereby
3 authorized and directed to accept all documents and instruments necessary and appropriate to
4 consummate the transactions contemplated by the APA and approved in this Sale Order. A certified
5 copy of this Order may be filed with the appropriate clerk and/or recorded with the appropriate
6 recorder to cancel any Encumbrances of record.

7 8. Any person or entity that is currently, or on the Closing Date may be, in possession
8 of some or all of the Purchased Assets is hereby directed to surrender possession of such Purchased
9 Assets either to (a) the Debtors before the Closing or (b) to Prime or its designee upon the Closing,
10 and to cooperate with the Debtors and Prime in the Debtors' and Prime's fulfillment of their
11 obligations hereunder and pursuant to the APA.

12 9. The transfer of the Purchased Assets pursuant to the Transaction Documents shall
13 be a legal, valid, and effective transfer and shall, in accordance with §§ 105(a) and 363(f), and upon
14 consummation of the Transaction, including, without limitation, payment of the Purchase Price to
15 the Debtors, vest Prime with all right, title, and interest in the Purchased Assets, free and clear of
16 all Encumbrances. Upon closing of the Transaction, Prime shall take title to and possession of the
17 Purchased Assets as set forth in the APA, provided that notwithstanding any other provision of this
18 Order or the APA to the contrary, Purchased Assets shall not include any Accounts Receivable (as
19 that term is defined in the APA) for which UnitedHealthcare Insurance Company is an account
20 debtor. The transfer of the Purchased Assets from the Debtors to Prime constitutes a transfer in
21 good faith and for reasonable equivalent value and fair consideration under the Bankruptcy Code
22 and the laws of the State of California.

23 10. Following the Closing, no holder of any Encumbrance against the Debtors or upon
24 the Purchased Assets shall interfere with Prime's respective rights in, title to or use and enjoyment
25 of the Purchased Assets. All persons and entities are hereby forever prohibited and enjoined from
26 taking any action that would adversely affect or interfere with the ability of the Debtors to sell and
27 transfer the Purchased Assets to Prime, including the assumption and assignment of the Assigned
28 Contracts.

1 11. Prime is a good faith purchaser of the Purchased Assets and is hereby granted and
2 entitled to all of the protections provided to a good faith purchaser under § 363(m). Pursuant to §
3 363(m), if any or all of the provisions of this Sale Order are hereafter reversed, modified, or vacated
4 by a subsequent order of the Bankruptcy Court or any other court (including modification of the
5 terms of the APA), such reversal, modification, or vacatur shall not affect the validity and
6 enforceability of the Transaction, any sale, transfer, or assignment under the APA or obligation or
7 right granted pursuant to the terms of this Sale Order, and, notwithstanding any reversal,
8 modification, or vacatur, the original provisions of this Sale Order and the APA, as the case may
9 be, shall apply with respect to the Transaction.

10 12. The Sale approved by this Sale Order is not subject to avoidance or any recovery or
11 damages pursuant to § 363(n) or any other section of the Bankruptcy Code or otherwise, except for
12 any rights of the parties to enforce the terms of the APA.

13 13. Prime shall not be deemed, as a result of any action taken in connection with, or as
14 a result of the Transaction (including the transfer and sale of the Purchased Assets), to the maximum
15 extent permitted by law by reason of any theory of law or equity with respect to any claims or liens
16 against Sellers or the Assets, to: (i) be a successor, continuation or alter ego (or other such similarly
17 situated party) to or of the Debtors or their estates by reason of any theory of law or equity,
18 including, without limitation, any bulk sales law, doctrine or theory of successor liability, or any
19 theory or basis of liability, regardless of source of origin; or (ii) have, *de facto* or otherwise, merged
20 with or into the Debtors; or (iii) be a mere continuation, *alter ego*, or substantial continuation of the
21 Debtors. Prime is not assuming any of the Debtors' debts.

22 14. This Sale Order (i) shall be effective as a determination that, on Closing, all
23 Encumbrances existing against the Purchased Assets before the Closing have been unconditionally
24 released, discharged and terminated, except to the extent provided in paragraph 6 above, and that
25 the transfers and conveyances described herein have been effected, and (ii) shall be binding upon
26 and shall govern the acts of all persons and entities. If, following a reasonable written request made
27 by the Debtors, any person or entity that has filed financing statements or other documents or
28 agreements evidencing any Encumbrances against the Purchased Assets shall not have delivered to

1 the Debtors for use at or in connection with Closing, in proper form for filing and executed by the
2 appropriate parties, termination statements, instruments of satisfaction, releases of all
3 Encumbrances which the person or entity has with respect to the Purchased Assets, then Prime
4 and/or the Debtors are hereby authorized to execute and file such statements, instruments, releases
5 and other documents on behalf of the person or entity with respect to such Purchased Assets. For
6 the avoidance of doubt, such statements, instruments, releases and other documents shall not impair
7 Encumbrances that attach (subject to any Challenge within the meaning of the Final DIP Order that
8 has been, or may be, timely filed, which shall not affect the enforceability of this Sale Order as to
9 Prime) to the Sale Proceeds by the terms of this Order, including, but not limited to paragraphs 6,
10 7 and 16 hereof.

11 15. In accordance with the APA, concurrently with the Closing, Prime shall pay that
12 portion of the Purchase Price due at Closing, by wire transfer of immediately available funds, to
13 Debtors' Escrow Deposit Accounts (defined below), subject to the adjustments set forth in the APA.
14 Any direct expenses of the Sale shall be disclosed by Debtors to the Prepetition Secured Creditors
15 and the Committee in advance of the Closing.

16 16. The terms and conditions of the Financing Orders shall apply with respect to the
17 Sale Proceeds and Escrow Deposit Accounts (defined herein), except as expressly modified hereby.
18 Without limiting the foregoing, the Debtors shall comply with paragraph 4 of the Final DIP Order
19 in the following manner:

20 a. the Debtors shall direct Prime, pursuant to the terms of the APA, to remit to
21 Chicago Title Insurance Company as closing escrow agent (the "Closing Escrow Agent") all Sale
22 Proceeds for the separate account of each selling Debtor. Upon closing, the Closing Escrow Agent
23 shall remit the Sale Proceeds to the separate accounts for each selling Debtor (each such account
24 hereafter referred to as "Escrow Deposit Account").

25 b. in giving direction to Prime pursuant to sub-paragraph (a), above, the
26 Debtors shall exercise their reasonable business judgment, in good faith, and allocate the Sale
27 Proceeds among the Escrow Deposit Accounts on the basis of the value of each Debtor's Purchased
28 Assets as of the Closing which allocation, for the avoidance of doubt, shall be subject to the

1 reservations of rights in paragraph 4 of the Final DIP Order; provided that nothing in this paragraph
2 shall waive or limit any rights the Committee or the Prepetition Secured Creditors may have in
3 connection with the confirmation of a proposed chapter 11 plan for any of the Debtors' cases
4 (including the right to seek to reallocate estate values and the Sale Proceeds at any time);

5 c. no funds held in any Escrow Deposit Account shall be (i) commingled with
6 any other funds of the applicable Debtor or any of the other Debtors or (ii) used by the Debtors for
7 any purpose, except as provided by paragraphs 17, 19, 20, and 22 of this Order with respect to Cure
8 Costs, and to fund any Purchase Price adjustment in favor of Prime under the APA, in each case,
9 without first obtaining the consent of the Prepetition Secured Creditors or obtaining an order of the
10 Court pursuant to § 363 after reasonable notice under the circumstances to the Prepetition Secured
11 Creditors and to the Committee and, if necessary, a hearing thereon;

12 d. establishment of an Escrow Deposit Account shall not require execution by
13 the Debtors of a deposit account control agreement in favor of the Prepetition Secured Creditors to
14 establish their perfected lien rights over the Escrow Deposit Account balances as collateral or
15 proceeds of collateral (which lien rights shall be deemed automatically granted and perfected by
16 the terms of the Financing Orders and this Order); and

17 e. for the avoidance of doubt, the rights of the Debtors, the Committee, and the
18 Prepetition Secured Creditors as to the Sale Proceeds and any funds held in any Escrow Deposit
19 Accounts shall be, except as set forth herein, as contemplated by Paragraph 4 of the Final DIP Order
20 and the terms of the Financing Orders, and nothing in this Order shall be construed as altering,
21 amending, waiving, or affecting in any way such rights or any rights under the Intercreditor
22 Agreement, to the extent applicable.

23 17. Concurrently with the Closing or as soon thereafter as is possible, and in accordance
24 with the APA, the Debtors shall pay out of the Sale Proceeds to the Counterparties to the Assigned
25 Contracts the Cure Amounts either as (i) set forth in the Cure Notice, (ii) otherwise agreed to by
26 the Debtors, Prime, and the applicable Counterparties thereto, or (iii) ordered by this Court after a
27 hearing on any objection to the Cure Amount set forth in the Cure Notice. Prime has the right under
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1 the APA to remove any contracts from the list of Assigned Contracts up to thirty (30) days prior to
2 Closing.

3 18. Any executory contracts and/or unexpired leases, which give rise to Cure Costs and
4 are designated as Assigned Contracts and are not timely removed from the Assigned Contracts list
5 by Prime under the APA shall be deemed Assigned Contracts at the Closing, subject to the
6 provisions of the APA and this Sale Order. The Court shall resolve any and all disputes which may
7 arise between the Debtors, Prime, and any applicable Counterparty concerning (i) whether a
8 particular Assigned Contract is an executory contract or unexpired lease or (ii) whether a
9 Counterparty to an Assigned Contract is entitled to an allowed claim against the Debtors which
10 exceeds the Cure Amount set forth in the Cure Notice (an “Assumption Dispute”).

11 19. All of the Assigned Contracts, to the extent they are executory contracts or
12 unexpired leases and are not subsequently and timely removed by Prime under the APA, or deemed
13 a rejected contract within the meaning of § 1.11 of the APA, shall be part of the Assigned Contracts
14 that will be assumed by the Debtors and assigned to Prime at the Closing, subject to the provisions
15 of the APA. All Assigned Contracts shall be assumed by the Debtors and assigned to Prime at the
16 Closing, with Prime to be obligated to pay all Cure Costs owing to such Assigned Contract Counter-
17 Parties concurrently with the Closing, as set forth in the APA, or as otherwise agreed to by the
18 Debtors, Prime and the applicable counter-parties thereto, or ordered by the Court (the “Additional
19 Cure Costs”), so long as such amount as ordered by the Court is no greater than the amount agreed
20 upon by Prime; and in the event the Additional Cure Costs is greater than the amount agreed upon
21 by Prime, and Prime is not willing to pay the Additional Cure Costs, the Debtors shall not be
22 required to pay the Additional Cure Cost(s) and the Assigned Contract(s) shall be deemed a rejected
23 contract within the meaning of § 1.11 of the APA and this Sale Order, and funds in an amount equal
24 to the Cure Amount for such Rejected Contract shall be returned to Prime within seven (7) business
25 days of such contract being deemed a rejected contract pursuant to the APA; provided, and for the
26 avoidance of doubt, except as provided in Section 4.9 of the APA, no collective bargaining
27 agreement, pension plan or health and welfare plan providing collectively bargained benefits to
28

1 which the Hospital is a party or sponsor constitutes an Assigned Contract for which Prime or the
2 Debtors may be obligated to pay any cure amount.

3 20. In the event the Court determines that a Counterparty has an allowed cure claim
4 against the Debtors which exceeds the Cure Cost agreed to between the Debtors and Prime (the
5 “Excess Cure Amount”) with respect to an Assigned Contract, the difference will be paid by Prime
6 as an increase to the Cure Pool and the Purchase Price and shall not be the responsibility of the
7 Debtors as more specifically set forth below; provided, however, that an Assigned Contract subject
8 to an Assumption Dispute shall be deemed a “Rejected Contract” within the meaning of § 1.11 of
9 the APA if the Assumption Dispute is not resolved by the later of (i) three days following entry of
10 an order, or (ii) removal of the Assigned Contract from the list of Assigned Contracts on or before
11 thirty (30) days prior to Closing, unless the Debtor, Prime, and the applicable Counterparty agree
12 otherwise. To the extent an Assumption Dispute relates solely to the Cure Amount, the Debtors
13 may, with Prime’s consent, assume and assign the applicable executory contract or unexpired lease
14 at Closing and prior to the resolution of the Assumption Dispute by the Bankruptcy Court, provided,
15 that the Bankruptcy Court has estimated the maximum cure payment, pursuant to § 502(c) and
16 Prime includes such amount in the Cure Pool to be held by the Debtors in the Sale Proceeds Account
17 for the relevant Debtor(s). The Debtors shall pay and hereby are authorized to pay disputed Cure
18 Amounts from the relevant Sales Proceeds Account(s) upon entry of a final and non-appealable
19 order by this Court to the extent Prime remitted to Sellers the amount required by this paragraph of
20 the Order.

21 21. Prime shall have the right to designate any contracts on the Assigned Contract list
22 as a Rejected Contract until the later of (i) three business days following entry of an order resolving
23 any Assumption Dispute or (ii) 5:00 p.m. (Pacific Time) on the day that is thirty (30) days prior to
24 Closing Date, provided further that the Debtors shall have the absolute right to remove any
25 Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims.

26 22. Upon the Closing or as otherwise provided herein or under the APA, the Debtors are
27 authorized and directed to assume, assign and/or transfer each of the Assigned Contracts to Prime. At
28 the Closing, Prime shall pay out of the Sale Proceeds, which shall include the “Cure Pool” (as defined

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1 in the APA), the Cure Amounts identified pursuant to paragraph 17 above. Notwithstanding anything
2 in this Order to the contrary, and with the exception of Cure Amounts subject to Assumption Disputes
3 on the Closing Date (which shall be paid upon resolution of such Assumption Dispute), the Debtors shall
4 pay to the Counterparties of Assigned Contracts the applicable Cure Amount (including, any Excess
5 Cure Amount) from the Cure Pool upon the Closing or as soon thereafter as is reasonably practicable.
6 The Debtors' payment of such Cure Amounts are deemed the necessary and sufficient amounts to "cure"
7 all "defaults" with respect to all such Assigned Contracts under § 365(b). The foregoing payment shall
8 (i) effect a cure of all defaults existing under all such Assigned Contracts, and (ii) compensate all such
9 Counterparties for any actual pecuniary loss resulting from any such default. The Debtors shall then
10 have assumed and assigned to Prime, effective as of the Closing, subject to the provisions of the APA
11 and this Sale Order, all of the Assigned Contracts, and, pursuant to § 365(f), the assignment by the
12 Debtors of all such Assigned Contracts to Prime shall not be a default thereunder. After the payment of
13 the Cure Amounts, neither the Debtors nor Prime shall have any further liabilities to any Counterparties,
14 other than Prime's obligations under the Assigned Contracts that accrue and become due and payable
15 after the Closing Date, except as provided in Section 4.9 of the APA, are attributable solely to post-
16 Closing events or activities. In addition, adequate assurance of future performance has been
17 demonstrated by or on behalf of Prime with respect to all of the Assigned Contracts within the meaning
18 of §§ 365(b)(1)(c), 365(b)(3) (to the extent applicable) and 365(f)(2)(B). For the avoidance of doubt,
19 Prime shall not be liable for the payment of any liabilities or obligations, including but not limited to the
20 obligation to provide assurance of future performance, arising from or related to (a) any Rejected
21 Contracts, (b) any prepetition multiparty contract affecting more than one Debtor in addition to SFMC,
22 or (c) any CBA, pension plan, or health and welfare plan providing for collectively bargained for benefits
23 to which SFMC is a party or a sponsor, unless expressly assumed and assigned with Prime's consent or
24 as otherwise set forth in this Sale Order.

25 23. The Debtors intend, and are hereby authorized, to (A) reject, pursuant to § 365(a), all
26 executory contracts to which SFMC is a party, excluding (i) Assigned Contracts, and (ii) any
27 prepetition multiparty contract affecting more than one Debtor in addition to SFMC, and, (B) reject
28 and terminate, to the extent separately authorized by this Court, pursuant to §§ 1113, 1114, and any

1 other applicable provision of the Bankruptcy Code, any CBA, pension plan or health and welfare
2 plan providing collectively bargained benefits to which SFMC is a party or sponsor.

3 24. All of the Counterparties are forever barred, estopped, and permanently enjoined from
4 (i) raising or asserting against the Debtors or Prime, or any of their property, any assignment fee,
5 acceleration, default, breach, or claim of pecuniary loss, or condition to assignment, arising under or
6 related to the Assigned Contracts, existing as of the Closing, or arising by reason of the consummation
7 of the Transaction contemplated by the APA, including, without limitation, the Transaction and the
8 assumption and assignment of the Assigned Contracts, including any asserted breach relating to or
9 arising out of the change-in-control provisions in such Assigned Contracts, or any purported written or
10 oral modification to the Assigned Contracts and (ii) asserting against Prime any claim, counterclaim,
11 breach, or condition asserted or assertable against the Debtors existing as of the Closing or arising by
12 reason of the transfer of the Purchased Assets.

13 25. Any provisions in any Assigned Contracts that prohibit or condition the assignment of
14 such Assigned Contract or allow the counterparty to such Assigned Contract to terminate, recapture,
15 impose any penalty, condition on renewal or extension or modify any term or condition upon the
16 assignment of such Assigned Contract constitute unenforceable anti-assignment provisions that are void
17 and of no force and effect with respect to the Debtors' assumption and assignment of such Assigned
18 Contract to Prime in accordance with the APA, pursuant to § 363(f).

19 26. The terms and provisions of this Sale Order, as well as the rights granted under the
20 Transaction Documents, shall continue in full force and effect and are binding upon any successor,
21 reorganized Debtors, or chapter 7 or chapter 11 trustee applicable to the Debtors, notwithstanding entry
22 of any order of conversion or dismissal. Nothing contained in any chapter 11 plan confirmed in the
23 Debtors' cases or in any order confirming such a plan, nor any order dismissing the cases or converting
24 the cases to a case under chapter 7, shall conflict with or derogate from the provisions of the APA, any
25 documents or instruments executed in connection therewith, or the terms of this Sale Order, provided
26 however, that in the event of a conflict between this Sale Order and an express or implied provision of
27 the APA, this Sale Order shall govern. The provisions of this Sale Order and any actions taken pursuant
28 hereto shall survive any conversion or dismissal of the cases and the entry of any other order that may

1 be entered in the cases, including any order (i) confirming any plan of reorganization; (ii) converting the
2 cases from chapter 11 to chapter 7; (iii) appointing a trustee or examiner in the cases; or (iv) dismissing
3 the cases.

4 27. The Transaction contemplated by the APA and other Transaction Documents are
5 undertaken without collusion and in “good faith,” as that term is defined in § 363(m). Prime is a good
6 faith purchaser within the meaning of § 363(m) and, as such, is entitled to the full protections of § 363(m).
7 Accordingly, the reversal or modification on appeal of the authorization provided herein by this Sale
8 Order to consummate the Transaction shall not affect the validity of the sale of the Purchased Assets to
9 Prime or the terms thereof. The APA and the Transactions contemplated thereby cannot be avoided
10 under § 363(n).

11 28. The failure to specifically include any particular provision of the APA or the other
12 Transaction Documents in this Sale Order shall not diminish or impair the effectiveness of such
13 provisions, it being the intent of the Bankruptcy Court that the Transaction, the APA and the other
14 Transaction Documents be authorized and approved in their entirety. Likewise, all of the provisions of
15 this Sale Order are non-severable and mutually dependent.

16 29. This Order constitutes a final and appealable order within the meaning of 28 U.S.C.
17 § 158(a). Notwithstanding Rules 6004(h), 6006(d), 7062, or 9014, if applicable, or any other LBR or
18 otherwise, this Sale Order shall not be stayed for 14-days after the entry hereof, but shall be effective and
19 enforceable immediately upon entry pursuant to Rule 6004(h) and 6006(d). Time is of the essence in
20 approving the Transaction (including the transfer and the sale of the Purchased Assets).

21 30. The automatic stay in effect pursuant to § 362 is hereby lifted with respect to the Debtors
22 to the extent necessary, without further order of this Court, to (i) allow Prime to deliver any notice
23 provided for in the APA and Transaction Documents and (ii) allow Prime to take any and all actions
24 permitted under the APA and Transaction Documents in accordance with the terms and conditions
25 thereof.

26 31. Unless otherwise provided in this Sale Order, to the extent any inconsistency exists
27 between the provisions of the APA and this Sale Order, the provisions contained in this Sale Order shall
28 govern.

1 32. This Court shall retain exclusive jurisdiction to interpret, construe, and enforce the
2 provisions of the APA and this Sale Order in all respects, and further, including, without limitation, to
3 (i) hear and determine all disputes between the Debtors and/or Prime, as the case may be, and any other
4 non-Debtor party to, among other things, the Assigned Contracts concerning, among other things,
5 assignment thereof by the Debtors to Prime and any dispute between Prime and the Debtors as to their
6 respective obligations with respect to any asset, liability, or claim arising hereunder; (ii) compel delivery
7 of the Purchased Assets to Prime free and clear of Encumbrances; (iii) compel the delivery of the
8 Purchase Price or performance of other obligations owed to the Debtors; (iv) interpret, implement, and
9 enforce the provisions of this Sale Order; and (v) protect Prime against (A) claims made related to any
10 of the Excluded Liabilities (as defined in the APA), (B) any claims of successor or vicarious liability (or
11 similar claims or theories) related to the Purchased Assets or the Assigned Contracts, or (C) any
12 Encumbrances asserted on or against Prime or the Purchased Assets.

13 33. Following the date of entry of this Sale Order, the Debtors and Prime are authorized to
14 make changes to the APA and/or execute supplemental agreements implementing the transactions
15 contemplated by the APA without the need for any further order of the Court provided that all such
16 changes have been approved in writing by the Debtors, Prime, the Committee, and Prepetition Secured
17 Creditors. Any other proposed changes to the APA or this Sale Order shall require a further order of the
18 Court, after reasonable notice under the circumstances and a hearing.

19 34. Notwithstanding any other provision of this Sale Order or any other Order of this Court,
20 no sale, transfer or assignment of any rights and interests of a regulated entity in any federal license or
21 authorization issued by the FCC shall take place prior to the issuance of FCC regulatory approval for
22 such sale, transfer or assignment pursuant to the Communications Act of 1934, as amended, and the rules
23 and regulations promulgated thereunder. The FCC's rights and powers to take any action pursuant to its
24 regulatory authority, including, but not limited to, imposing any regulatory conditions on such sales,
25 transfers and assignments and setting any regulatory fines or forfeitures, are fully preserved, and nothing
26 herein shall proscribe or constrain the FCC's exercise of such power or authority to the extent not
27 inconsistent with the applicable provisions of the Bankruptcy Code.
28

1 35. Debtors shall make commercially reasonable efforts to enter into settlement agreements
2 with the Centers for Medicare and Medicaid Services (“CMS”), with respect to the Medicare Provider
3 Agreement, and the California Department of Health Care Services (“DHCS”), with respect to the Medi-
4 Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings and pursue possible appeals
5 that the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred
6 without the consent of CMS or DHCS, as applicable, and without successor liability, and free and clear
7 of all Encumbrances, to enable such agreements to be assigned to Prime. Between the Closing Date and
8 the Licensure Date, Prime may bill and collect for patient services under Debtors’ health plan
9 agreements, pursuant to the terms of the IMA and Leaseback Agreement (as those terms are defined in
10 the APA).

11 36. For the avoidance of doubt, no pension plans are being assumed pursuant to the APA or
12 this Sale Order.

13 37. Notwithstanding anything to the contrary in this Sale Order, nothing in this Sale Order
14 constitutes a finding or determination on (a) any Cure Objection or (b) on the ability of the Debtors to
15 assume and assign to Prime any contract or lease held by a Counterparty subject to any order extending
16 the deadlines related to such Cure Objections (the “Extended Contracts”). All Cure Objections, and any
17 objections related to assumption and assignment of the Extended Contracts, are preserved until resolved
18 either by agreement between the Debtors and the Counterparty or further order of the Court.

19 38. The California Attorney General, the Debtors, the Consultation Parties (as defined in the
20 Bidding Procedures Order) and Prime, reserve all rights, arguments and defenses concerning the
21 California Attorney General’s authority, if any, to review the sale under California Corporations Code
22 §§ 5914-5924 and California Code of Regulations on Nonprofit Hospital Transactions—Title 11,
23 Chapter 15, § 999.5, and any conditions issued thereto. Notwithstanding any provision to the contrary
24 in the APA or the Sale Order, nothing in the APA or this Sale Order shall limit or be construed as a
25 waiver of the Attorney General’s statutory or regulatory authority or other rights or defenses, or a waiver
26 of the Debtors’ statutory or other rights or defenses.

27 39. Notwithstanding anything to the contrary in the Motion, the Bidding Procedures, the
28 Bidding Procedures Order, any Cure Notice or assumption notice, any purchase agreement, or this

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Sale Order (i) none of the insurance policies or any related agreements (collectively, the “Chubb
2 Insurance Contracts”) issued at any time by Federal Insurance Company, ACE American Insurance
3 Company, Illinois Union Insurance Company and each of their affiliates and successors
4 (collectively, “Chubb”), or any rights, benefits, claims, rights to payments and/or recoveries under
5 the Chubb Insurance Contracts shall be sold, assigned or otherwise transferred to the Buyer in
6 connection with the Sale; (ii) nothing shall alter, modify or otherwise amend the terms or conditions
7 of the Chubb Insurance Contracts; and (iii) for the avoidance of doubt, the Winning Bidder is not,
8 and shall not be deemed to be, an insured under any of the Chubb Insurance Contracts; *provided,*
9 *however,* that to the extent any claim with respect to any Purchased Assets arises that is covered by
10 the Chubb Insurance Contracts and the proceeds of the applicable Chubb Insurance Contract would
11 be payable to the Debtors (as opposed to a third party claimant), the Debtors may pursue such claim
12 in accordance with the terms of the Chubb Insurance Contracts, and, if applicable, turn over to the
13 Winning Bidder any such insurance proceeds (each, a “Proceed Turnover”); *provided, further,*
14 *however,* that the Chubb Companies shall not have any duty to effectuate a Proceed Turnover or
15 liability related to a Proceed Turnover.

16 40. The conditions precedent to the Closing are as set forth in Articles 7 and 8 of the APA.

17 41. The Committee’s and the Prepetition Secured Creditors’ rights, and their ability to
18 participate and be heard at hearings concerning the Sale, are hereby reserved. To the extent that the
19 Prepetition Secured Creditors or the Committee desire to file pleadings related to such hearings, their
20 respective times for filing an objection or response shall be the same as granted to the Debtors pursuant
21 to the notice in each such instance.

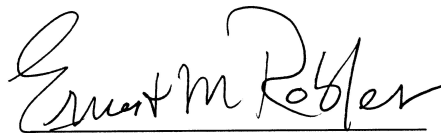
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IT IS SO ORDERED.

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DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Date: April 9, 2020



Ernest M. Robles
United States Bankruptcy Judge

Exhibit B

APA

See attached.

ASSET PURCHASE AGREEMENT

By and Among

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,
and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

(as “Sellers”)

and

PRIME HEALTHCARE SERVICES, INC.

(as “Purchaser”)

Dated April 3, 2020

INDEX OF SCHEDULES & EXHIBITS

Schedules

Schedule 1.1(a)(i)	Base Price Adjustment
Schedule 1.4(c)	Owned Real Property
Schedule 1.7(b)	Licenses
Schedule 1.7(c)(i)	Leased Real Property
Schedule 1.7(c)(ii)	Tenant Leases
Schedule 1.7(d)	Assigned Contracts and Assigned Leases
Schedule 1.7(I)	Permitted Exceptions
Schedule 1.8(bb)	Certain Other Excluded Assets
Schedule 1.9(i)	Other Obligations
Schedule 2.4	Seller's Knowledge of Breach or Default
Schedule 2.5	Brokers and Finders (Sellers)
Schedule 2.7	Compliance (Sellers)
Schedule 2.8	Required Consents (Sellers)
Schedule 2.9(b)	Environmental Matters (Sellers)
Schedule 2.11	Missing Material Licenses (Sellers)
Schedule 2.13	Non-Bankruptcy Court Legal Proceedings (Sellers)
Schedule 2.19	List of Excluded Individuals (Seller)
Schedule 3.4	No Violation (Purchaser)
Schedule 3.7	Legal Proceedings (Purchaser)
Schedule 5.3	"Hospital Employees"
Schedule 11.3	Tax Allocation Schedule

Exhibits

<i>No.</i>	<i>Description</i>	<i>Status</i>
Exhibit 1.2	Escrow Agreement	to come
Exhibit 1.3(a)	Leaseback Agreement	Attached
Exhibit 1.3(b)	Interim Management Agreement	Attached
Exhibit 1.4(a)	Bill of Sale	to come
Exhibit 1.4(b)	Real Estate Assignment Agreements	to come
Exhibit 1.4(c)	Quitclaim Deeds	to come
Exhibit 1.4(d)	Transfer Agreement	to come
Exhibit 1.4(f)	Transition Services Agreement	Attached
Exhibit 1.4(k)	FIRPTA	to come
Exhibit 5.8(c)	Accepted Conditions (Attorney General Conditions)	to come

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “**Agreement**”) is made and entered into as of April 3, 2020 (the “**Signing Date**”) by and among St. Francis Medical Center, a California nonprofit public benefit corporation (“**SFMC**”), Verity Holdings, LLC (“**Verity Holdings**”), a California limited liability company and Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**VHS**” and, together with SFMC and Verity Holdings, the “**Sellers**” and each individually a “**Seller**”) and Prime Healthcare Services, Inc., a Delaware corporation (“**Purchaser**” and, together with the Sellers, the “**Parties**” and each individually a “**Party**”).

RECITALS

A. SFMC engages in the business of operating a hospital known as St. Francis Medical Center (“**St. Francis**”) in the City of Lynwood, California, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by SFMC (with St. Francis, collectively referred to herein, as the “**Hospital**”).

B. VHS is the sole member of SFMC and Verity Holdings. Verity Holdings owns and rents certain properties on or near the Hospital campus.

C. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below for the consideration and upon the terms and conditions contained in this Agreement.

D. On August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the “**Bankruptcy Court**”), which are jointly administered with their affiliates under Case No. 18-20151 (the “**Bankruptcy Cases**”).

E. On February 10, 2020, Sellers filed the *Debtors’ Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum Of Points And Authorities In Support Thereof* [Docket No. 4069] (the “**Bidding Procedures Motion**”) which was approved by an order of the Bankruptcy Court (the “**Bidding Procedures Order**”) [Docket No. 4165] and pursuant thereto the Parties have entered into this Agreement.

F. The Parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets pursuant to the Bidding Procedures and as approved by the Bankruptcy Court pursuant to Sections 363 and 365 of the Bankruptcy Code.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the Parties hereto agree as follows:

ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the aggregate consideration shall be as follows:

(i) Payment to Sellers of a cash base purchase price (“**Base Price**”) as follows: Two Hundred Million Dollars (\$200,000,000); provided, that in the event at Closing the Annualized Normalized EBITDA (as defined in Schedule 1.1(a)(i)) is more than Fifty Million Dollars (\$50,000,000) less than the Prior Period Annualized Normalized EBITDA (as defined in Schedule 1.1(a)(i)), the Purchaser shall offset from the portion of the remaining QAF V net receipts collected after Closing (but not by more than an aggregate of Thirty Million Dollars (\$30,000,000)) one dollar for every dollar of difference between Prior Period Annualized Normalized EBITDA and Annualized Normalized EBITDA over Fifty Million Dollars (\$50,000,000) up to Eighty Million Dollars (\$80,000,000). In the event that the QAF V payments are insufficient to satisfy the amount of offset, then Purchaser shall have offset rights from the Seller’s QAF VI Seller Net Payments;

(ii) Sellers shall retain, as an Excluded Asset, the QAF V Payments (defined below) and the QAF VI Seller Net Payments (defined below) as described in Section 1.8(b), which are currently estimated at Twenty-Nine Million Dollars (\$29,000,000) in connection with the QAF V Payments and Eighty-Three Million Dollars (\$83,000,000) in connection with the QAF VI Seller Net Payments;

(iii) Cash payment of Sixty-One Million Dollars (\$61,000,000) (the “**A/R Target Amount**”) as consideration for the Accounts Receivable transferred at Closing (subject to adjustment in Section 1.12);

(iv) Cash payment for Sellers’ payroll liabilities at Closing (the “**Payroll Amount**”) (which as of October 31, 2019, had an aggregate value of approximately Five Million Dollars (\$5,000,000));

(v) Cash payment for accrued vacation and other paid time-off of Sellers’ employees at Closing (the “**PTO Amount**”) (which as of October

31, 2019, had an aggregate value of approximately Ten Million Dollars (\$10,000,000));

(vi) An amount equal to the Cure Costs (defined below) associated with outstanding liabilities of Sellers under any Assigned Leases and/or Assigned Contracts; and

(vii) An amount determined in accordance with Section 1.6.

(b) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Base Price, *plus* the A/R Target Amount, *plus* the Cure Cost Amount, *plus* the PTO Amount, *plus* the Payroll Amount (collectively, the “**Purchase Price**”), *minus* the Deposit (defined below).

(c) For purposes of this Agreement, the “**QAF Program**” means the California Department of Health Care Services (“**DHCS**”) Hospital Quality Assurance Fee Programs V (“**QAF V**”) and VI (“**QAF VI**”). During the period prior to the Closing, Sellers shall pay or permit DHCS to offset from amounts owed to St. Francis any fees due and owing prior to the Closing under QAF V and QAF VI (such payments or offsets shall be included in the formula described in Section 1.8(b)), and Sellers shall be entitled to retain all payments received under QAF V and QAF VI.

(d) Separate from, and in addition to, the Purchase Price, Purchaser commits to invest Forty-Seven Million Dollars (\$47,000,000) in capital expenditures for St. Francis (including NPC-3 seismic compliance responsibilities).

1.2 Deposit. Purchaser has deposited an amount equal to \$27,725,342.48 (the “**Initial Deposit**”) by wire transfer to Chicago Title Insurance Company (“**Escrow Agent**”) pursuant to that certain Escrow Agreement attached hereto as Exhibit 1.2. Within two (2) business day after the date of the conclusion of the auction for the Assets, if any, if Purchaser is the Prevailing Bidder (as defined below) and as a result of such auction has opted to increase the Purchase Price (the “**Auction Purchase Price**”), Purchaser shall deposit an additional amount with the Escrow Agent such that the total amount deposited with the Escrow Agent is equal to ten percent (10%) of the Auction Purchase Price (the Initial Deposit and any additional amount deposited with the Escrow Agent (if any) referred to collectively as the “**Deposit**”) by wire transfer to the Escrow Agent. All fees of the Escrow Agent shall be paid by Purchaser. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser’s termination of the Agreement pursuant to Sections 9.1 (a), (c), (d), (f), (g), (h) or (i) hereof. Upon Closing, the Deposit will be credited against the Purchase Price.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually occurs, the “**Closing Date**”) within three (3) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, and other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The

Closing shall be deemed to occur and to be effective as of 12:00 a.m. pacific time on the day immediately after the Closing Date (the “**Effective Time**”). Purchaser and Sellers agree that because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the Assets (less any Assets constituting drugs or pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (as such terms are defined below)) will be sold to Purchaser and immediately leased back to Sellers (substantially in the form of the Leaseback Agreement attached hereto as Exhibit 1.3(a), the “**Leaseback Agreement**”), with a concurrent management arrangement (substantially in the form of the Interim Management Agreement attached hereto as Exhibit 1.3(b), the “**IMA**”). On the effective date that Purchaser obtains a general acute care hospital license from the California Department of Public Health (“**CDPH**”) and a hospital pharmacy permit from the California State Board of Pharmacy (“**BOP**”) (i) the Leaseback Agreement and IMA will terminate and (ii) the drugs and pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements will be transferred to Purchaser (without payment of any additional Purchase Price) (the “**Licensure Date**”). For the avoidance of any doubt, the Licensure Date shall be the date the Purchaser’s hospital license and pharmacy permit are effective, even if they are not actually issued until a later date. The Licensure Date may be determined based on oral assurances from CDPH and the BOP.

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

(a) a Bill of Sale substantially in the form of Exhibit 1.4(a) attached hereto (the “**Bill of Sale**”), duly executed by each Seller;

(b) Real Estate Assignment Agreements (the “**Real Estate Assignments**”) in the form of Exhibit 1.4(b) attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by the applicable Sellers;

(c) Quitclaim Deeds in the form of Exhibit 1.4(c) attached hereto with respect to the real property listed in Schedule 1.4(c), together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (the “**Owned Real Property**”) duly executed by SFMC and Verity Holdings as applicable;

(d) an Assigned Contract Transfer Agreement (the “**Transfer Agreement**”) in the form of Exhibit 1.4(d) attached hereto, duly executed by the applicable Sellers;

(e) evidence of payment of all Cure Costs;

(f) the Transition Services Agreement (the “**Transition Services Agreement**”) in form attached hereto as Exhibit 1.4(f), duly executed by the applicable Sellers;

(g) the Leaseback Agreement and IMA, duly executed by SFMC;

(h) favorable certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing

Date;

(i) a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing (I) the transfer of the Assets and transfer of the Transferred Obligations by such Seller to Purchaser and (II) the due execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(j) a certified copy of the Sale Order (as defined below);

(k) non-foreign affidavits of SFMC and Verity Holdings, as applicable, dated as of the Closing Date, in the form of Exhibit 1.4(k); and

(l) Any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

(a) payment of the Purchase Price, minus the Deposit;

(b) a duly executed certificate of the Secretary of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(c) favorable certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(d) the Transition Services Agreement, duly executed by Purchaser;

(e) the Leaseback Agreement and IMA, duly executed by Purchaser;

(f) the Bill of Sale, duly executed by Purchaser;

(g) the Real Estate Assignment(s), duly executed by Purchaser;

(h) the Transfer Agreement, duly executed by Purchaser;

(i) Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Owned Real Property, duly executed by Purchaser; and

(j) any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

(a) All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

(b) Other than the Utility Deposits (defined below), which are governed by Section 1.8(n), and other than with respect to Cure Costs, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: (i) all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments and other similar charges against real estate, (ii) power and utility charges, (iii) payments made by Sellers for information technology software or services for periods after the Effective Time, (iv) payments made by Sellers in association with Licenses or dues paid to government and non-governmental agencies for calendar year 2020, and (v) other similar costs for items or services which continue past the Effective Time (collectively, the “**Prorated Charges**”). Sellers shall pay at or prior to the Closing (or Purchaser shall receive credit for) any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for or, to the extent previously paid by Sellers, pay to Sellers at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The Parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, “final readings” as of the Closing Date shall be ordered from the utilities; the cost of obtaining such “final readings,” if any, shall be paid by Purchaser.

(c) Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time (“**Pre Effective Time Lease Amounts**”), and Purchaser shall be entitled to all rents and other payments under tenant leases accruing for the period after the Effective Time (“**Post Effective Time Lease Amounts**” and together with the Pre Effective Time Lease Amounts, the “**Lease Amounts**”). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance with the immediately preceding sentence. All Lease Amounts that are accrued but unpaid as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the “**Unpaid Amounts**”) shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall

promptly remit any of such amounts to Sellers within ten (10) days after Purchaser's receipt of same.

(d) If Purchaser requests that Sellers transfer electronic medical records in a specific electronic format due to the Sellers' electronic medical record ("EMR") system and Purchaser's EMR system not being interoperable, then Purchaser shall reimburse, on the Closing Date, all amounts paid or to be paid by Sellers to transfer electronic medical records to Purchaser in such different electronic format.

(e) All prorrations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the Parties; *provided, however*, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either Sellers or Purchaser shall be entitled to an adjustment to correct the same, provided that said Party makes written demand on the Party from whom it is entitled to such adjustment within fifteen (15) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration.

(f) This Section 1.6 shall survive Closing.

1.7 Transfer of Sellers Assets. On the Closing Date, subject to the terms and conditions of this Agreement and except as otherwise contemplated in Section 1.3, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all interests, including but not limited to all liens, privileges, pledges, security interests, rights of first refusal, options, defects in title and encumbrances ("**Encumbrances**") other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of Sellers' right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time (the "**Assets**"):

(a) all of the tangible personal property owned by Sellers, or to the extent assignable or transferable by Sellers, and used by Sellers in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the "**Personal Property**");

(b) subject to Section 1.7(e), all of Sellers' rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Sellers for use in the operation of the Hospital (the "**Licenses**"), including, without limitation, the Licenses set forth on Schedule 1.7(b), except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of Sellers' interest in and to the Owned Real Property and all of Sellers' interest, to the extent assignable or transferable and that have been designated by Purchaser, in and to all of the following (the "**Assigned Leases**"): (i) the real property leases for all real property leased by Sellers and set forth on Schedule 1.7(c)(i) (the "**Leased Real Property**"), and (ii) the real property leased or subleased by Sellers to a third party and set forth on Schedule 1.7(c)(ii) (the "**Tenant Leases**");

(d) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(d);

(e) all of Sellers' interest in, from and after the Licensure Date, to the extent assignable or transferable, the Hospital's Medicare Provider Agreement (and provider number) and the Hospital's Medi-Cal Provider Agreement (and provider number) (collectively, the "**Medicare/Medi-Cal Agreements**");

(f) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's managed care, pre-paid, capitated or other full-risk health plan agreements (collectively, the "**Managed Care Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Managed Care Agreements**");

(g) subject to Section 4.6, all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's services, participation or provider agreements with private health plans, insurers or other third party payors (collectively, the "**Private Payor Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Private Payor Agreements**"), *provided that*, Private Payor Agreements shall not include any "risk-sharing" agreements with independent physician associations;

(h) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital or (ii) used in the operation of the Hospital (the "**Inventory**") except as set forth in Sections 1.3 and 1.8(i);

(i) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepays**");

(j) to the extent assignable or transferable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; *provided, however*, that any electronic medical records may be transferred in paper or "pdf" if Sellers' EMR system and Purchaser's EMR system are not interoperable;

(k) to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property;

(l) all right, title and interest in and to the name “St. Francis Medical Center,” including any associated Hospital trademarks, service marks, trade names, logos and domain names but excluding the domain <https://stfrancis.verity.org> and content therein;

(m) all goodwill of the Hospital evidenced by the Assets;

(n) to the extent transferable or assignable, Sellers’ right or interest in the telephone and facsimile numbers used with respect to the operation of the Hospital;

(o) to the extent assignable or transferable, Sellers’ lock box account(s) associated with Medicare or Medi-Cal fee-for-service receivables (the “**Lockboxes**”) on or after the Licensure Date;

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, , in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source and all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19 (collectively, “**Accounts Receivable**”); and (ii) trauma payments, disproportionate share payments (subject to Section 1.8(c)), California Health Foundation & Trust payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the “Other Receivables” and together with the Accounts Receivable, the “Receivables”);

(q) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the Receivables;

(r) all QAF payments due to the Hospital from the State of California or any of its administrative entities or other entitles, including without limitations, Medi-Cal managed care plans, that are both received on and after the Licensure Date and attributable to QAF VI and any subsequent QAF Program, regardless of the state fiscal year for which the payments are made in reference to and regardless of the state fiscal year for which the data was derived to calculate eligibility for such payments, other than the QAF payments received prior to Closing or specifically excluded pursuant to Section 1.8(b) as QAF VI Seller Net Payments;

(s) except as set forth in Section 1.8(l) (*i.e.*, certain causes of action), all claims, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment of Sellers against third parties related to or associated with the physical condition of any of the Assets; and

(t) to the extent assignable or transferable, any other assets owned by Sellers (which are not otherwise specifically described above in this Section 1.7) that are used primarily in the operation of the Hospital.

As used herein, the term “**Permitted Exceptions**” means (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable; (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (iv) imperfections of title or encumbrances identified in the Title Commitments (defined below) other than those specifically identified in Schedule 1.7(I); and (v) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets owned directly or indirectly by it (or any of Sellers’ affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of Sellers (collectively, the “**Excluded Assets**”):

- (a) cash, cash equivalents and short-term investments;
- (b) all QAF payments received prior to Closing under any QAF Program and, in addition, (I) the Excluded Assets shall include all payments received or to be received by the Hospital with respect to QAF V (the “**QAF V Payments**”), and (II) with respect to QAF VI, the Excluded Assets shall include the “**QAF VI Seller Net Payments**” which shall be, with respect to the Hospital, an amount equal to the product of: (A) all payments received or to be received by the Hospital under the QAF Program in respect of QAF VI minus all payments already made, required to be made in the future or to be offset by the government with respect to QAF VI, multiplied by (B) the Closing Date Percentage. The “**Closing Date Percentage**” shall mean the percentage derived by dividing the total number of days between July 1, 2019 and the Effective Time, by 915;
- (c) all Disproportionate Share Hospital Payments (“**DSH**”) received on or after the Effective Time but calculated based on data from periods prior to the Effective Time (whether received before or after the Effective Time and whether paid to Sellers or Purchaser);
- (d) all Sellers Plans (defined below) and the assets of all Sellers Plans and any asset that would revert to the employer upon the termination of any Sellers Plan, including, without limitation, any assets representing a surplus or overfunding of any Sellers Plan;
- (e) all contracts that are not Assigned Contracts and all risk sharing agreements with independent physician associations (“**IPAs**”);
- (f) any Private Payor Agreement that is not a Transferred Private Payor Agreement and any Managed Care Agreement that is not a Transferred Managed Care Agreement;
- (g) all collective bargaining agreements or other arrangements with unions representing Sellers’ employees;

(h) all leases that have not been designated as Assigned Leases, and all Contracts that have not been designated as Assigned Contracts and all rents, deposits, prepayments, and similar amounts relating thereto;

(i) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by Sellers after the Signing Date and prior to the Effective Time in the ordinary course of business;

(j) assets owned by vendors of services or goods to the Hospital;

(k) all of Sellers' organizational or corporate record books, minute books and tax records;

(l) Except as set forth in Section 1.7(k) or 1.7(s) hereof (*i.e.*, rights under warranties and physical condition claims), all claims, counterclaims and causes of action of Sellers or Sellers' bankruptcy estate (including parties acting for or on behalf of Sellers' bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Case), including, without limitation, (A) causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code ("**Avoidance Claims**"), (B) any claims, counterclaims and causes of action under applicable non-bankruptcy law (including claims, counterclaims and causes of action against any health plan or other third party payors related to services provided prior to the Effective Time), and (C) any rights to challenge liens asserted against property of the Sellers' bankruptcy estate (including, but not limited to, liens attaching to the Purchase Price paid to the Sellers), and the proceeds from any of the foregoing; *provided, however*, that Purchaser shall acquire and be deemed to release and waive as of the Effective Time all Avoidance Claims against counterparties to Assigned Contracts and Assigned Leases solely to the extent such avoidance claims arise from, or are in connection with, executory contracts and unexpired leases assigned by the Sellers to Purchaser pursuant to Section 1.11 hereof;

(m) Except as set forth in Section 1.7(s), all insurance policies and contracts and coverages obtained by Sellers or listing Sellers as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to (i) Assets prior to the Licensure Date and/or (ii) Excluded Assets whether prior to or after the Licensure Date;

(n) all deposits made with any entity that provides utilities to the Hospital (the "**Utility Deposits**");

(o) all unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(p) all bank accounts of Sellers, other than the Lockboxes as set forth in Section 1.7(o);

(q) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(r) the rights of Sellers to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(s) all tax refunds and tax assets of Sellers;

(t) all documents, records, operating manuals and film pertaining to the Hospital that the Parties agree that Sellers is required by law to retain;

(u) all patient records and medical records which are not part of any electronic medical record software transferred to Purchaser and are not required by law (including Section 351 of the Bankruptcy Code) to be maintained by Purchaser as of the Effective Time;

(v) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(w) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets and/or Excluded Liabilities;

(x) any rights or remedies provided to Sellers under this Agreement and each other document executed in connection with the Closing and the actions necessary to complete the sale of the Hospital pursuant to this Agreement;

(y) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers' termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(z) any (i) personnel files for employees of Sellers who are not hired by Purchaser; (ii) all documents, records, correspondence (including with respect to any employees), work papers, patient records or other books and records that Sellers is required by Law to retain; *provided, however*, that except as prohibited by Law and subject to ARTICLE 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which Sellers is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and Sellers shall be entitled to retain or request a copy of such documents;

(aa) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC (“**Premier GP**”), Premier Healthcare Alliance, L.P. (“**Premier LP**”), Premier Healthcare Solutions, Inc. (“**PHSI**”) and each of Premier, Inc.’s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, “**Premier**”), and on the other hand,

VHS, as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS); and

(bb) any assets identified in Schedule 1.8(bb).

For the avoidance of doubt, Purchaser is not acquiring any asset owned by any affiliate of Sellers.

1.9 Transferred Obligations. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations (collectively, the “**Transferred Obligations**”):

(a) the Assigned Contracts, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(b) the Assigned Leases, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) all liabilities and obligations related to the Hired Employees arising on or following the Effective Time (which for avoidance of doubt, does not include any duties, obligations or liabilities arising from or related to employment-related documentation required to be maintained by such Seller prior to the Effective Time, including but not limited to, documentation of I-9 compliance for Sellers’ employees and any alternative work schedule compliance duties, obligations or liabilities that relate to Sellers’ employees);

(e) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(f) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(g) any documentary, sales and transfer tax liabilities of Sellers incurred as a result of the consummation of the transaction contemplated by this Agreement;

(h) all liabilities or obligations provided for in Section 5.3; and

(i) any other obligations and liabilities identified in Schedule 1.9(i).

1.10 Excluded Liabilities. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the IMA, the Leaseback Agreement, the Transition Services Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall

be responsible for the Transferred Obligations. However, except as expressly set forth herein, Purchaser is not assuming any liabilities of Sellers related to the Assets, Sellers' employees or the Hospitals, is purchasing the Assets free and clear of the Encumbrances except the Permitted Exceptions (defined herein) and shall not be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets (the "**Excluded Liabilities**").

1.11 Designation of Assigned Contracts and Assigned Leases. Each Seller will assign to Purchaser the Assigned Leases and such other contracts and leases as are subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). At the later of (i) 5:00 p.m. pacific time on the day that is seven (7) calendar days prior to the date of the auction for the Assets and (ii) the date the Purchaser submits its bid for the Assets: (A) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be assigned to Purchaser (the "**Assigned Contracts**") and (B) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by Seller (the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate any contracts on the Assigned Contract list as a Rejected Contract on or prior to 5:00 p.m. pacific time on the day that is thirty (30) days prior to Closing Date, and Sellers shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims; provided, however, that notwithstanding anything to the contrary, and to enable Sellers to comply with the terms of the Bidding Procedures Order with respect to UnitedHealthcare Insurance Company ("**UnitedHealthcare**"), Purchaser shall irrevocably designate all UnitedHealthcare agreements as Assigned Contracts or Rejected Contracts by the date that is two (2) calendar days after the Bankruptcy Court enters the Sale Order. The final list of Assigned Contracts at Closing will appear on Schedule 1.7(d).

1.12 Accounts Receivable Reconciliation.

(a) Sellers and Purchaser have mutually agreed that the target Accounts Receivable amount that will be transferred from Sellers to Purchaser as of the Effective Time is the A/R Target Amount. In connection with the Account Receivable reconciliation process, Purchaser shall collect the Accounts Receivable during the one hundred thirty-five (135) day period immediately following the Closing Date (collectively, the "**Final A/R Collected**"), and within the thirty (30) day period thereafter, Purchaser shall provide Sellers, in good faith, a schedule which provides an accounting of the Final A/R Collected (the "**A/R Accounting Schedule**"), together with reasonably detailed schedules and data supporting such accounting.

(b) After receipt of the A/R Accounting Schedule, Sellers shall have sixty (60) days to review the A/R Accounting Schedule and the Final A/R Collected as proposed by Purchaser, together with the work papers used in the preparation thereof, and have their representatives and advisors review such A/R Accounting Schedule and proposed Final A/R Collected. In connection with the review of the A/R Accounting Schedule and proposed Final A/R Collected, Purchaser shall give, and shall cause its representatives and advisors to give, to Sellers and their representatives and advisors reasonable access, upon reasonable prior notice, to the books, records and other materials and the personnel of, and work papers prepared by or for, Purchaser and its representatives and advisors, including to such historical financial information relating to the Sellers and the Accounts Receivable as Sellers or their representatives or advisors

may request, in each case, in order to permit the timely and complete review of the A/R Accounting Schedule and proposed Final A/R Collected in accordance with this Section 1.12(b) and so long as such access does not unreasonably interfere with the operations of the Purchaser.

(c) If Sellers disagree with the A/R Accounting Schedule and/or proposed Final A/R Collected, they shall notify Purchaser in writing within sixty (60) days after the date on which Purchaser delivers such A/R Accounting Schedule and proposed Final A/R Collected to Sellers, which shall include the items as to which they disagree and their calculation of such disputed amounts with reasonable supporting detail (the “Statement of Objections”). Purchaser and Sellers shall reasonably cooperate to resolve any such disagreements. If Purchaser and Seller are unable to resolve all such disagreements on or before the date which is thirty (30) days following notification by Sellers of any such disagreements, such disagreements shall be submitted to the Bankruptcy Court for resolution. The A/R Accounting Schedule and Final A/R Collected shall become final on the earlier of (i) failure by Sellers to deliver a Statement of Objections within the time period required by this section; (ii) mutual written agreement by Sellers and Purchaser; or (iii) a determination by the Bankruptcy Court.

(d) Once the A/R Accounting Schedule and Final A/R Collected have become final in accordance with Section 1.12(c), the following shall occur:

(i) if the Final A/R Collected is more than the A/R Target Amount, then such excess amount shall be paid by Purchaser to Sellers within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers, provided that, in no event shall amounts of any governmental grants or awards directly or indirectly related to COVID-19 be paid to Sellers under this Section 1.12(d)(i) (for the avoidance of doubt, any amounts of any governmental grants or awards directly or indirectly related to COVID-19 must be removed from the calculation of the Final A/R Collected to determine whether Purchaser owes to Sellers any amount above the A/R Target Amount);

(ii) if the Final A/R Collected is less than the A/R Target Amount, then such deficit amount shall be paid by Sellers to Purchaser within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers (and if not paid, Purchaser shall have the right to offset such amounts against Seller’s QAF VI Seller Net Payments); or

(iii) if the Final A/R Collected is equal to the A/R Target Amount, then no adjusting payments in respect of the Accounts Receivable shall be required by either Purchaser or Sellers.

(e) During the one hundred thirty-five (135) day period immediately following the Closing Date Purchaser shall (i) use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables) within the one hundred thirty-five (135) day period immediately following the Closing Date; (ii) not take any action for the purpose of or which would be reasonably likely to result in any of the Accounts Receivable not being collected in a timely manner and within the one hundred thirty-five (135) day period immediately following the Closing Date; and (iii) provide Sellers with weekly written updates on its collection of the Accounts Receivable.

1.13 Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, “AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS” WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED OR RECEIVED “AS IS, WHERE IS” ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser’s judgment bear upon the Purchase Price, the Assets, the Sellers, the Hospital, the businesses of the Hospital and their value and suitability for Purchaser’s purposes and, except for Sellers representations and warranties in ARTICLE 2, is relying solely on Purchaser’s own examination, review and inspection of the Assets and Transferred Obligations. Purchaser hereby releases Sellers and their affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the businesses of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect at the Closing.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date, except as would not have a Material Adverse Effect (as defined below) upon the Assets, and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the “**Disclosure Schedule**”), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.7 (Compliance with Legal Requirements), 2.8 (Required Consents), 2.10 (Title)

and 2.13 (Legal Proceedings) (the “**Sale Order Date Representations**”) shall also be made as of immediately prior to the entry of the Sale Order (the “**Sale Order Date**”):

The term “**Material Adverse Effect**” means any event, change or occurrence that, individually or in the aggregate with other events, changes or occurrences, has had or would reasonably be expected to have, a material adverse effect on the Sellers’ financial condition, provided, that in determining whether a Material Adverse Effect has occurred, any degradation in earnings and/or Receivables shall be excluded.

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect (including, without limitation approval of the Bankruptcy Court) and (b) limitations on the enforcement of equitable remedies.

2.3 Organization and Good Standing; No Violation.

(a) Each of SFMC and VHS is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Verity Holdings is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller’s articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in Schedule 2.4, upon entry of the Sale Order and payment of the Cure Costs, to Sellers’ knowledge, Sellers are not in breach or default of the Assigned Contracts or Assigned Leases. No provision of this Section 2.4 shall apply to any failure to obtain consents to the assignment of the Assigned Contracts and/or Assigned Leases from third parties in connection with the assignment of such Assigned Contracts and/or Assigned Leases to Purchaser (the “**Contract and Lease Consents**”).

2.5 Brokers and Finders. Except as set forth on Schedule 2.5, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

2.6 Non-Contravention. Neither the execution and delivery by Sellers of this Agreement and each Ancillary Agreement nor performance of any of the material provisions

hereof by Sellers, will violate, conflict with or result in a breach of any material provisions of the articles of incorporation or bylaws of Sellers.

2.7 Compliance with Legal Requirements. Except as set forth in Schedule 2.7, to the knowledge of Sellers: each Seller, with respect to the operation of the Hospital, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, “**Legal Requirements**”). Except as set forth in Schedule 2.7, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospital, has been charged in writing with or been given written notice of any material violation or any obligation to take material remedial action under, any applicable Legal Requirements.

2.8 Required Consents. Except as set forth in Schedule 2.8, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the Attorney General, Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or material contract or any material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

2.9 Environmental Matters

(a) Sellers have provided Purchaser with the Phase I Environmental Site Assessments in Seller’s electronic data room.

(b) Except as disclosed in Schedule 2.9(b), to the knowledge of Sellers, the operations of the Hospital are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term “**Environmental Laws**” shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term “**Hazardous Substances**” shall mean (i) any hazardous or toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.10 Title. Sellers have delivered at their own expense for all Owned Real Property (i) preliminary title reports issued by Chicago Title Insurance Company (the “**Title Commitments**”) and (ii) copies of or access to all material underlying title documents listed on the Title Commitments.

2.11 Certain Other Representations with Respect to the Hospitals.

(a) Except as set forth in Schedule 2.11, all Licenses which are material and necessary to the operation of the Hospital by SFMC are valid and in good standing and SFMC is in compliance with the terms and conditions of all such Licenses in all material respects, in each case except where the failure to be valid and in good standing or in compliance would not have a Material Adverse Effect on the Assets. Except as set forth in Schedule 2.11, as of the Closing Date, SFMC will have all material Licenses required under Legal Requirements to operate the Hospital as presently operated by SFMC, except where the failure to have any such License would not have a Material Adverse Effect on the Assets. To the knowledge of Sellers, no loss of any License is pending or threatened.

(b) SFMC is certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which SFMC participates, and has current and valid provider agreements with each such program, except where the failure to be so certified or have such provider agreements would not have a Material Adverse Effect.

(c) SFMC has not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against SFMC.

2.12 Financial Statements.

(a) Sellers have provided to Purchaser: (i) the unaudited balance sheets of the Sellers as of June 30, 2018; (ii) unaudited income statements of the Sellers for the twelve-month periods ended June 30, 2018; (iii) the audited consolidated income statements of Sellers for the years ended 2016 and 2017; and (iv) the unaudited consolidated balance sheet of Sellers as of June 30, 2018 (collectively, the “**Historical Financial Statements**”).

(b) the income statements contained in the Historical Financial Statements present, fairly in all material respects the results of the operations of the Sellers as of and for the periods covered therein and the balance sheets contained in the Historical Financial Statements (i) are true, complete and correct in all material respects; (ii) present, fairly in all material respects the financial condition of the Sellers as of the dates indicated thereon; and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.13 Legal Proceedings. Except as set forth on Schedule 2.13, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers’ claims and noticing agent’s website at <http://www.kccllc.com/VERITYHEALTH/>, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospital or the Hospital by Sellers before any governmental authority. Except as set forth on Schedule 2.13, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers,

Sellers are not subject to any government order with respect to the ownership or operation by SFMC of the Hospital and SFMC is in substantial compliance with respect to any such government order.

2.14 Employee Benefits. Sellers have provided Purchaser with a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an “employee pension benefit plan” as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an “employee welfare benefit plan” as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Seller with respect to the operation of the Hospital, in which any employee of Seller participates in his/her capacity as such (collectively, the “**Seller Plans**”).

2.15 Personnel. Sellers have provided Purchaser with a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and scheduled bonus, and the accrued paid time off pay of all employees of Sellers (including employees of the Hospital and employees of VHS and Verity Holdings) immediately prior to March 31, 2020, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Sellers’s policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the “**Hospital Employees**”) and indicating whether the Hospital Employee is full- time or part-time. Sellers shall provide an updated list to Purchaser no later than five (5) Business Days before the date scheduled for the Closing.

2.16 Insurance. Sellers have provided Purchaser with a list of all material insurance maintained by Sellers with respect to the Assets, as of the Signing Date.

2.17 Receivables. To the knowledge of Sellers, all Receivables included in the Assets at Closing result from the bona fide provision of products or services in the ordinary course of business. All proceeds of Sellers’ Receivables are currently deposited, either electronically or manually, into those bank accounts provided to Purchaser in Seller’s electronic data room.

2.18 Payor Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, Sellers have provided Purchaser with a complete list of all written contracts with private third-party payors including insurance companies and HMOs. Sellers have provided Purchaser with a true and correct copy of all material Payor Contracts.

2.19 Excluded Individuals. Except as set forth on Schedule 2.19, to the knowledge of Sellers: neither Sellers, Hospital nor any director, officer or employee of Sellers or Hospital (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an “**Excluded Individual**”); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospital; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

2.20 Seller Knowledge. References in this Agreement to “Sellers’ knowledge” or “the knowledge of Sellers” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents and warrants to Sellers as to the following matters as of the Signing Date and as of the Closing Date:

3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in Schedule 3.4, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Purchaser is or may be subject, or (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an “AS IS, WHERE IS” basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any covenant, representation, warranty (expressed or implied, oral or

otherwise) made by or on behalf of Sellers, or any other provision of this Agreement, in entering into and performing under this Agreement. Purchaser further acknowledges that Sellers are not making any covenants, representations or warranties herein relating to the Assets or the operation of the Hospital on or after the Effective Time.

3.7 Legal Proceedings. Except as described on Schedule 3.7, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of Sellers' Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by Sellers or of any condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through Sellers or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations, warranties or any other provision or condition under this Agreement, then the effect shall be as if the covenants, representations and warranties or any other provision or condition of this Agreement had been modified in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' covenants, representations and warranties or any other provision or condition of this Agreement in relation to such information; provided, further, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of this Agreement or any ancillary agreements entered into pursuant to this Agreement. Upon written request of Sellers, Purchaser shall promptly confirm and remake this representation in writing.

3.9 Ability to Perform. Purchaser has the ability to obtain funds and at the Closing shall have cash in amounts necessary to consummate the transactions contemplated by this Agreement by means of cash, credit facilities or otherwise. Upon the earlier of ten (10) days after satisfaction of Section 8.3 or five (5) days prior to the Closing Date, Purchaser shall have delivered to Sellers true, correct and complete copies of (i) executed commitment letter(s) from one or more banks or other lending institutions or sources (the "**Debt Commitment Letter**"), pursuant to which, and subject to the terms and conditions thereof, the lender parties thereto have committed to lend the amounts set forth therein to Purchaser for the purpose of funding the transactions contemplated by this Agreement and (ii) any executed equity commitment letter(s) (the "**Equity Commitment Letter**" and, together with the Debt Commitment Letter, the "**Financing Commitments**"). The Financing Commitments provide sufficient funds to consummate the transactions contemplated by this Agreement.

3.10 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and

personnel of Sellers and the Hospital for purposes of conducting a due diligence investigation of Sellers and the Hospital. Purchaser has conducted a reasonable due diligence investigation of Sellers and the Hospital and has received satisfactory answers to all inquiries it has made respecting Sellers and the Hospital and has received all information it considers necessary to make an informed business evaluation of Sellers and the Hospital. In connection with its due diligence investigation of Sellers and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by Sellers, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby. Purchaser has completed all of its due diligence of Sellers and the Hospital and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

3.11 Purchaser Knowledge. References in this Agreement to “Purchaser’s knowledge” or “the knowledge of Purchaser” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

ARTICLE 4 COVENANTS OF SELLERS

4.1 Access and Information; Inspections.

(a) From the Signing Date through the Effective Time, (a) Sellers shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Sellers’ corporate headquarters in Los Angeles, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital and the plant and property of the Hospital at the Hospital and (b) Sellers shall furnish Purchaser with such additional financial and operating data and other information in Sellers’ possession as to the businesses and properties of the Hospital as Purchaser or its representatives may from time to time reasonably request; *provided, however*, that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the ongoing operation of the Hospital by Purchaser; *provided, further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Sellers or their representatives. Purchaser’s right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of Sellers or the Hospital.

(b) Notwithstanding anything contained herein, Sellers shall not be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

4.2 Cooperation.

(a) The Parties shall reasonably cooperate with each other and their respective

authorized representatives and attorneys in: (a) all efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities), (b) the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) Purchaser's efforts to effectuate the assignment of Assigned Contracts to Purchaser as of the Closing Date.

(b) Except as may be otherwise requested by Sellers in order to comply with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filing costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to (x) carry out the transactions contemplated by this Agreement and/or (y) transfer any of the Assets, including any Licenses, Transferred Managed Care Agreements and/or Transferred Private Payor Agreements, not including the application required to be submitted to the California Attorney General and the transfer of the Medicare Provider Agreement and the Medi-Cal Provider Agreement, which are dealt with in Sections 5.8(c) and 4.5 hereto respectively. Upon request, Sellers shall provide Seller-specific information that may be needed by Purchaser to obtain such Contract and Lease Consents and such governmental consents, approvals, assignments, authorizations, clearances and licenses.

(c) Notwithstanding any provision to the contrary contained in this Agreement, Sellers shall not be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts or Assigned Leases, from any party to any of the Assigned Contracts or Assigned Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.3 Sellers' Efforts to Close. Sellers shall use their reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to their or Purchaser's obligations under this Agreement to the extent that Sellers' action or inaction can control or materially influence the satisfaction of such conditions; *provided, however*, that Sellers shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than any filing or application fees to the extent Sellers are responsible therefor under this Agreement).

4.4 Termination Cost Reports. Sellers shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (a) the transfer of the Assets to Purchaser and (b) the transactions contemplated by this Agreement, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit Sellers access to all Hospital books and records to prepare such reports and shall assist Sellers in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by Sellers in a manner that is consistent with current laws, rules and regulations. Sellers shall be responsible for filing governmental cost reports for all periods through the day immediately preceding the Licensure Date. Purchaser shall be responsible for their own cost report filings relating to the Hospital beginning on the Licensure Date.

4.5 Medicare and Medi-Cal Enrollment. Sellers shall make commercially reasonable efforts to expeditiously enter into settlement agreements with the Centers for Medicare and Medicaid Services (“CMS”), with respect to the Medicare Provider Agreement, and the California Department of Health Care Services (“DHCS”), with respect to the Medi-Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings that the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred without the consent of CMS or DHCS, as applicable, free and clear of Encumbrances and Excluded Liabilities and without successor liability, to enable such agreements to be assigned to Purchaser. Between the Closing Date and the Licensure Date, Purchaser may bill and collect for patient services under Seller’s health plan agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.6 Transferred Private Payor Agreements. For purposes of this Section 4.6, the following terms shall have the meanings set forth herein: (a) “**Payor**” means the non-debtor counter-party to a Transferred Private Payor Agreement; (b) “**Overpayment**” means an overpayment made by a Payor to SFMC on account of a Contracted Payment; (c) “**Contracted Payment**” means the contractual reimbursement due from a Payor to SFMC under a Transferred Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service on or prior to the Effective Time. Purchaser agrees that, as a condition to the assignment of any Transferred Private Payor Agreement on the Licensure Date, it shall honor any defenses to the payment of, and shall permit recoupment against, an Account Receivable due from Payor to Purchaser based on an Overpayment under such agreement, *provided that*, the determination and allowance of any Overpayment shall remain subject to the terms and conditions of the relevant Transferred Private Payor Agreement. Without limiting the scope of the foregoing sentence, Purchaser acknowledges and agrees that (a) the Sale Order shall authorize a Payor to continue to exercise its defenses to the payment to Purchaser of an Account Receivable based on an Overpayment, and (b) Overpayments do not constitute Cure Costs under this Agreement. This Section 4.6 shall satisfy the requirements under Sections 365(b) and (f) of the Bankruptcy Code. Following the Licensure Date, pursuant to Section 365(k) of the Bankruptcy Code, the SFMC shall be relieved and released from any obligation to any Payor on account of any Overpayment or otherwise.

4.7 Hospital Operations. From the date of the Sale Order until the Closing, Sellers shall, with respect to the operation of the Hospital, use commercially reasonable efforts (in each case subject to actions relating to and impacts arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19) to:

(a) without regard to negative financial impacts or any Material Adverse Effect, carry on Sellers’ operation of the Hospital consistent with past practice, but subject to the Bankruptcy Cases and Sellers’ obligations and actions in connection therewith;

(b) without regard to Material Adverse Effect, maintain in effect the insurance coverages with respect to the Assets;

(c) without regard to Material Adverse Effect, perform Sellers’ material obligations under all Assigned Contracts with respect to the Assets in compliance with the Bankruptcy Code;

(d) with respect to material deficiencies, if any, cited by any governmental authority or accreditation body in the most recent surveys conducted by each, develop and implement a plan of correction (without regard to Material Adverse Effect) that is reasonably acceptable to such governmental authority or such accreditation body, but excluding any deficiencies cited (i) by the Attorney General or (ii) with respect to seismic or OSHPD-related requirements; *provided, however*, that Sellers may appeal any material deficiency citations under applicable laws if a plan of correction is not accepted by the applicable governmental authority or accreditation body which appeal shall satisfy Sellers obligations under this subsection;

(e) following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives to make offers of post-Closing employment to any of Sellers' personnel and to establish relationships with physicians, medical staff and others having business relations with Sellers, provided, that any written materials shall be approved by Sellers prior to being sent, and provided further that such actions by Purchaser do not unreasonably interfere with Sellers' operation of the Hospital;

(f) timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due, unless such failure would not have a Material Adverse Effect; and

(g) without regard to Material Adverse Effect, maintain all existing material approvals, permits and environmental permits relating to the Hospital.

4.8 Interim Collections. Purchaser may bill and collect for patient services rendered by Hospital between the Closing Date and the Licensure Date under Seller's Private Payor Agreements and Transferred Managed Care Agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.9 Contract With Unions.

(a) Promptly following the Signing Date, representatives of Sellers who are parties to St. Francis related collective bargaining agreements and of the Purchaser, respectively, shall meet and confer from time to time as reasonably requested by either Party to discuss strategic business options including terms contained under all operative collective bargaining agreements. The applicable Sellers and Purchaser shall each participate in all negotiations related to the potential modification and assignment of specific Seller's collective bargaining agreements to Purchaser. The applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and unions and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay Bankruptcy Court approval of any successfully renegotiated collective bargaining agreement. The Parties recognize that Seller's failure to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement or otherwise excuse Purchaser's obligations under this Agreement.

(b) On or before the date that is thirty (30) days after the Sale Order Date, the negotiations pursuant to Section 4.9(a) shall have resulted in each, such labor unions, agreeing to either (i) either modification of the St. Francis related collective bargaining agreements under

terms that are to be substantially consistent with the Purchaser's existing and most current collective bargaining agreements with each such respective labor union, and that settle all liabilities under the existing Seller collective bargaining agreements that shall be assigned to Purchaser, provided that there shall be no cure obligations to the Sellers or (ii) enter into new collective bargaining agreements that are substantially consistent with the Purchaser's existing collective bargaining agreements with each such respective labor union; provided, that if Purchaser and each labor union have not entered into such agreements described in (i) or (ii) above, or have entered into an agreement under (ii), then Sellers shall have the absolute right to file or take any other action to reject and terminate any such collective bargaining agreement and, in such event, the Bankruptcy Court shall have entered an order granting Sellers' requested rejection of such collective bargaining agreement prior to the Closing Date. In no event will Sellers be liable for any obligations in respect of settlements described in this section.

4.10 Consulting Services. Subject to compliance with applicable Legal Requirements and after entry of the Sale Order if the Purchaser is the Prevailing Bidder:

(a) Purchaser shall provide consulting services to the Hospital for the period prior to the Closing Date;

(b) the consulting services provided by Purchaser may include, but not be limited to, reviewing and advising SFMC regarding accounting and financial records, contracting, billing and collection activities, compliance with law, any of the plans or actions proposed in the following sentence, and other functions;

(c) Sellers shall consider and implement any mutually reasonably agreed upon plans and actions proposed by Purchaser to (a) assist the Hospital in meeting any seismic compliance deadlines, (b) stabilize and improve the operations of the Hospital or (c) develop and implement turnaround plans for the long-term viability of the Hospital; and

(d) Purchaser shall have reasonable access to the business office and records of the Hospital, which shall include reasonable access to the Hospital's chief executive officer, chief financial officer, chief operations officer or other equivalent personnel of the Hospital reasonably necessary for Purchaser to perform the aforementioned consulting services.

Notwithstanding the foregoing, VHS, SFMC and their boards of directors shall at all times retain ultimate control and governance over the assets and operation of the Hospital. Neither VHS nor SFMC shall delegate to Purchaser any of the powers, duties and responsibilities required to own or operate the Hospital or those that are retained by VHS and/or SFMC under law (including all certificates and licenses issued under authority of law for ownership or operation of the Hospital). For the period of time during which such consulting services are provided, Hospital and VHS shall have the non-exclusive, royalty-free, unlimited license to use any implemented Purchaser-owned intellectual property. Purchaser shall not charge Sellers any consulting fee for providing the services described in this Section 4.11.

4.11 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counter party to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be

assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, “**Cure Costs**”, means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.

ARTICLE 5 COVENANTS OF PURCHASER

5.1 Purchaser’s Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers’ obligations under this Agreement to the extent that Purchaser’s action or inaction can control or materially influence the satisfaction of such conditions.

5.2 Consents. Purchaser shall be entitled, but not obligated, to seek to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and seek to obtain estoppel certificates from any third party to any Leased Real Property. Purchaser’s failure to obtain any or all of the Contract and Lease Consents or estoppel certificates as of the Closing Date shall not be a condition precedent to either Party’s obligation to consummate the Closing and perform all transactions contemplated by this Agreement.

5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time are: (i) employees of SFMC; or (ii) employed by another Seller or affiliate and are listed on Schedule 5.3 (collectively, the “**Hospital Employees**”). For the avoidance of doubt, the Hospital Employees shall not include any employees of VHS or any other affiliate of Sellers unless such individual is listed on Schedule 5.3. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the “**Hired Employees.**” All employees who are Hired Employees shall cease to be employees of Sellers or its affiliates as of the Closing Date.

(b) After the Closing Date, Purchaser’s human resources department will give reasonable assistance to Sellers and their affiliates with respect to Sellers’ and Sellers’ affiliates’ post-Closing administration of Sellers’ and Sellers’ affiliates’ pre-Closing employee benefit plans for the Hospital Employees. Within five (5) days after the Closing Date, Purchaser shall provide to Sellers a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(c) With respect to any collective bargaining agreements or labor contract with respect to any union employees, Purchaser shall comply with the applicable laws, or to the extent applicable, Bankruptcy Court orders relating to collective bargaining agreements or labor contracts.

(d) The provisions of this Section 5.3 are solely for the benefit of the Parties, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.5 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser's representations and warranties set forth in ARTICLE 4 to be inaccurate or untrue during the term of this Agreement and as of the Closing.

5.6 Resale Certificate. Purchaser agrees to furnish to Sellers any resale certificate or certificates or other similar documents reasonably requested by Sellers to comply with or obtain an exemption from pertinent excise, sales and use tax laws.

5.7 Operating Covenant. Purchaser shall act in good faith in fulfilling its obligations under this Agreement.

5.8 Governmental Approvals.

(a) Best Efforts. Purchaser (a) shall use its best efforts to secure, as promptly as possible after the Signing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled, and (b) will provide such other information and communications to governmental and regulatory authorities as Sellers or such authorities may reasonably request. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Licensure Date. Purchaser acknowledges that Sellers may independently contact governmental and regulatory authorities as part of this process.

(b) Change of Ownership Applications. Purchaser shall, promptly, but no later than ten (10) business days after the entry of the Sale Order, or sooner if required by applicable governmental or regulatory authorities, file all applications, licensing packages and other documents with all applicable governmental and regulatory authorities which are necessary for the operation of a hospital and the consummation of the transactions hereunder, including the hospital license change of ownership application with CDPH, the hospital pharmacy change of ownership application with the BOP, and the Medicare and Medi-Cal change-of-ownership applications.

(c) Attorney General Application. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the California Attorney General (the "**Attorney General**"), the application and report forms required for the transactions

contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to Title 11, Division 1, Chapter 15, Section 999.5 of the California Code of Regulations (“**Section 999.5**”), which application and report forms and supplemental information will comply in all material respects with the requirements of such regulations and shall state that Purchaser agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the Attorney General are not materially more burdensome than the conditions attached hereto as Exhibit 5.8(c) (the “**Accepted Conditions**”). Purchaser shall pay all fees (including, without limitation, attorneys’ fees) required of Purchaser or Sellers with respect to the preparation and submission of the application, hearings, expert reports, Attorney General attorney review time, reports and other requirements of the Attorney General under Section 999.5. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, the Attorney General, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, the Attorney General. Purchaser shall take such action as may be required by the Attorney General in order to resolve with the minimum practicable delay any objections the Attorney General may have to the transactions contemplated by this Agreement under Section 999.5. For any late submission of the Attorney General application, at Seller’s election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

(d) HSR Filing. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the Federal Trade Commission and the Department of Justice the notification and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), which notification and report forms and supplemental information will comply in all material respects with the requirements of the HSR Act. Purchaser shall pay all filing fees required of Purchaser or Sellers with respect to the notification, report and other requirements of the HSR Act. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, any governmental authority under the HSR Act, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, such governmental authorities. Purchaser shall take such action (including divestitures or hold separate arrangements) as may be required by any governmental authority in order to resolve with the minimum practicable delay any objections such governmental authorities may have to the transactions contemplated by this Agreement under the HSR Act. For any late submission of the application under the HSR Act, at Seller’s election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

ARTICLE 6
BANKRUPTCY COURT APPROVAL

6.1 Bankruptcy Court Approval.

(a) Sellers and Purchaser acknowledge that this Agreement has been solicited in conformity with the Bidding Procedures approved by the Bankruptcy Court on February 26, 2020 [Docket No. 4165] (the “**Bid Procedures Order**”), and that the sale of the Assets and the assignment of the Assigned Contracts and Assigned Leases remain subject to Bankruptcy Court approval. Purchaser further acknowledges that this Agreement and the transactions contemplated hereby are subject to Sellers’ right and ability to consider higher or better competing bids with respect to the Assets subject to the terms of the Bid Procedures Order. Pursuant to the Bid Procedures Order, Purchaser shall, if its bid is determined to be the second highest bid, serve as a back-up bidder (the “**Back-up Bidder**”) and, subject to the provisions of the Bid Procedures Order with respect to the retention of the Deposit, keep Purchaser’s bid to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in any auction under the Bid Procedures Order) open and irrevocable until the earlier of (i) (a) 5:00 p.m. pacific time on the date which is thirty (30) days after the entry by the Bankruptcy Court of the Sale Order; or (b) 5:00 p.m. pacific time on May 31, 2020 (the “**Outside Back-up Date**”), or (ii) the date of closing of an alternative transaction with the bidder who prevails at the auction (the “**Prevailing Bidder**”). Following the entry of the Sale Order and prior to the Outside Back-up Date, if the Prevailing Bidder breaches or fails to perform its obligations under the terms and conditions of its respective transaction documents and Sellers terminate such agreement with the Prevailing Bidder, the Back-up Bidder will be deemed to have the new prevailing bid, and the Bankruptcy Court order approving the sale to the Prevailing Bidder shall provide that Sellers will be authorized, without further order of the Bankruptcy Court, to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in the auction) with the Back-up Bidder.

(b) Purchaser further acknowledges that this Agreement is subject to termination, up to the time of entry of the Sale Order, except to the extent otherwise provided in the Bid Procedures Order, in the event Sellers in the reasonable exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers’ Assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code.

(c) Sellers shall, at any hearing to consider approval of this Agreement (the “**Sale Hearing**”), exercise reasonable efforts to expeditiously obtain a “Sale Order” approving this Agreement subject to the reasonable exercise of their fiduciary duties to consider and accept a higher and better offer for Sellers’ assets in accordance with the Bankruptcy Code and this Agreement. For purposes of this Agreement, the term “**Sale Order**” shall mean an order of the Bankruptcy Court in form and substance reasonably acceptable to Purchaser, authorizing the sale of the Assets pursuant to Section 363(b) of the Bankruptcy Code (including the Sellers’ assumption and assignment to Purchaser of the Assigned Contracts and Assigned Leases pursuant to Section 365 of the Bankruptcy Code) on the terms and conditions set forth herein, free and clear of all Encumbrances (other than Permitted Exceptions) and Excluded Liabilities, including, for the

avoidance of doubt, any successor liability, to the maximum extent permitted by the Bankruptcy Code. For the avoidance of doubt, in the event the Sale Order is not in form and substance reasonably acceptable to Purchaser, Purchaser may, at its sole election, terminate the transaction proposed hereby.

(d) Sellers agree, subject to the reasonable exercise of their fiduciary duties, to expeditiously seek a Bankruptcy Court determination that Purchaser is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and in good faith to file such declarations and other evidence as may be required to support a determination.

(e) Sellers shall seek expeditiously an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Sellers, whether or not arising in connection with this Agreement, solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

6.3 Bidding Procedures. Sellers and Purchaser shall comply with the terms of the Bid Procedures Order. Sellers shall sign this Agreement as and when permitted pursuant to the Bid Procedures Order and the Sale Order.

(a) Any Competing Bidder (as defined in the Bid Procedures) must be a Qualified Bidder (as defined in the Bid Procedures Order) under the conditions set forth in the Bid Procedures without waiver thereof or extension of any timing or similar conditions. Purchaser is irrevocably deemed to be a Qualified Bidder.

(b) The Sellers shall immediately upon determination that a bid is a Qualified Bid, simultaneously provide to all Qualified Bidders copies of all other Qualified Bids.

ARTICLE 7 CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this

Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

7.3 Governmental Submissions. Purchaser shall have submitted the hospital license change of ownership application to CDPH and the hospital pharmacy change of ownership application to the BOP.

7.4 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5.8(c).

7.5 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

7.6 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

8.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

8.3 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5.8(c). In the event the Attorney General imposes conditions on the transactions contemplated by this Agreement, or on Purchaser in connection therewith which are materially more burdensome than the Purchaser Approved Conditions set forth on Exhibit 5.8(c) (the "**Additional Conditions**"), Sellers shall file a motion with the Bankruptcy Court seeking the entry of an order ("**Supplemental Sale Order**") finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions without the imposition of any other conditions, which would adversely affect the Purchaser. For purposes of this Section 8.3, Additional Conditions which individually or collectively impose a direct or indirect cost to

Purchaser of Five Million Dollars (\$5,000,000), or more, shall be conclusively deemed to be “materially more burdensome.” If Sellers fail to obtain such Supplemental Sale Order within sixty (60) days of the Attorney General’s imposition of Additional Conditions, Purchaser (at its sole discretion) shall be entitled to terminate this Agreement and receive the return of its Deposit or elect to extend such sixty (60) day period. Upon the entry of such an order from the Bankruptcy Court, and so long as such order is not stayed, Purchaser shall be required to consummate the transactions contemplated by this Agreement. If Sellers do not obtain such an order, or such order does not relieve the Additional Conditions to the satisfaction of Purchaser, Purchaser shall not be required to consummate the transactions contemplated by this Agreement.

8.4 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a “good faith” purchaser, and such order shall not subject to any stay.

8.5 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

8.6 Medicare and Medi-Cal Provider Agreement. Following consultation with Purchaser, Sellers shall have obtained agreements with CMS and DHCS or an order from the Bankruptcy Court that has not been stayed with respect to the transfer of the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement, such that (a) all liabilities, obligations and Encumbrances under the Medicare/Medi-Cal Agreements are fully satisfied, discharged, and released with regard to any claims under the Medicare/Medi-Cal Agreements, whether known or unknown, that CMS or DHCS has against the Sellers or Purchaser for liabilities and obligations arising under the Medicare/Medi-Cal Agreements before the Effective Time, and (b) the Medicare/Medi-Cal Agreements will be transferred to Purchaser as of the Effective Time free and clear of such pre-Closing liabilities, obligations and Encumbrances; provided, however, that Purchaser acknowledges and agrees that it may be treated by CMS and DHCS as the successor to the quality history associated with the relevant Medicare/Medi-Cal Agreements assigned and, for purposes of survey and certification issues associated with such quality history, Purchaser may be treated as if it is the relevant Seller and no change of ownership occurred.

8.7 Collective Bargaining Agreements and Labor Contracts. Sellers shall have satisfied, in all material respects, their obligations set forth in Section 4.9(b). For the avoidance of doubt, in the event that Purchaser and each labor union has not entered into an agreement described in Section 4.9(b)(i) or (ii), then material satisfaction of Section 4.9(b) means that Seller has filed or taken action to reject and terminate any such collective bargaining agreement and that the Bankruptcy Court has entered an order granting Seller’s requested rejection of such collective bargaining agreement prior to the Closing Date.

ARTICLE 9 TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to Closing:

- (a) by the mutual written consent of the Parties;

(b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after Sellers provide Purchaser of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Sellers shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if Sellers are also in material breach of this Agreement;

(c) by Purchaser if Purchaser has complied with Section 3.8 and a material breach of this Agreement has been committed by Sellers, which material breach has resulted, or would more likely than not result, in a Material Adverse Effect on the Assets taken as a whole, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides Sellers of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if Purchaser is also in material breach of this Agreement;

(d) by Purchaser if satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date);

(e) by Sellers if satisfaction of any such condition in ARTICLE 7 is or becomes impossible and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Case prior to the sale closing or fails to approve the sale of the Assets to Purchaser;

(g) by Sellers in the event Sellers in the exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers' assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code;

(h) by Purchaser in the event that its Back-Up Bidder status has expired in accordance with the Bid Procedures Order and/or the terms of this Agreement; and

(i) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before September 1, 2020 (the "**Termination Date**"); provided, that the Termination Date shall be extended in the event the conditions set forth in Section 7.4 and Section 8.3 have not been satisfied (but the conditions to Closing in Article 7 and

Article 8 have otherwise been satisfied other than such conditions that are to be satisfied by payments and deliveries to be made at the Closing) to the earlier of (A) ten (10) business days after the satisfaction of the conditions set forth in Section 7.4 and Section 8.3 or (B) December 31, 2020.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Section 9.1: (a) all further obligations of the Parties under this Agreement shall terminate, other than Purchaser's right to receive a return on the Deposit in accordance with Section 1.2 and a break-up fee in accordance with the Bidding Procedures, and provided that the provisions of ARTICLE 11 shall survive, and (b) each Party shall pay the costs and expenses incurred by it in connection with this Agreement; *provided, however*, that in the case of any termination based on Section 9.1(b) or Section 9.1(c), the consequences of such termination shall be determined in accordance with ARTICLE 11 hereof. Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such Party would not have entered into this Agreement.

9.3 Additional Termination Consequences. In the event that Purchaser is not the winning bidder as defined in the Bidding Procedures order, Purchaser shall be paid the Stalking Horse Bidder Protections in accordance with the Bidding Procedures Order.

ARTICLE 10 POST-CLOSING MATTERS

10.1 Excluded Assets. Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the Parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within ten (10) business days following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Sellers for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to Sellers under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

10.2 Preservation and Access to Records After the Closing.

(a) From the Licensure Date until seven (7) years after the Licensure Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records, patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among

the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including, without limitation, color laser copies) of, such records with respect to time periods prior to the Licensure Date (including, without limitation, access to records of patients treated at the Hospital prior to the Licensure Date) during normal business hours after the Licensure Date, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties do not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Licensure Date with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees. In addition, Sellers and Sellers' affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of Sellers' affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or its applicable affiliate's use of such records.

(c) In connection with (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and Sellers' affiliates may from time to time

reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.

(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either (i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 and any and all corresponding California state law requirements with respect to the operation of the Hospital on and after the Licensure Date.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting purposes, including without limitation QAF or DSH reporting.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Licensure Date, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

10.3 Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract or Assigned Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assigned Contract or Assigned Lease, as the case may be, thereunder. If, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both (a) provide Purchaser with the benefits of or under any such Assigned Contract or Assigned Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assigned Contract or Assigned Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor.

10.4 General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute "Excluded Assets" shall be paid to and received

by Sellers, with any payments that constitute “Assets” transferred to Purchaser pursuant to Section 1.7 or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective Date (“**Turnover Period**”), the Parties shall, within ten (10) business days of receipt, copy and send to the other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Receivables, from whatever payor or source of funds, that are received on and after the Effective Time. In the event that payments that constitute a transferred Asset are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) days of notice of the receipt of such payments shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within ten (10) days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the requesting Party’s sole expense, of the bank records and remittance advices of the other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or and underpayment of funds due, the Party owning funds shall, within ten (10) business days, make a payment of such funds to whom they are owed.

10.5 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the “**Post-Effective Time CFO**”) to cooperate with Sellers’ representatives in order to complete the standardized closing of Sellers’ financial records through the Licensure Date including, without limitation, the closing of general ledger account reconciliations (collectively, the “**Closing of Financials**”). Purchaser shall cause the Post-Effective Time CFO to use their good faith efforts to cooperate with Sellers’ representatives in order to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to Sellers for a period of no less than one hundred eighty (180) calendar days after the Closing Date to assist Sellers in the completion of Sellers’ post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO’s other duties.

10.6 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital’s medical staff members in good standing as of the Licensure Date shall maintain medical staff privileges at the Hospital as of the Licensure Date. On and after the Licensure Date, the medical staff will be subject to the Hospital’s Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.7 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates (“**Shared Intangible Assets**”) and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as

necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals; *provided, however*, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

ARTICLE 11 DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If the Agreement is terminated pursuant to Section 9.1(b), Sellers shall be entitled to retain the Deposit, and Sellers may, in addition thereto, pursue any rights or remedies that Sellers may have under this Agreement or applicable law, including the right to sue for damages or specific performance.

11.2 Sellers Default. If the Agreement is terminated pursuant to Section 9.1(c), Purchaser shall have the right to demand and receive a refund of the Deposit, and Purchaser may, in addition thereto, pursue any rights or remedies that Purchaser may have under applicable law, including the right to sue for damages or specific performance.

11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Licensure Date, the Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Licensure Date and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The Parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) Solely for purposes of tax reporting, Schedule 11.3 sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the “**Allocation Schedule**”). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such Party. The Parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

11.4 Cost Report Matters.

(a) Consistent with Section 4.4, Sellers shall, at Purchaser’s expense, prepare and timely file all cost reports relating to the periods ending prior to the Licensure Date or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the “**Seller Cost Reports**”).

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers' preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser's provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit conferences or meetings. Sellers shall have no obligations after the Licensure Date with respect to Seller Cost Reports except for preparation and filing thereof.

ARTICLE 12 MISCELLANEOUS PROVISIONS

12.1 Further Assurances and Cooperation. Each Party shall execute, acknowledge and deliver to the other Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by such Party at any time and shall take any and all other actions reasonably requested by such Party at any time for the purpose of consummating the transactions hereunder and fulfilling such Party's obligations hereunder. After consummation of the transactions contemplated in this Agreement, the Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the Parties hereto; *provided, however,* that no Party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other Parties which consent shall not be unreasonably withheld or delayed, except that Purchaser may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date so long as such affiliate was described and was part of the Attorney General application under Section 5.8(c) and provided that any such assignment shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The Parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the Parties.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated

by reference herein. From the Signing Date until the Closing, the Parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of this Agreement merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular obligation, representation or warranty shall be deemed adequately disclosed as an exception with respect to all other obligations, representations or warranties, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other obligation, representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder shall be deemed effectively given when either personally delivered, or when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers: Verity Health System of California, Inc.
601 South Figueroa St., Suite 4050
Los Angeles, CA 90017-5704
Attention: Chief Executive Officer

With a copies to: Dentons US LLP
(which copies shall 601 South Figueroa St., Suite 2500
not constitute notice) Los Angeles, CA 90017-5704
Attention: Tania Moyron, Esq.
Telephone: 213-243-6101

If to Purchaser: Prime Healthcare Services, Inc.
3480 East Guasti Road, 2nd Floor
Ontario, California 91761
Attention: General Counsel
Facsimile: 909-235-4316

With a copy to: McDermott Will & Emery LLP
(which copies shall 2049 Century Park East, Suite 3200
not constitute notice) Los Angeles, California 90067
Attention: Jeffrey Reisner, Esq.
Facsimile: 310-277-4730

or at such other address as one Party may designate by notice hereunder to the other Parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases at least forty-eight (48) hours prior to issuance; *provided, however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either Party's disclosure obligations imposed by law subject to reasonable prior notice to the other Party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the Parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

12.12 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any Party to enforce any

provision of this Agreement, the prevailing Party shall be entitled to recover its court costs and reasonable attorneys' fees.

12.13 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 Agreement, binding on all of the Parties hereto. The Parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a Party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the Parties on the subject matter hereof (the "**Superseded Agreements**"), which Superseded Agreements shall be of no further force or effect.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

12.18 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR

ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.18. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

[REMAINDER OF PAGE IS BLANK]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

PURCHASER:

Prime Healthcare Services, Inc.

Signature: Prem Reddy MD
Print Name: PREM REDDY M.D.
Title: Chairman, President & CEO
Date: April, 3, 2020

SELLERS:

Verity Health System of California, Inc.

Signature: [Signature]
Print Name: Rich Adcock
Title: CEO, VHS
Date: April 3, 2020

Verity Holdings, LLC

Signature: [Signature]
Print Name: Rich Adcock
Title: CEO, VHS
Date: April 3, 2020

St. Francis Medical Center

Signature: [Signature]
Print Name: Rich Adcock
Title: CEO, VHS
Date: April 3, 2020

Schedule 1.4(c)
St. Francis Medical Center

Description	Owner	Address	APN
Hospital Campus (including Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park MOB	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood MOB	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

Exhibit 1.3(a) to APA
Form of Leaseback Agreement

See attached.

SALE LEASEBACK AGREEMENT

[Note: This agreement is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This structure is not required.]

This Sale Leaseback Agreement (the “**Leaseback Agreement**”) is made and entered into as of _____, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and _____ (“**Parent Company**”) and _____ (“**Hospital Newco**,” and collectively with Parent Company, the “**Parent Company Parties**”) on the other hand. The Corporation, Parent Company, and Hospital Newco may be referred to herein individually as a “**Party**,” and collectively as the “**Parties**.”

RECITALS

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Parent Company and the Corporation have entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of the assets of the Corporation and related assets (collectively, the “**Assets**”). Capitalized terms not defined in this Leaseback Agreement shall have the meanings given to such terms in the APA.

D. The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital’s services are provided (collectively, the “**Hospital Premises**”).

E. Parent Company designated its affiliate, Hospital Newco, as the owner of the Corporation’s Assets purchased by Parent Company under the APA (the “**Designation**”), and its affiliate _____ (the “**Manager**”) as the operator of the Hospital.

F. Pursuant to Section 1.3 of the APA, the Corporation, Parent Company, and the Manager, are entering into that certain Interim Management Agreement (“**IMA**”) of even date herewith, and commencing at the Effective Time, to enable the Manager to manage the day-to-day operations of the Hospital following the Closing until the Manager is issued the Licenses necessary to operate the Hospital (for the avoidance of doubt, that date will occur when the Manager is issued both a license to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy (collectively, the “**New Licenses**”).

A. Pursuant to the APA, at the Effective Time, Parent Company will purchase the Corporation’s Assets, except for the Excluded Assets (as set forth in the APA). Also pursuant to

the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Parent Company (or its affiliate) as of the Licensure Date.

B. Immediately following the Closing, and until the Manager obtains the New Licenses, the Parent Company Parties desire to lease back or license to the Corporation all of the then-acquired Corporation’s Assets used in the operation of the Hospital, and the Corporation desires to so lease or license such Corporation’s Assets from the Parent Company Parties on the terms and conditions set forth herein. The Corporation’s Assets shall exclude the Licensure Date Assets, which the Corporation shall own until the New Licenses are issued.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions. Any capitalized term appearing herein that is not defined shall have the same definition ascribed to it under the IMA or the APA (as designated when such term first appears herein).

2. Description of The Leased or Licensed Assets.

2.1 Leased or Licensed Assets. The Parent Company Parties hereby lease or license to the Corporation, and the Corporation leases or licenses from the Parent Company Parties, all of the Corporation’s Assets used in the operation of the Hospital, except for the Licensure Date Assets, which the Corporation shall continue to own until the Licensure Date (as defined in the APA) (collectively, the “**Leased or Licensed Assets**”). Specifically, the Leased or Licensed Assets shall include: (a) the Hospital Premises (which shall be leased); (b) tangible personal property, including, but not limited to, fixtures, furnishings, hard copy medical and financial records and equipment (including, but not limited to, hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems) (which shall be leased); and (c) intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Corporation).

2.2 Management of Pharmacy and Use of Pharmacy Assets.

(a) The Corporation shall at all times during the term of this Leaseback Agreement be the owner of the Pharmacy Assets. The Parties acknowledge, however, that under the IMA, the Manager will be managing the Corporation’s pharmacy during the Management Period (as defined in the IMA), and the Corporation therefore grants the Manager (i) access to and authority to use the drugs, dangerous drug delivery devices, or other tangible pharmacy assets, and (ii) a license to use the intangible intellectual property saved or embodied in the

pharmacy systems, in each case to the extent necessary for the Manager to fulfill its obligations under the IMA.

(b) Pursuant to the IMA, the Corporation shall be responsible for purchasing drugs and dangerous devices identified by the Manager as necessary for the operations of the Hospital, and the Manager shall reimburse the Corporation for all costs and expenses incurred for such purchases.

3. Term; Termination. This Leaseback Agreement shall have a term coextensive with the Management Period (as defined in the IMA) and shall automatically terminate upon the termination of the IMA.

4. Payments by the Parent Company Parties.

4.1 Utilities. The Parent Company Parties shall pay all utilities and services supplied to the Hospital during the term hereof, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services.

4.2 Taxes. The Parent Company Parties shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon or against the Leased or Licensed Assets, the Hospital, and/or the Corporation, after the Effective Time.

4.3 Insurance. The Parent Company Parties shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation during the term hereof. The Parent Company Parties covenant and agree that the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation are covered as of the date hereof and will be covered at all times by general liability, fire, theft, business interruption, cyber, professional liability, directors and officers insurance, employment practices liability, terrorism, workers' compensation & employers' liability, directors and officers, fiduciary, crime, punitive damages excess liability, physical damage, property liability, automobile, storage tank, helipad and non-owned aviation, sexual misconduct and molestation, medical provider professional liability, and provider capitation stop loss (managed care excess loss) insurance. All such insurance shall name the Parent Company Parties and the Corporation as insureds as their respective interests may appear.

4.4 Repairs and Maintenance: Alterations. During the term of this Leaseback Agreement, the Parent Company Parties shall pay all costs of repairing (including replacement of) and maintaining the Leased or Licensed Assets and Hospital and every part thereof in good and sanitary order, condition and repair during the term hereof, reasonable wear and tear excepted, including, without limitation, all costs of all repairs, replacements and maintenance required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development ("OSHPD"). The Corporation shall not make any alterations or changes to the Leased or Licensed Assets without prior written approval

of the Parent Company Parties, which may be given or withheld in the Parent Company Parties' sole discretion.

4.5 Payment. Nothing in this Section 4 shall in any way limit, reduce, or otherwise affect Parent Company's payment obligations under the IMA or the APA.

5. Use. The Leased or Licensed Assets shall be used for the operation of the Hospital, subject to the terms of the APA and the IMA.

6. Risk of Loss.

6.1 The Corporation assumes no risks or liability for damage to or injury occurring to the Leased or Licensed Assets or Hospital during the term of this Leaseback Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, accident or any other casualty (collectively, "**Casualty**"), and the Parent Company Parties shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

6.2 If, during the term of this Leaseback Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain or condemnation proceedings, exercise of state authority under an executive order or by deed in lieu thereof (collectively, "**Condemnation**"), the Parent Company Parties, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

6.3 In the event of a Casualty or Condemnation, neither the Parent Company Parties nor the Corporation may terminate this Leaseback Agreement.

7. Continued Access. Following termination of this Leaseback Agreement, and until the entry of final decrees closing the Bankruptcy Cases, the Patient Care Ombudsman, appointed by the United States Trustee pursuant to Bankruptcy Code § 333 and approved by the Bankruptcy Court [*see* Docket No. 430], shall have continuing access to the Leased or Licensed Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to the Parent Company Parties, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the chapter 11 plan as approved by the Bankruptcy Court.

8. Miscellaneous.

8.1 Further Assurances. Each of the Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Leaseback Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

8.2 Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Leaseback Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center
c/o Verity Health System of California, Inc.
601 South Figueroa Street, Suite 4050
Los Angeles, CA 90017-5704
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.
(which copy shall not Dentons US LLP
constitute notice) 601 South Figueroa St., Suite 2500
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.
Davis Wright Tremaine LLP
865 S Figueroa St,
Los Angeles, CA 90017

If to the Parent Company
Parties:

With copies to:
(which copies shall not
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Parties in accordance with this Section 8.2.

8.3 Payment of Expenses. Except for the Parent Company Parties' obligation to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Leaseback Agreement, each Party hereto shall bear its own legal, accounting, and other expenses incurred in connection with the preparation and negotiation of this Leaseback Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

8.4 Rent. The Corporation has prepaid the sum of One Thousand Dollars (\$1,000.00), the receipt of which is hereby acknowledged by the Parent Company Parties, and the Corporation shall not be required to pay the Parent Company Parties any additional rent under this Leaseback Agreement.

8.5 Entire Agreement; Amendment; Waiver. This Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all

prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement. Nothing in this Leaseback Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court. This Leaseback Agreement may not be modified or amended except in writing signed by the Parties. No waiver of any term, provision or condition of this Leaseback Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Leaseback Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

8.6 Assignment. Neither this Leaseback Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by the Corporation or the Parent Company Parties without the prior written consent of the other Parties, which may be granted, denied or conditioned in such Party's absolute discretion except that the Parent Company Parties may assign this Leaseback Agreement in connection with any permitted assignment under the IMA. Subject to the foregoing, this Leaseback Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties.

8.7 Joint Venture; No Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership among the Parties with respect to the subject matter hereof. The Parties do not intend that any third party shall have any rights under this Leaseback Agreement.

8.8 Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

8.9 Governing Law. This Leaseback Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

8.10 Jurisdiction. The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Leaseback Agreement, and any of the documents or transactions contained in or contemplated by this Leaseback Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Leaseback Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.2 hereof

8.11 Conditions to Effectiveness. The Parties acknowledge that this Leaseback Agreement is subject to and contingent upon the occurrence of the Closing under the APA. This Leaseback Agreement shall not be effective, nor shall any Party have any obligations hereunder, unless and until the Closing under the APA has occurred.

8.12 Cooperation on Regulatory Compliance Matters. The Parent Company Parties understand and acknowledges that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance, as well as the requirements or recommendations of any accrediting agencies. In the event the terms of this Leaseback Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Leaseback Agreement, the Parent Company Parties shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request, recommendation or directive.

8.13 Transition Services Agreement. Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will enter into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

8.14 Fair Meaning. This Leaseback Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

8.15 Counterparts. This Leaseback Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Leaseback Agreement may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

8.16 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL

WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.16. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

[Signature Page Follows.]

IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

Parent Company Parties:

NAME

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Corporation:

ST. FRANCIS MEDICAL CENTER,
a California non-profit public benefit
corporation

By: _____

Name: _____

Title: _____

Exhibit 1.3(b) to APA
Form of Interim Management Agreement

See attached.

INTERIM MANAGEMENT AGREEMENT

[Note: This IMA is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This IMA is drafted assuming Purchaser is buying hospital's accounts receivable. This structure is not required.]

This Interim Management Agreement (the “**Agreement**”) is made and entered into as of _____, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and _____ (“**Parent Company**”) and _____ (the “**Manager**,” and collectively with the Corporation and Parent Company, the “**Parties**” and each individually a “**Party**”) on the other hand.

RECITALS

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Parent Company, as purchaser, and the Corporation and certain of its affiliates (collectively, the “**Sellers**” as defined in the APA), as seller, entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of certain assets of the Sellers (collectively, the “**Assets**”). All terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

D. The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital's services are provided (collectively, the “**Hospital Premises**”).

E. Pursuant to the APA, Parent Company agreed to purchase the Assets, which include certain assets of the Corporation (the “**Corporation's Assets**”).

F. Parent Company designated its affiliate, _____ (“**Hospital Newco**”) as the owner of the Corporation's Assets, and the Manager as the operator of the Hospital.

G. Parent Company and the Manager have requested this Agreement to afford the Manager additional time to obtain its general acute care hospital license from the California Department of Public Health (“**CDPH**”), and its hospital pharmacy permit from the California Board of Pharmacy (together, the “**New Licenses**,” and the date on which the New Licenses are issued is the “**Licensure Date**”).

H. Pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the

Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Hospital Newco as of the Licensure Date.

I. The Corporation shall maintain a possessory interest in the Hospital and the Hospital Premises, and Parent Company and Hospital Newco on the one hand as lessor, and the Corporation, on the other hand as lessee, are entering into that certain Sale Leaseback Agreement of even date herewith, pursuant to which certain of the Corporation’s Assets will be leased back to the Corporation (the “**Leaseback Agreement**”).

J. Until Hospital Newco obtains the New Licenses, the Manager desires to assume the management of the Hospital, including its pharmacy, on behalf of the Corporation, and the Corporation desires to avail itself of such management services, upon the terms and conditions set forth in this Agreement.

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Term.

1.1 The term of this Agreement (the “**Management Period**”) shall commence as of the Effective Time (as defined in the APA) and shall continue until the earlier of the Licensure Date or [June 30, 2021]. The Parties acknowledge that, during the Management Period, the Corporation shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of the Manager.

2. Acknowledgements and Covenants.

2.1 As of the Effective Time, Parent Company shall have acquired all of the Corporation’s Assets as set forth in the APA (other than the Licensure Date Assets), which shall be leased back to the Corporation pursuant to the terms of the Leaseback Agreement during the term of this Agreement.

2.2 Pursuant to Section 1.3 of the APA, contemporaneously with the date the New Licenses are issued and the termination of the Leaseback Agreement, ownership of the Licensure Date Assets shall be transferred to Hospital Newco. Parent Company and the Manager acknowledge that this Agreement and the foregoing subsequent transfer of the Licensure Date Assets are made at the request of Parent Company and the Manager, to provide more time for the Manager to obtain its New Licenses. As such, Parent Company acknowledges, covenants, and agrees that the total Purchase Price (as defined in the APA) shall be paid to the Sellers under the APA as if the Licensure Date Assets were transferred as of the Effective Time.

2.3 As of the Effective Time, the Corporation shall have ended the employment or engagement of all employees and contractors and, to the extent they received offers of employment

or engagement from the Manager (or its affiliates) and accepted such offers, shall have been transferred to the Manager (or its affiliate) as employees or contractors of the Manager (collectively, the “**Hired Employees**”).

2.4 During the Management Period, the Corporation will (a) assign an individual to oversee the operation of the Hospital and serve as the president of the Corporation, as required by the Centers for Medicare & Medicaid Services, CDPH, and applicable California laws and regulations (the “**Responsible Officer**”), and (b) maintain proper oversight by a board of directors.

3. Appointment of Manager.

3.1 During the Management Period, the Corporation hereby appoints the Manager as the sole and exclusive provider of the Services (defined below) and hereby grants to the Manager the exclusive right to manage the Hospital under the Corporation’s Licenses (as defined in the APA) as a general acute care hospital, including without limitation, the right to undertake those certain management responsibilities and permitted activities described in Section 4 below. The Manager hereby accepts such appointment for all purposes with respect to the Corporation’s rights, duties, and responsibilities under the Licenses for the Hospital, to the fullest extent permitted by law, and agrees, to the fullest extent permitted by law, to provide management services to the Hospital on behalf of the Corporation (the “**Services**”).

3.2 The Manager’s Services hereunder shall include management and operation of the Hospital’s pharmacy on behalf of the Hospital, even though the Pharmacy Assets will not be transferred to Hospital Newco pursuant to the APA until the Licensure Date.

3.3 Upon the Licensure Date, the Manager’s Services provided to the Hospital under the Corporation’s Licenses shall terminate and, thereafter, Hospital Newco (and its affiliates) will be operating the Hospital as the licensee holding its own New Licenses.

3.4 During the Management Period, the Manager shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Corporation’s provider agreements, payor contracts, and NPI numbers as set forth in Schedule 3.4, attached hereto (collectively, the “**Corporation’s Billing Credentials**”). Because all billing and collecting shall be under the Corporation’s Billing Credentials, payments shall be made in the Corporation’s name and deposited in the Corporation’s bank accounts. The Parties acknowledge and agree that during the Management Period, the Corporation’s bank accounts and lockboxes shall remain under the Corporation’s name and in the Corporation’s control. Consistent with Section 4.5(b), the Manager may transfer the Manager Compensation to its accounts. To the extent the Manager is unable to make such transfers to its own accounts, upon request by the Manager, the Corporation will, at the Manager’s cost, forward to the Manager any payment or reimbursement received during the Management Period.

3.5 To the extent the Corporation’s lenders continue to have Encumbrances on the Corporation’s bank accounts or lockboxes as of the Effective Time, the Corporation, Parent Company, and the Manager shall work cooperatively to facilitate termination and release of such Encumbrances.

3.6 The Corporation shall retain and, upon the Licensure Date, the Manager shall assume, any contracts necessary for the Corporation to continue to be the holder of the Licenses and to bill for Hospital services during the Management Period, in accordance with the APA. Such contracts shall be as set forth in Schedule 3.6, attached hereto (the “**Retained Contracts**”). Parent Company hereby designates each Retained Contract as an Assigned Contract under Section 1.11 of the APA.

4. Management Responsibility.

4.1 During the Management Period, the Manager shall, subject to all applicable legal and regulatory requirements and the Corporation’s ultimate oversight and control, have responsibility for the management of the Hospital, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In furtherance thereof, the Manager’s Services shall include, but not be limited to, the following duties, which duties shall be performed at the Manager’s sole cost and expense:

(a) Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH requirements for maintenance of the Licenses in good standing, Medicare conditions of participation and requirements for payment with respect to governmental programs, and the requirements for maintenance of the Hospital’s accreditations;

(b) Employing and managing the Hired Employees and any other non-clinical and clinical personnel (i) deemed necessary by the Corporation for the operation of the Hospital as a general acute care hospital, or (ii) required by law so as to meet all applicable labor laws and regulations, and consistent with orders of the Bankruptcy Court;

(c) Ensuring that the Corporation is able to pay itself out of the Hospital Revenues for the costs and expenses set forth in Sections 4.5(b);

(d) Maintaining and repairing, as needed, the Hospital Premises so as to ensure material compliance with all applicable local, state and federal law, and construction timelines imposed by OSHPD.

(e) Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital Premises;

(f) Affording the Responsible Officer or his or her designee access, during normal business hours, to the Hospital Premises, the books and records at the Hospital Premises or in Manager’s possession, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, and such other access and assistance as reasonably requested by the Responsible Officer;

(g) Upon at least one (1) day’s prior written notice to the Manager, providing access, during normal business hours, to the Hospital Premises to lessors of equipment at the

Hospital Premises, if any, who have been authorized by order of the Bankruptcy Court to remove their equipment from the Hospital Premises, provided that the Manager shall have full power and authority to require that the removal of such equipment by such lessors does not damage the Hospital Premises;

(h) Providing access, during normal business hours, to the Hospital, the Hospital Premises, the Hospital's books and records, electronic health records, financial information systems, operating systems, laboratory systems, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, to the Corporation, the Corporation's directors, officers and representatives, and the Corporation's successors in interest, including, but not limited to, any plan administrator, liquidating trustee or similar representatives appointed or approved by the Bankruptcy Court, as well as the Patient Care Ombudsman appointed in the Bankruptcy Cases under Section 333 of the Bankruptcy Code (the "PCO") [*see* Docket No. 430], for the purpose of winding down the Corporation's affairs, pursuing litigation and adversary proceedings, and to effectuate a plan of liquidation, as approved by the Bankruptcy Court (the "Plan"), *provided, however*, that such access does not unreasonably disrupt the Hospital's operations;

(i) Maintaining, all licenses, permits consents, approvals, accreditations, and certifications currently held by the Corporation in good standing, in active status, and in compliance with all applicable local, state, and federal laws, including the timely payment of all applicable fees to support or renew these approvals;

(j) Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital that a prudent hospital operator or owner would maintain, including directors and officers insurance with no less coverage than was maintained for directors and officers just prior to the Effective Time;

(k) Maintaining and obtaining those insurance coverages required under the Leaseback Agreement, for its own account, with the Corporation included as a named insured, and paying all amounts required under the Leaseback Agreement in a timely manner, including rent, utilities, taxes, and insurance premiums;

(l) Opening and forwarding all mail relating to the financial or business affairs of the Corporation to the notice address below;

(m) Periodically reporting to the Corporation (or its designee), either in person or telephonically, the condition of the Hospital and the Hospital Premises;

(n) Coordinating with the governing board and the organized medical staff (each, as established by the Corporation and the Sellers) on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight;

(o) Paying all costs and expenses in connection with and incidental to ownership of the Corporation's Assets and management and operation of the Hospital hereunder, including but not limited to, all the Hospital operating costs, employee-related costs, and taxes, whether or not identified, described, or referenced in this Agreement;

(p) Cooperating with the Corporation in facilitating termination and release of any Encumbrances on the Corporation's bank accounts and lockboxes; and

(q) Performing such other duties and activities as are reasonably necessary for the Manager to fulfill its responsibilities under this Agreement and the APA.

4.2 Permitted Manager Activities. During the Management Period, the Manager may do any of the following, in consultation with the Corporation and subject to the requirements of applicable local, state, and federal law, which activities may be performed by the Manager at the Manager's sole cost and expense:

(a) Make alterations, improvements, and repairs to the interior or exterior of the Hospital Premises, including structural alterations, improvements, and repairs;

(b) Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital Premises;

(c) Move into and install furniture, fixtures, equipment, and supplies at the Hospital Premises;

(d) Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and

(e) Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the Licenses, and receiving and retaining for the Manager's own account all revenues and proceeds of any such activities, to the extent they comprise the Manager Compensation.

4.3 Prohibited Manager Activities.

(a) Notwithstanding anything to the contrary in this Agreement, the Manager shall have no authority to take and shall not take any action with respect to any Excluded Assets or Excluded Liabilities (as such terms are defined in the APA) of the Corporation.

(b) The Manager's authority to manage and operate the Hospital is limited to those actions that Manager is expressly required or permitted to do hereunder.

(c) The Manager shall not (i) take any action that interferes with the Corporation's transfer of funds to pay itself out of the Hospital Revenues as set forth in Section 4.5(b); or (ii) remove, withdraw, or authorize removal or withdrawal of funds from the Corporation's bank accounts or lockboxes to the extent that the Corporation would be unable to fully pay itself as set forth in Section 4.5(b).

4.4 APA Provisions; Transition Services Agreement.

(a) Nothing herein shall modify the prorations of expenses and utilities set forth in the APA, including specifically as set forth in Section 1.6 of the APA.

(b) None of the information accessed, learned or obtained by Parent Company or the Manager or any of their affiliates in the course of performing their duties hereunder may serve as the basis for payment of less than the full Purchase Price or to otherwise assert a claim against the Sellers.

(c) Nothing herein shall modify the transfer of the Assets from the Sellers to Parent Company as contemplated in the APA, including specifically as set forth in Section 1.7 of the APA.

(d) Nothing herein shall modify the APA in respect of the exclusion from purchase by Parent Company of the Excluded Assets, including specifically as set forth in Section 1.8 of the APA.

(e) Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will be entering into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

4.5 Manager Compensation; Distribution of Revenue.

(a) As used in this Agreement, the term "**Hospital Revenues**" shall mean all revenues and reimbursement received by the Corporation after the Effective Time, including, but not limited to, cash, accounts, notes, or other accounts receivable, disproportionate share payments, quality assurance fee payments, Seller Cost Report (as defined in the APA) settlements, and capitation premiums, whether payable by Medicare, Medi-Cal or any other commercial or governmental payor, or any health maintenance organization or any other managed care program or any private pay patients, but only to the extent they are not Excluded Assets (as defined in the APA).

(b) As full and complete payment for the Manager's Services, the Manager shall be entitled to receive an amount equal to the Hospital Revenues less the following amounts that will be paid to the Corporation by Manager (the "**Manager Compensation**"):

(i) All costs and expenses incurred by the Corporation for the Corporation's purchase of drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital;

(ii) All salaries, stipends, costs and expenses associated with the employment or engagement of the board of directors of the Corporation and its parent organization, VHS, the Responsible Officer and any other retained employees or contractors of the Corporation

primarily or exclusively providing services necessary for the operation of the Hospital and compliance with applicable laws, if any; and

(iii) All other costs and expenses associated with keeping the Corporation in good standing, maintaining its Licenses and maintaining the Retained Contracts, including, but not limited to, filings with the secretary of state, filing tax returns, board of directors expenses, directors and officers insurance, employment practices liability insurance, compensation, benefits, and such other costs and expenses incurred by a hospital corporation in the normal course of business.

(c) Corporation shall instruct the financial institutions that service its bank accounts or lockboxes to, immediately following the Effective Time and during the Management Period, sweep all Hospital Revenues from the Corporation's bank accounts or lockboxes on a daily basis into an account designated in writing by Manager, and Corporation shall not revise such written instructions without obtaining the prior written consent of Manager.

(d) Under no circumstance shall the Manager seek payment for the Manager's Services from the liquidating trustee, the Corporation, any of the Corporation's officers, directors, agents, contractors, personnel, affiliates or subsidiaries, Verity Health System of California, Inc. ("VHS"), or any of VHS' officers, directors, agents, contractors, personnel, affiliates or subsidiaries.

(e) The Corporation shall issue invoices to the Manager on a weekly basis for the items described in Section 4.5(b) (i), (ii) and (iii), with reasonable supporting detail therefor. The Manager shall pay such invoices within ten (10) business days of receipt of such invoices. If the Manager does not remit payment in respect of such invoices in accordance with the immediately preceding sentence, the unpaid amount of such invoices shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to the Corporation (the "Invoice Payment Due Date") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Invoice Payment Due Date until payment of such invoices and all interest thereon is made to the Corporation.

4.6 Liabilities and Losses.

(a) Parent Company shall be responsible for all the Hospital liabilities and losses incurred or accrued during the Management Period.

(b) Nothing hereunder shall, or is intended to, modify or supersede Parent Company's responsibility for the Transferred Obligations (as defined in the APA) or the Corporation's responsibility for the Excluded Liabilities (as defined in the APA).

(c) Specifically, with respect to any and all quality assurance fee ("QAF") liabilities owed by the Corporation, Parent Company shall pay all QAF fees that become due and owing or are overdue during the Management Period, even though such fees may have been calculated based on data prior to the Effective Time.

(d) If Parent Company (or its affiliate) has designated any health plan capitation agreements to be assigned to Hospital Newco, then Parent Company hereby assumes all liabilities and responsibilities related to managing the members covered by such health plan capitation agreements, including arranging for services from and payment under all related risk pool arrangements, all related arrangements with independent physician associations (IPAs), all downstream provider agreements, and all out-of-network provider arrangements or services, without regard to whether the member services were rendered prior to or after the Effective Time.

4.7 The Corporation's Ultimate Control. Notwithstanding anything to the contrary in this Section 4 or in this Agreement more generally, the Corporation, as holder of the Licenses, shall remain ultimately responsible for the operation of the Hospital, and may, at any time and from time-to-time during the Management Period, take any action (at Parent Company's or the Manager's sole cost and expense) necessary to ensure the Corporation's compliance with applicable laws and regulations, even if such action requires the Corporation to intervene in the Manager's performance of the Manager's duties or permitted activities pursuant to this Section 4.

5. Continued Responsibility of the Corporation.

5.1 During the Management Period, the Corporation shall maintain (at Parent Company's or the Manager's sole cost and expense), and shall not take or voluntarily permit any actions which may adversely affect, the Corporation's corporate existence and its full rights as the licensee under the Licenses. In addition, during the Management Period, the Corporation and its officers shall reasonably cooperate with the Manager (at Parent Company's or the Manager's sole cost and expense) in the Manager's provision of the Services.

5.2 Notwithstanding the statutory and regulatory authority and responsibility of the Corporation for the continued management of the Hospital during the Management Period, the Parties recognize and acknowledge that under this Agreement, the Manager shall, subject to the ultimate oversight by and approval of the Corporation, be responsible for the day-to-day operation and maintenance of the Hospital as a general acute care hospital. In the event that any violation or alleged violation of or non-compliance with any statute or regulation applicable to the operation or maintenance of the Hospital as a general acute care hospital certified by the Medicare and Medical programs occurs during the Management Period, then without regard to legal or statutory fault on the part of the Manager or of the Corporation, the Manager shall immediately notify the Corporation of such violation or alleged violation or non-compliance and take reasonable efforts to avoid or minimize any related adverse consequences. Parent Company and the Manager shall be responsible for the costs of any penalty, fine or remediation identified during the Management Period arising out of or relating to any act, omission, event or occurrence connected with the operation of the Hospital after the Effective Time, including, without limitation, the cost of engaging third party consultants or experts to help address or resolve the violation, alleged violation or non-compliance, and shall indemnify and hold the Corporation harmless for the same in accordance with Section 9.2. The Corporation retains the right to join the Manager in contesting said violations upon providing the Manager with notice of its intent to do so.

5.3 The Corporation shall be responsible for purchasing drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital at the Manager's sole cost and expense, as set forth in Section 4.5(b)(i).

5.4 The Corporation agrees to execute and deliver to the Manager such documents as the Manager may reasonably request to maintain the hospital license active and in good standing with CDPH and the other Licenses necessary or appropriate to maintain the Hospital as a general acute care hospital and to facilitate the Manager's obtaining of the New Licenses.

6. The Parties' Cooperation with Regulatory Agencies. The Manager shall use its best efforts to obtain the New Licenses as expeditiously as possible. The Manager shall provide updates to the Corporation weekly, and as requested by the Corporation, on the status of the Manager's efforts to obtain the New Licenses. To the extent not already submitted prior to the Effective Time, the Manager shall provide a copy of all such initial and supplementary or amended license applications for the New Licenses to Corporation at least two (2) business days prior to submission. The Manager and the Corporation shall cooperate with each other in the event the Corporation requests revisions to a license application for a New License. The Corporation shall, at Parent Company's or the Manager's cost, reasonably cooperate with the Manager's efforts to obtain the New Licenses, and may communicate and coordinate with licensing agencies as necessary in connection with obtaining the New Licenses. Notwithstanding the foregoing, obtaining all governmental consents, approvals, assignments, authorizations, and clearances necessary to obtain the New Licenses shall be solely Parent Company's and the Manager's (and not the Corporation's) responsibility, including payment of any fees, expenses, filing costs or other amounts related thereto.

7. Risk of Loss.

7.1 The Corporation assumes no risks or liability for damage to or injury occurring to the Hospital Premises, Assets or the Hospital during the term of this Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, cyberattack, accident or any other casualty (collectively, "**Casualty**"), and Parent Company shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

7.2 If, during the term of this Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, "**Condemnation**"), Parent Company, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

7.3 In the event of a Casualty or Condemnation, neither Parent Company nor the Corporation may terminate this Agreement.

8. Continued Access. Following the expiration or termination of this Agreement and until the entry of final decrees closing the Bankruptcy Cases, if expressly authorized or directed by the Bankruptcy Court, and only to the extent so authorized or directed, the PCO shall have continuing access to the Corporation's Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to Parent Company or the Manager, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the Plan.

9. Exculpation; Indemnification.

9.1 The Corporation and the Corporation's affiliates, members, officers, directors, employees, attorneys, accountants, consultants, agents, representatives, successors and assigns, including the liquidating trustee and responsible officer (collectively the "**Corporation Indemnified Parties**") shall have no liability in contract, tort or otherwise unless and until a Chosen Court finds in a final, non-appealable judgment that any Damages result solely from a Corporation Indemnified Party's gross negligence or willful misconduct.

9.2 Parent Company and the Manager shall promptly and fully keep and hold the Corporation Indemnified Parties forever harmless from, and shall indemnify and defend the Corporation Indemnified Parties from and against, without regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, awards, liabilities, losses, penalties, claims, costs, demands, damages, expenses, liens, and encumbrances, including investigation costs, time spent in depositions and reasonable attorneys' fees and expenses (collectively, "**Damages**"), whether civil or criminal, direct, indirect or consequential and no matter how arising, in any way related to, connected with, arising or resulting from, or under this Agreement, the APA, the Hired Employees (as defined in the APA), the Manager's performance of the Services, or the operation or management of the Hospital or the Corporation's Assets, in each instance after the Effective Time. Notwithstanding the foregoing, the Parties understand that except as otherwise specifically provided for in the APA, Parent Company and the Manager are not, by virtue of this Agreement or any term or provision herein, assuming any claim, liability, expense, debt or other obligation of the Corporation that both relates to the operation or management of the Hospital or the Corporation's Assets prior to the Effective Time and constitutes an Excluded Liability under the APA.

10. HIPAA Compliance. The Manager agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the Corporation agrees not to take or voluntarily permit any actions which violate Privacy Laws with respect to the Hospital or its operations. Toward this end, Parent Company, the Manager, and the Corporation agree to execute and deliver that certain Business Associate Agreement, attached hereto as Exhibit A and incorporated by reference herein, upon execution of this Agreement.

11. Further Assurances. Each of the Parties hereto agree to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by any other Party hereto to perfect or evidence their rights hereunder.

12. Relationship of Parties. In performing their duties and permitted activities under this Agreement, Parent Company, the Manager, and the Corporation shall, at all times be acting and performing as independent contractors. Parent Company, the Manager, and the Corporation are not partners or joint venturers with each other and nothing herein shall be construed as making them partners or joint venturers or imposing upon any of them any liability as partners or joint venturers.

13. Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center
c/o Verity Health System of California, Inc.
601 South Figueroa Street, Suite 4050
Los Angeles, CA 90017-5704
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.
(which copy shall not Dentons US LLP
constitute notice) 601 South Figueroa St., Suite 2500
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.
Davis Wright Tremaine LLP
865 S Figueroa St,
Los Angeles, CA 90017

If to Parent Company
and/or
the Manager:

With copies to:
(which copies shall not
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Party in accordance with this Section 13.

14. Expenses. Except for Parent Company's and the Manager's obligations to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Agreement, each Party to this Agreement shall pay its own expenses in connection with the preparation of this Agreement and

the consummation of the transactions contemplated hereby, including the fees of any attorneys, accountants, financial advisors, investment bankers or other professionals engaged by such Party.

15. Entire Agreement. This Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement, contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement. Nothing in this Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court.

16. Amendment. This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by all the Parties.

17. Waiver. Waiver by any Party of any breach or failure to comply with any provision of this Agreement by any other Party shall not be construed as or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written notice signed by the waiving Party and delivered, in the manner required for notices generally, to each affected Party.

18. Severability. In case any provision of this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

19. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective permitted successors and assigns. The Corporation shall not be permitted to assign its rights or its obligations under this Agreement without the prior consent of Parent Company and the Manager. The Parties further acknowledge and agree that the Manager may subcontract for any of the goods or services required to be provided by the Manager pursuant to this Agreement, and the Manager may assign any of its rights hereunder and/or delegate any of its obligations hereunder, so long as in each case the Manager remains responsible for such subcontracted goods or services and for any of such Manager obligations hereunder.

20. Attorneys' Fees. In the event of any litigation or arbitration between the Parties arising out of this Agreement, the prevailing Party therein shall be allowed to recover from the other Party all court costs and reasonable attorneys' fees which shall be fixed by the court or arbitrator.

21. Headings. The descriptive headings of sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

22. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions,

except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

23. Jurisdiction. The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; provided, however, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the “**Chosen Courts**”) shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 13 hereof.

24. Commencement. The Parties acknowledge that commencement of the Manager’s Services under this Agreement is subject to and contingent upon the occurrence of the Closing (as defined in the APA). The Management Period shall not commence, and the Parties’ obligations during the Management Period shall not commence, unless and until the Closing has occurred.

25. Cooperation on Regulatory Compliance Matters. Parent Company and the Manager understand and acknowledge that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance. In the event the terms of this Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Agreement, Parent Company and the Manager shall cooperate with such amendment and/or supplement to ensure the Corporation’s ability to comply with such guidance, request or directive.

26. Counterparts. This Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. It may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

27. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR

ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

[Signature page follows.]

IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

MANAGER:

NAME

By: _____
Name: _____
Title: _____

PARENT COMPANY:

NAME

By: _____
Name: _____
Title: _____

HOSPITAL NEWCO:

NAME

By: _____
Name: _____
Title: _____

CORPORATION:

ST. FRANCIS MEDICAL CENTER,
a California non-profit public benefit
corporation

By: _____
Name: _____
Title: _____

Exhibit A to IMA
Business Associate Agreement

Schedule 3.4 to IMA
Corporation's Billing Credentials

Schedule 3.6 to IMA

Retained Contracts

Exhibit 1.4(a) to APA

Form of Bill of Sale

See attached.

Exhibit 1.4(b) to APA
Form of Real Estate Assignment Agreements

See attached.

Exhibit 1.4(c) to APA
Form of Quitclaim Deed

See attached.

Exhibit 1.4(d) to APA
Form of Transfer Agreement

See attached.

Exhibit 1.4(f) to APA
Form of Transition Services Agreements

See attached.

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (the “**Agreement**”), is made and entered into as of _____, 2020 (the “**Signing Date**”), by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**Verity**”), Verity Holdings, LLC, a California limited liability company (“**Verity Holdings**”), St. Francis Medical Center, a California nonprofit public benefit corporation (“**St. Francis**” and together with Verity and Verity Holdings, collectively the “**Sellers**” and each individually a “**Seller**”) and _____ (“**Purchaser**”). The Sellers, the Liquidating Trust, and Purchaser may each be referred to herein as a “**Party**” and collectively as the “**Parties**.”

This Agreement is being entered into in connection with the Asset APA, dated of even date herewith among Sellers and Purchaser (the “**APA**”). Capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in the APA. The Parties have agreed to provide or cause one or more of their respective direct or indirect subsidiaries or affiliates to provide certain services as set forth below. The Party providing services hereunder (together with those of its direct and indirect subsidiaries and affiliates providing services hereunder) is referred to herein as the “**Service Provider**” and the Party receiving services hereunder (together with those of its direct and indirect subsidiaries and affiliates receiving services hereunder) is referred to herein as the “**Service Recipient**”. The Parties agree that this Agreement will be amended to include the Liquidating Trust (as defined below) after its creation, pursuant to the effective date set forth in the plan of liquidation (the “**Plan**”) to be confirmed by the Bankruptcy Court.

RECITALS

A. On August 31, 2018, the Sellers and certain of their affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Purchaser and the Sellers entered into the APA, which provides for the sale of the assets of the Sellers (collectively, the “**Assets**”).

D. Sellers will file a motion with the Bankruptcy Court to approve the APA and upon approval, the Bankruptcy Court will enter a sale order (the “**Sale Order**”).

E. Sellers and certain of their affiliates will file a chapter 11 Plan, pursuant to which a liquidating trust (the “**Liquidating Trust**”) will be created on the effective date of the Plan after confirmation thereof.

F. The primary purpose of the Liquidating Trust is to, among other things, liquidate and distribute assets, which includes assets of the Sellers not sold to Purchaser pursuant to the APA.

G. Following the Closing Date, the Sellers and the Liquidating Trust need access to certain assets, systems, facilities, equipment, and personnel of Purchaser in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers, and Purchaser agrees to provide such access and services in connection therewith.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I SERVICES

Section 1.1 Services to be Provided.

(a) Services to be Provided by the Sellers and/or the Liquidating Trust. Subject to the terms and conditions of this Agreement, the Sellers and/or the Liquidating Trust, as the Service Provider, shall provide or cause to be provided to Purchaser, as the Service Recipient, those services in support of the business of Purchaser on such terms (including payment) as may be mutually agreed upon in writing from time to time by the Sellers and/or the Liquidating Trust and Purchaser (the "**Seller Services**").

(b) Services to be Provided by Purchaser. Subject to the terms and conditions of this Agreement, Purchaser, as the Service Provider, shall provide or cause to be provided to the Sellers and the Liquidating Trust, as the Service Recipient, those services and personnel in support of the business of the Sellers and/or the wind-down and liquidation of the Sellers set forth on Schedule A attached hereto (the "**Purchaser Services**").

Section 1.2 Access to and Use of Assets, Systems, Facilities, and Equipment.

(a) Access. Beginning on the Effective Time and continuing through the termination or expiration of this Agreement in accordance with its terms, Purchaser hereby grants to the Sellers and the Liquidating Trust, reasonable access to and the right to use the hospital assets, systems, facilities, and equipment to the extent reasonably required in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. If any third party to any lease, license or other agreement requires Sellers to sign any documents in order for Sellers to be granted access to, and the right to use, any hospital asset, system, facility or equipment under such lease, license or other agreement, Sellers agree to execute and deliver any such documents; provided, that such documents, leases, licenses or other agreements do not require Sellers to pay any money or take any action, not required by the Sale Order; and provided, further, that if Sellers do not sign such requisite documents, leases, licenses or other agreements, then Purchaser has no obligation to provide Sellers with access and the right to use the associated hospital assets, systems, facilities and equipment provided by such third party; and provided, further, that Purchaser agrees to indemnify, defend and hold harmless each of the Sellers in connection with any obligations under any such documents, leases, licenses or other agreements other than those obligations of Sellers thereunder which are required by the Sale Order.

(b) Office Space. In order to enable the provision of the Seller Services, Purchaser hereby grants to Sellers' and their affiliates' employees and any third-party service providers or subcontractors the right to use and occupy the portion of St. Francis Medical Center identified on Schedule B attached hereto (the "**Premises**") at no cost for use exclusively as office space pursuant to the terms and conditions hereof, and until the termination of this Agreement pursuant to Article IV herein. Sellers shall keep the Premises neat, clean and sanitary and dispose of all garbage. Sellers may terminate its right to occupy the Premises at any time upon five (5) days prior written notice to Purchaser. Upon termination of Sellers' right to occupy the Premises, Sellers shall vacate the Premises in broom-clean condition. Purchaser shall make the Premises available to Sellers 24 hours a day, 7 days a week. Purchaser may access the Premises for purposes of making repairs or improvement or other reasonable purposes upon (except in the case of an emergency) reasonable prior written notice to Sellers; however, Purchaser shall at all times use its commercially reasonable efforts to prevent interference with or interruption of the Sellers' business activities on the Premises. The Sellers use of the Premises shall additionally be subject to the following terms and conditions:

(i) Purchaser shall have the right, on reasonable advance notice (which shall not be less than three (3) business days) to Sellers, to relocate the space covered by the preceding license to similar space in the same area as the original designated Premises, provided the replacement space is reasonably suitable for the same uses as contemplated herein. In the event of any such relocation, references herein to the Premises shall constitute references to such relocated space.

(ii) Sellers shall not make any material alterations, decorations, additions, or improvements in or to the Premises or the Purchaser's other property without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole discretion.

(iii) Sellers shall not do, or permit their representatives to do, anything that would: (a) unreasonably obstruct or materially interfere with the lawful operation of the Premises or other portions of the Purchaser's property by Purchaser and other tenants of the Purchaser's property; or (b) use the Premises for any illegal or unlawful purpose, including without limitation any violations of applicable laws or regulations relating to or regulating hazardous substances.

(iv) The license, occupancy and access rights granted to Sellers under this Agreement shall be effective notwithstanding any ground lease, mortgage, deed of trust, or any other hypothecation or security placed at any time upon the Premises or any of Purchaser's property of which the Premises is a part, and notwithstanding any change in ownership (including any sale and/or leaseback involving any property of which the Premises is a part) .

Section 1.3 Subcontracting. The Service Provider may, in its sole discretion and without any written notice to the Service Recipient engage one or more parties (including third parties or affiliates of the Service Provider) to provide the Services, whether in whole or in part or subcomponent. Without limiting the preceding, Purchaser will not be required to use the Sellers existing IT and similar systems, but shall have the right to replace IT and other systems, used to provide any of the Purchaser Services provided that the new or replacement systems provide equivalent functionality. Sellers and Purchaser agree to fully cooperate with each other, at Purchaser's sole cost and expense, in connection with any data or other transition steps required

in connection moving any of the functions covered by the Purchaser Services to a new vendor or system.

Section 1.4 Cooperation; Access. Each Party shall, at reasonable times under the circumstances, make available to any other Party properly authorized personnel for the purpose of consultation and decisions in connection with the Services.

Section 1.5 Certain Qualifications.

(a) Provided AS-IS. By accepting the use to the Premises and other access rights provided herein, Sellers conclusively shall be deemed, subject to the representations, warranties and obligations expressly set forth in this Agreement, to have (i) accepted the Premises and access to other property of Purchaser “AS IS” and without express or implied warranty; and (ii) is fully aware of and has approved the Premises in its condition existing as of such date.

(b) Limited Representation. Except for the representations, warranties and obligations expressly set forth in this Agreement, Purchaser makes no representations and warranties of any kind, implied or expressed, with respect to the Purchaser Services, including, without limitation, no warranties of merchantability or fitness for a particular purpose, which are specifically disclaimed.

(c) Privacy and Confidentiality Protections. All access provided to Sellers, to the Premises or otherwise as provided herein, shall be permitted only in a manner which protects patient privacy and the confidentiality of patient information under applicable Privacy Laws.

(d) Limitation on Liability. In no event shall any Party have any liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, whether based on statute, contract, tort or otherwise, and whether or not arising from any other Party’s sole, joint, or concurrent negligence, strict liability, criminal liability or other fault.

ARTICLE II LICENSE GRANT

Section 2.1 License Grant. Beginning on the Effective Time and continuing through the later of the termination or expiration of this Agreement in accordance with its term or the dissolution of the Sellers and their Businesses, the wind-down of the Liquidating Trust and the completion of the Bankruptcy Cases, Purchaser grants to the Sellers and the Liquidating Trust a royalty free, license to use the name “St. Francis Medical Center,” including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets, related to the use of the preceding name, and the corporate or company names of the Sellers and the name of the Hospital, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing, in all respects solely as reasonably needed in connection with the wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. Sellers and the Liquidating Trust shall not assign, transfer or hypothecate any of the rights subject to, and pursuant to, the preceding license and shall not use any such license rights in

any manner which could adversely affect Purchaser's intellectual property rights with respect to the items which are the subject of such license.

ARTICLE III PAYMENT

Section 3.1 Service Fees. The fee, rate or amount to be charged to the Service Recipient for the Services (the "**Service Fees**") shall be as set forth on Schedule A hereto for the Purchaser Services and as agreed upon in writing from time to time by Sellers and/or the Liquidating Trust and Purchaser for the Purchaser Services. The Service Provider shall issue invoices on a monthly basis to the Service Recipient for the Services, with a statement of such Services and reasonable supporting detail therefor. The Service Recipient shall pay the undisputed portion of such invoices within thirty (30) days of receipt of such invoices. Any dispute relating to the Services shall be resolved in accordance with the dispute resolution procedures set forth in this Agreement.

ARTICLE IV TERM AND TERMINATION

Section 4.1 Term. Unless a Service is earlier terminated by the Service Recipient in accordance with Section 4.2(b), the Service Provider shall provide each Service to the Service Recipient for the period beginning at the Effective Time (as defined under the APA) and continuing through and including the applicable dates set forth in: (i) Schedule A (with respect to the Purchaser Services); and (ii) any written agreement between Sellers and/or the Liquidating Trust and Purchaser (with respect to the Seller Services) (the "**Applicable Term**"); provided, that in the event a particular Service provided by Purchaser hereunder is required by one or more Sellers to allow such Seller(s) to comply with applicable laws, rules or regulations, the Applicable Term shall be extended for so long as such Service is required to allow such Seller(s) to comply with such laws, rules and regulations; *provided, however*, that notwithstanding any other term herein any Party may, in any case, terminate this Agreement by written notice to any other Party at any time on and after the end of the 18th calendar month following the Licensure Date (as defined in the APA). In addition, upon termination or expiration of this Agreement, the Parties may mutually agree in writing to a tail period for any portion of the Services, and the terms of this Agreement shall continue to apply to such ongoing Services until performed in full.

Section 4.2 Termination.

(a) Termination for Material Breach. This Agreement may be terminated by the Sellers and/or the Liquidating Trust on the one hand, or Purchaser on the other hand, upon written notice to any other Party in the event that any other Party materially breaches any provision of this Agreement and fails to remedy such breach within thirty (30) days of its receipt of such written notice, except to the extent such remedy is prevented or not permitted by the Bankruptcy Court; and provided, further, however, that this Agreement may only be terminated under this Section 4.2(a) following approval of such termination by the Bankruptcy Court.

(b) Early Termination. The Service Recipient may terminate any particular Service early by providing not less than thirty (30) days prior written notice to the Service Provider of its intent to terminate early such particular Service. Any such partial termination notice delivered

shall specify in detail (i) the Service or Services to be terminated and (ii) the effective date(s) of such termination (subject to the foregoing sentence). If any such termination of a Service prior to the expiration of its Applicable Term requires any out-of-pocket fee, cost or expense of a similar nature payable to a third party (a “**Termination Fee**”), the Service Provider shall have no obligation to terminate such Service prior to the expiration of its Applicable Term unless the Service Recipient approves in advance such Termination Fee in writing (a “**Termination Fee Approval**”). If the Termination Fee Approval is granted, the Termination Fee shall be billed to and payable by the Service Recipient.

(c) Continued Access. Notwithstanding the termination of any particular Services hereunder, Service Recipient shall continue to have the right, upon reasonable advance notice and consistent with the other provisions herein, to reasonable access data and Service Provider, personnel relating to such Services for reasonable purposes (including compliance with applicable law).

Section 4.3 Effect of Termination. The termination of this Agreement pursuant to Section 4.2 shall not relieve any Party from liability for any willful and material breach of this Agreement prior to such termination. Further, the provisions of Article II, Article III, this Section 4.3, Article V and Article VI shall survive any termination of this Agreement pursuant to Section 4.2.

ARTICLE V COORDINATION AND OTHER COVENANTS

Section 5.1 Coordination. The Parties hereby appoint as of the Effective Time the following representatives responsible for coordinating and managing the provision and receipt of the Services, which representatives shall have authority to act on the applicable Party’s behalf with respect to matters relating to this Agreement:

Sellers’ Representative:

Address:

Telephone:

Facsimile:

Email:

Liquidating Trust Representative:

Address:

Telephone:

Facsimile:

Email:

Purchaser's Representative:

Address:

Telephone:

Facsimile:

Email:

In the event that the Sellers, the Liquidating Trust or Purchaser elect, in their sole discretion, to change their respective representative appointed for purposes of this Section 5.1, the Sellers, the Liquidating Trust or Purchaser (as the case may be) shall deliver written notice thereof to the other promptly following the effective date of appointment of the name and contact information of such new representative. The representatives shall work in good faith to address and attempt to resolve any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof, whether sounding in contract or tort and whether arising during or after termination of this Agreement, including any pricing and other Service related matters.

Section 5.2 General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute Excluded Assets (as defined in the APA), shall be paid to and received by Sellers, with any payments that constitute Assets (as defined in the APA) transferred to Purchaser pursuant to Section 1.7 of the APA or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective Time (“**Turnover Period**”), the Parties shall, within ten (10) business days, copy and send to any other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Receivables (as defined in the APA), from whatever payor or source of funds, that are received on and after the Effective Time. In the event that Assets are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) business days of notice of the receipt of such Assets, shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party, moreover, shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the requesting Party's sole

expense, of the bank records and remittance advices of any other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or an underpayment of funds due, the Party owing funds shall, within five (5) business days, make a payment of such funds to the Party to whom they are owed.

Section 5.3 HIPAA Compliance. The Parties agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the “**Privacy Laws**”) with respect to the Hospital and its operations, and the performance by the Parties of the services and obligations provide herein.

Section 5.4 Confidentiality.

(a) During the term of this Agreement and thereafter, the Parties shall, and shall instruct their respective Representatives (as defined below) to, maintain in confidence and not disclose any other Party’s financial, technical, sales, marketing, development, personnel, and other information, records, or data, including, without limitation, customer lists, supplier lists, trade secrets, designs, product formulations, product specifications or any other proprietary or confidential information, however recorded or preserved, whether written or oral (any such information, “**Confidential Information**”). Each Party hereto shall use the same degree of care, but no less than reasonable care, to protect any other Party’s Confidential Information as it uses to protect its own Confidential Information of like nature. Unless otherwise authorized in any other agreement between the Parties, any Party receiving any Confidential Information of any other Party (the “**Receiving Party**”) may use Confidential Information only for the purposes of fulfilling its obligations under this Agreement (the “**Permitted Purpose**”). Any Receiving Party may disclose such Confidential Information only to its directors/managing members, managers, officers, employees, consultants, financial advisors, prospective or existing lenders, counsel, accountants and other agents of such Receiving Party (and, in addition, Sellers may disclose such Confidential Information to the creditors committee in the Bankruptcy Cases and its consultants, financial advisors, counsel, accountants and other agents, the Liquidating Trust and its trustee, consultants, financial advisors, counsel, accountants and other agents and any advisory board members and their consultants, financial advisors, counsel, accountants and other agents) (“**Representatives**”) who have a need to know such information for the Permitted Purpose and who have been advised of the terms of this Section 5.5 and the Receiving Party shall be liable for any breach of these confidentiality provisions by such persons; *provided, however*, that any Receiving Party may disclose such Confidential Information to the extent such Confidential Information is required to be disclosed by a governmental agency or court order (“**Governmental Order**”), in which case the Receiving Party shall promptly notify, to the extent possible, the disclosing Party (the “**Disclosing Party**”), and take reasonable steps to assist in contesting such Governmental Order or in protecting the Disclosing Party’s rights prior to disclosure, and in which case the Receiving Party shall only disclose such Confidential Information that it is advised by its counsel in writing that it is legally bound to disclose under such Governmental Order.

(b) Notwithstanding the foregoing, “Confidential Information” shall not include any information that the Receiving Party can demonstrate: (i) was publicly known at the time of disclosure to it, or has become publicly known through no act of the Receiving Party or its

Representatives in breach of this Section 5.5; (ii) was rightfully received from a third party without a duty of confidentiality; or (iii) was developed by it independently without any reliance on the Confidential Information.

(c) Upon demand by the Disclosing Party at any time, or upon expiration or termination of this Agreement with respect to any Service, the Receiving Party agrees promptly to return or destroy, at the Receiving Party's option, all Confidential Information. If such Confidential Information is destroyed, an authorized officer of the Receiving Party shall certify to such destruction in writing.

ARTICLE VI MISCELLANEOUS

Section 6.1 Relationship of the Parties.

(a) The Parties and their respective representatives shall be deemed independent contractors for all purposes under this Agreement.

(b) This Agreement shall not be deemed or construed to create the relationship of employer or employee, partnership or any type of joint venture relationship among the Parties.

(c) The Parties acknowledge and agree that the Parties are not providing legal, accounting or tax advice under this Agreement. The Parties further acknowledge and agree that no fiduciary or other similar relationship is being created among the Parties relating to the Services or otherwise under this Agreement.

(d) Except as expressly set forth herein, neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser or any of its representatives or affiliates, on the other hand, shall have the authority to contract for or assume obligations of any nature in the name of any other Party, as the case may be, without the other's prior written consent.

Section 6.2 No Set-off. Neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser nor any of its representatives or affiliates, on the other hand, shall have any set-off or other similar rights pursuant to this Agreement.

Section 6.3 Notices. All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the Party for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation if sent by facsimile; in each case to the Party at the address set forth in Section 5.1, or such other address as may be designated in writing hereafter, in the same manner, by such Party.

Section 6.4 Amendment, Modification and Waiver. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the Parties, or in the case of a waiver, by the Party

against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 6.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, hypothecated, sublicensed, subleased or transferred by any of the Parties, in whole or in part, to any other person without the prior written consent of the non-assigning Party, and any attempted or purported assignment in violation of this Section 6.5 will be null and void; provided, that Sellers may assign their rights hereunder to the Liquidating Trust. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns. Notwithstanding the preceding, however, Purchaser may assign its rights or obligations hereunder to its any of its affiliates and may subcontract with third parties to provide any of the Purchaser Services as provided elsewhere in this Agreement, provided that any such assignment or subcontracting shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

Section 6.6 Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 6.7 Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the Parties and their respective successors and permitted assigns.

Section 6.8 Expenses. In the event of litigation arising from or relating to this Agreement, the non-prevailing Party as determined by a court of competent jurisdiction in a final non-appealable order shall be liable and pay to the prevailing Party the reasonable attorney's fees and expenses incurred in connection with such litigation.

Section 6.9 Governing Law. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

Section 6.10 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF

LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.10. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

Section 6.11 Jurisdiction; Mediation. The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "Chosen Courts") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 6.3 hereof.

Section 6.12 Mediation. If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the Parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation in accordance with the terms of this Agreement. Any such mediation shall take place in Los Angeles, California and be subject to the governing law as set forth in this Agreement.

Section 6.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

Section 6.14 Ownership of Intellectual Property. Subject to the provisions of the APA, each of the Parties shall retain all right, title and interest in and to their respective intellectual property and data and other proprietary and other assets.

Section 6.15 Service Standards. Service Provider shall use commercially reasonable efforts to provide the Services to be provided by it in accordance with all applicable laws, rules and regulations and in a professional, competent, workman-like and timely manner.

Section 6.16 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any circumstance, is found by a court or other governmental authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

Section 6.17 Force Majeure. No Party shall be liable for nonperformance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, or late performance is due to reasons outside such Party's control (including any arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19), including acts of God, war (declared or undeclared), riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, failure of utilities, (or similar nonperformance or late performance of suppliers or subcontractors). In the event of any such nonperformance or late performance, the Service Provider shall use commercially reasonable efforts to restore or resume the Services within a reasonable period of time.

Section 6.18 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Signing Date.

NAME

By: _____

Name: _____

Title: _____

NAME

By: _____

Name: _____

Title: _____

NAME

By: _____

VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

By: _____

Name: _____

Title: _____

VERITY HOLDINGS, LLC

By: _____

Name: _____

Title: _____

ST. FRANCIS MEDICAL CENTER

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Schedule A
to TSA

Services to be Provided by Purchaser to Sellers

- I. Phase One: [from closing date to 6-9 months thereafter]
 - A. Description of Services: Purchaser will assist in activities related to the Debtors' efforts in support of its winding down activities, including accounting for monthly transactions, assisting in materials management and purchasing, facilitating voucher and payment of accounts payable and financial reporting. Purchaser will assist Debtors' in additional winding down activities, including facilitating the Debtors' efforts in claims reconciliation, contracts rejections/assumptions, preparing W2s and 1099s, and preparing tax returns.
 - B. Accounting - TBD
 - C. Accounts Payable / Supply Chain - TBD
 - D. Human Resources / Payroll - TBD
 - E. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

- II. Phase Two: [from end of Phase I to two years thereafter]
 - A. Description of Services: Purchaser will continue to archive and provide access to select data.
 - B. Accounting / Finance - TBD
 - C. Human Resources / Payroll - TBD
 - D. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

Schedule B
to TSA

Office Space for Use by Sellers

Exhibit 1.4(k) to APA

FIRPTA

To come.

Exhibit 5.8(c) to APA

Accepted Conditions (Attorney General)

See attached.

Conditions to the Sale of St. Francis Medical Center¹ and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Prime Healthcare Services, Inc. (“Purchaser”)

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, and St. Francis Medical Center Foundation, a nonprofit public benefit corporation and Purchaser, a Delaware corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

The transaction conditionally approved by the Attorney General consists of _____.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General’s approval.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of Purchaser that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Purchaser, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Purchaser shall also be deemed a transfer for purposes of this Condition.

¹ Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current² licensure and designation with the same types and/or levels of services, including the following:

- 46 emergency treatment stations at a minimum;
- Designation as a Level II Trauma Center;
- Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- Psychiatric evaluation team;
- Designation as an Emergency Department Approved for Pediatrics (EDAP);
- Designation as a Paramedic Base Station; and
- Certification as a Primary Stroke Center.

Purchaser must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the Asset Purchase Agreement.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians that are necessary to retain its qualification as a Level II trauma center. The following on-call coverage contracts and/or comparable coverage arrangements are required to retain St. Francis Medical Center's status as a Level II trauma center:

- Neurology;
- Obstetrics/gynecology;
- Ophthalmology;
- Oral or maxillofacial or head and neck;
- Orthopedic
- Plastic surgery;
- Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- Urology.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the following services at current licensure, types, and/or levels of services:

- Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
- Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;

² The term "current" or "currently" throughout this document means as of January 1, 2019.

Women's health services, including women's imaging services;
Pediatric services, including a designated area with at least five general acute care beds for pediatric services;
Orthopedic and rehabilitation services;
Wound care services;
Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and
Perinatal services, including a minimum of 50 perinatal beds.

Purchaser shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

For at least five years from the closing date of the Asset Purchase Agreement, Purchaser shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following clinic is subject to this condition:

Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall:

Be certified to participate in the Medi-Cal program at St. Francis Medical Center;

Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

Local Initiative: L.A. Care Health Plan or its successor; and

Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Purchaser questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

For six fiscal years from the closing date of the Asset Purchase Agreement, Purchaser shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$8,000,000 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Purchaser in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHDP) for annual hospital reporting purposes.³

Purchaser's obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For six fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater

³ OSHDP defines charity care by contrasting charity care and bad debt. According to OSHDP, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

than \$1,139,301 (the “Minimum Community Benefit Services Amount”) exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

- Southern California Crossroads Program;
- Health Benefit Resource Center;
- Welcome Baby Program;
- Healthy Community Initiatives;
- American Career College access for onsite training;
- Paramedic Training and Education; and
- Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Purchaser’s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.’s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center’s service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Purchaser shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

- Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;
- Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;
- Paramedic Base Hospital Services between the Hospital and Los Angeles County;
- Radiation Therapy Services between the Hospital and Los Angeles County;

Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;

Trauma Center Service Agreement between the Hospital and Los Angeles County; and Paramedic Training Institute Students between the Hospital and Los Angeles County.

For at least ten years from the closing date of the Asset Purchase Agreement, Purchaser shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that Purchaser's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall have at St. Francis Medical Center a Local Governing Board of Directors. Purchaser shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

Purchaser shall commit to reserve or expend for St. Francis Medical Center for capital improvements to the hospital over the five-year period from the closing of the Asset Purchase Agreement, the amount of capital that remains unexpended from the \$180 million commitment required of Blue Mountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center. Purchaser understands that such condition has previously been satisfied but will still commit to expend approximately \$35 million on St. Francis Medical Center over the five-year period from the closing of the Asset Purchase Agreement.

Purchaser shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Safety. Code, § 129675-130070).

Purchaser shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the independence of the medical staff.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Purchaser's written policies, adhered to, and strictly enforced.

For eleven fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Purchaser shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a Party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

Once the Asset Purchase Agreement is closed, and so long as such actions are consistent with the Asset Purchase Agreement, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Analysis of the Hospital's Service Area

Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
Sub-Total		16,845	75.4%	75.4%	10.5%	160,828
All Other		5,504	24.6%	100%		
Grand Total		22,349	100%			

Source: OSHPD Discharge Database, CY 2017

DISCLOSURE SCHEDULES

To

ASSET PURCHASE AGREEMENT

By and Among

ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,

and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.

(as “Sellers”)

and

(as “Purchaser”)

Dated [_____, 2020]

Schedule 1.1(a)(i) - Base Price Adjustments

Annualized Normalized earnings before interest, depreciation, amortization (EBITDA) shall mean the actual reported EBITDA including restructuring charges and any COVID-related payments or expenses that were realized in the period normalized by adjusting the revenues and expenses to remove the effect of one-time items and allocating revenue and expense items over the period to which they apply, consistent with the normalization done in a “quality of earnings” analysis. Specifically, the EBITDA will be normalized by subtracting QAF revenues and adding back QAF expenses reflected in the Monthly Operating Reports and adding the one-month average net benefit of a the complete QAF Cycle VI net benefit. COVID reimbursement related to specific patient accounts will be reflected in the period billed. COVID grants and other forms of funding, not related to specific patient accounts, will be applied to the designated period as specified in the funding to compensate for COVID related costs incurred and reflected in the periodic income statement.

Prior Period Annualized Normalized (EBITDA) shall mean the actual reported EBITDA including restructuring charges and any COVID-related payments or expenses that were realized in the period normalized by adjusting the revenues and expenses to remove the effect of one-time items and allocating revenue and expense items over the period to which they apply, consistent with the normalization done in a “quality of earnings” analysis. Specifically, the EBITDA will be normalized by subtracting QAF revenues and adding back QAF expenses reflected in the Monthly Operating Reports and adding the one-month average net benefit of a the complete QAF Cycle VI net benefit. COVID reimbursement related to specific patient accounts will be reflected in the period billed. COVID grants and other forms of funding, not related to specific patient accounts, will be applied to the designated period as specified in the funding to compensate for COVID related costs incurred and reflected in the periodic income statement.

A sample calculation for the period ended February 2020 is attached hereto including the normalizing adjustment for QAF VI, corporate overhead, restructuring charges and any COVID related payments or expenses that were realized in a period but should be allocated to other periods.

Schedule 2.0

I. Ebitda Measurement Calculation (2020)

a) Normalized month-end EBITDA, for the period 1 complete month prior to close of transaction	_____
b) Normalized month-end EBITDA, for the period 2 complete month prior to close of transaction	_____
c) Normalized month-end EBITDA, for the period 3 complete month prior to close of transaction	_____
d) Total (Sum of a + b + c)	=====
e) Annualize EBITDA Measurement (d * 4)	=====

II. Ebitda Baseline Measurement Calculation (2019)

F) Normalized month-end EBITDA, for the the same calendar month as a) in the EBITDA Measurement calculation	_____
G) Normalized month-end EBITDA, for the the same calendar month as b) in the EBITDA Measurement calculation	_____
H) Normalized month-end EBITDA, for the the same calendar month as c) in the EBITDA Measurement calculation	_____
I) Total (Sum of E + F + G)	=====
J) Annualize EBITDA Measurement (I) * 4)	=====

KK) **EBITDA variance Baseine (J <e>)**

LL) **MAC Hurdle** \$ 50,000,000

MAC Adjustment: If Variance is greater than \$50M (KK <LL>)

Schedule 2.0 Example

St. Francis Medical Center

Operating results	May-19	Jun-19	Jul-19
<i>\$ in 000's</i>			
Net patient revenue	\$ 20,353	\$ 19,605	\$ 21,019
Other revenue	13,889	12,893	11,969
Net QAF	56,014	2,448	-
Total revenue	90,256	34,946	32,988
Salaries and benefits	19,143	20,784	19,613
Pension	78	78	160
Supplies	3,736	3,717	3,728
Purchased services	9,533	12,882	10,626
Corp allocations	4,530	3,579	4,531
Depreciation and amortization	679	701	667
Interest, net	317	318	317
Total expenses	38,017	42,060	39,642
Operating (loss) / income	52,239	(7,114)	(6,653)
Reorganization costs	2,407	1,448	1,620
Excess / (deficit) of revenue over exps	\$ 49,833	\$ (8,562)	\$ (8,273)
QAF Normalization			
QAF V net benefit by month	7,026	7,026	-
QAF VI net benefit by month	-	-	6,634
Back out Net QAF recorded	(56,014)	(2,448)	-
Net QAF Normalization	\$ (48,988)	\$ 4,579	\$ 6,634
EBIDA Adjustments			
<i>Add back:</i>			
Corp allocations	4,530	3,579	4,531
Depreciation and amortization	679	701	667
Interest, net	317	318	317
Reorganization costs	2,407	1,448	1,620
Normalized EBIDA	\$ 8,778	\$ 2,063	\$ 5,496
May to July 2019 Normalized EBIDA, Annualized			\$ 65,348

Closing date: 9-1-20	2019
July EBITDA	\$ 5,496
June EBITDA	2,063
May EBITDA	8,778
Total 3-months	\$ 16,337
Annualized = Baseline EBITDA	\$ 65,348 A

HYPOTHETICAL EXAMPLE	2020
July EBITDA	\$ -
June EBITDA	1,000
May EBITDA	1,000
Total 3-months	\$ 2,000
Annualized = MAC Calculation EBITDA	\$ 8,000 B
Variance to Baseline	\$ (57,348) B-A
MAC Hurdle	\$ (50,000)
QAF V Payments to Purchaser	\$ 7,348

Schedule 1.4(c) - Owned Real Property

St. Francis Medical Center

Description	Owner	Address	APN
Hospital Campus (including Hospital Patient Tower, Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park Medical Office Building	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood Medical Office Building	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

Schedule 1.7(b) – Licenses

St Francis Medical Center - Accreditation/Certifications/Licenses		
License/Permit/Certificate	License/Permit Number	Expiration date ⁴
AABB - Certificate of Accreditation for Transfusion Activities		9/30/2021
ACR - for Adult Patients - Revolution EVO - 5		7/7/2020
ACR - for Adult Patients - Revolution EVO - 4		7/7/2020
ACR - ADAC Laboratories TRANSCAM 1994-Accreditation		10/12/2021
ACR - ADAC Laboratories VERTEX 1998 for Planer - Accreditation		10/12/2021
ACR - MRI Siemens AVANTO 2005 - Accreditation		5/19/2021
ACR - Siemens SYMBIA T 2011 for Planar, SPECT, Nuclear Cardiology		10/12/2021
ACR - Mammography - Lorad Medical Systems Dimensions 2012	MAP# 07026-05	8/4/2022
ACR - Mammography - Lorad Medical Systems Dimensions 2012 DBT	MAP# 07026-06	8/4/2022
Hospital Pharmacy Permit	HSP 45706	2/1/2021
California Department of Health – Processing Reportable Sources of Radiation	FAC00007446	6/30/2020
Sterile Compounding License	LSC 100267	2/1/2021
City of Lynwood - Business License - 4 Units	2301342	12/31/2020
City of Lynwood - Business License	2301756	12/31/2020
City of South Gate - Business License	3201	6/30/2020
CLIA Certificate of Waiver	05D0548351	2/27/2021
CLIA Certificate of Waiver	05D0949548	11/1/2021
County of LA Public Health - Public Health Permit - Cafeteria	PR0038667	6/30/2020
Department of Health & Human Services - Mammography Facility	138560	8/4/2022
Clinical Laboratory Certificate of Deemed Status	CDF00000291	12/28/2020
Department of Public Health – Mammography X-Ray Equipment and Facility 2 Dimension	20668	8/4/2022

⁴ Expiration date is subject to being updated.

Department of Public Health – Mammography X-Ray Equipment and Facility 3 Dimension	20669	8/4/2022
Department of Public Health - Medical Waste Generator Small Quantity	SQG37254	4/16/2020
Department of Public Health - Medical Waste Large Quantity Management Program	No. 289	11/16/2020
Hospital License	930000157	12/31/2020
Tissue Bank License - FLC	CTB 00080570	12/12/2020
Tissue Bank License - Hospital OR	CTB 00080568	12/12/2020
Department of Transportation Division Aeronautics - Heliport(TLOF) Permit	LA-179(H)	
DEA Controlled Substance Registration	BS7805609	2/28/2023
Institute for Medical Quality – Continuing Medical Education Certificate	N/A	12/31/2021
South Coast Air Quality Management District - Rule 2202-On Road Motor Vehicle Mitigation Options	14924	7/15/2020
Conveyance Permit	107436	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	107437	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	107438	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113252	6/21/2020
Conveyance Permit	113372	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113373	2/8/2020 Renewal in process,

		inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113374	6/21/2020
Conveyance Permit	113375	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113401	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121533	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121535	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121557	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	36304	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	36305	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020.

		New permits expected in April 2020.
Conveyance Permit	90171	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99368	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99562	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99563	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99564	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99565	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Radioactive Material License	0488-19	6/28/2024
The College of America Pathologists Laboratory Certification	2273801	8/22/2021
The Joint Commission - Hospital Accreditation Program	9953	10/27/2021
The Joint Commission - Primary Stroke	9953	6/21/2020
Federal Communications Commission Private Radio Licenses	KUX246	2/9/2024

Federal Communications Commission Private Radio Licenses	KWK570	3/21/2024
Federal Communications Commission Private Radio Licenses	WQHA434	6/11/2027
Federal Communications Commission Private Radio Licenses	WQIG242	1/30/2028
California Department of Tax and Fee Administration Seller's Permit	097962355-10000	
Los Angeles County Department of Mental Health Consolidated Medi-Cal Re-Certification Approval for St. Francis Medical Center Children's Center	N/A	N/A
Baby-Friendly USA Designation as Baby- Friendly Hospital	N/A	12/8/2024
American College of Surgeons VRC Committee on Trauma Verification as Level II Trauma Center	N/A	11/20/2021

Provider Number Listing	
Medicare	Hospital
05-0104	St Francis Medical Center
55-5238	St Francis Medical Center - SNF

Medi-Cal	Hospital
	St Francis Medical Center
HSC30104G	Acute Inpatient Contract
ZZT30104G	Acute Inpatient Non-Contract
ZZT40104G	Outpatient Contract
LTC55238G	SNF Inpatient

OSHPD	Hospital
106190754	St Francis Medical Center

Schedule 1.7(c)(i) - Leased Real Property

St. Francis Medical Center as Tenant	
1.	Lease Agreement, dated May 1, 2018 between St. Francis Medical and Hopevale Properties, L.P. c/o Reliable Properties for the premises located at 4390 Tweedy Blvd., South Gate, CA 90280 (Expires May 31, 2020).
2.	St. Francis Medical Plaza Office Space Lease, dated January 1, 2006, between St. Francis Medical Center (as Tenant) and St. Francis-Lynwood Medical Plaza L.P. (as Landlord) for the premises located at 3628 E. Imperial Highway, Lynwood, CA 90262, as amended by that certain First Amendment to Lease, dated May 1, 2006, the Second Amendment to Lease, dated February 7, 2007, the Third Amendment to Lease, dated November 29, 2007, the Fourth Amendment to Lease, dated January 1, 2010, between St. Francis Medical Center (as Tenant) and NHP/PMB St. Francis-Lynwood Medical Plaza LLC (as Landlord), the Fifth Amendment to Lease, dated December 31, 2010, the Sixth Amendment to Office Lease and Agreement Regarding Property Tax Protection, dated May 27, 2011, the Seventh Amendment to Lease, dated March 27, 2012, the Eighth Amendment to Lease, dated May 1, 2013, the Ninth Amendment to Lease, dated September 9, 2013, the Consent of Prime Landlord to Sublease, dated April 1, 2014 by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Tenth Amendment to Lease, dated November 20, 2015, the Consent of Prime Landlord to Sublease, dated January 15, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Eleventh Amendment to Lease, dated September 27, 2016, and the Consent of Prime Landlord to Sublease, dated December 1, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC (Expires December 31, 2021).
3.	Standard Multi-Tenant Office Lease-Gross, dated March 1, 2006, between St. Francis Medical Center (as Lessee) and Sunshine Capital Group, LLC (as Lessor) for the premises located at 3680 E. Imperial Hwy Suites 450, 525 and 550, Lynwood, CA 90262, as amended by that certain First Amendment to Office Lease, dated October 23, 2007, the Second Amendment to Lease, dated December 5, 2012, the Third Amendment to Lease, dated June 25, 2013, and the Fourth Amendment to Lease, dated September 17, 2013 (Expired September 30, 2018). ⁵

⁵ Within the Lease Schedules “*” indicates the lease is currently month-to-month.

Schedule 1.7(c)(ii) - Tenant Leases

St. Francis Medical Center as Landlord	
1.	Parking Space Lease, dated on or about January 7, 2018 between St. Francis Medical Center (as Landlord) and Davita Medical Management (as Tenant) for the premises located at 2700 E. Slauson Avenue, Huntington Park, CA 90255 as amended by that certain First Amendment, dated January 10, 2019 (Expires October 28, 2019).*
2.	Medical Office Building Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain First Amendment to Medical Office Building Ground Lease, dated February 1, 1993, the Second Amendment to Medical Office Building Ground Lease, dated May 1, 1993, the Assignment and Assumption of Leases and Subleases dated, June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee), and the Grant and Reservation of Easements and Parking Covenants by St. Francis Medical Center, dated January 1, 1993 (Expires January 1, 2048).
3.	Parking Garage Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain Assignment and Assumption of Leases and Subleases, dated June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee) (Expires January 1, 2048).
4.	Sublease, dated December 1, 2016, between St. Francis Medical Center (as Sublessor) and Verity Medical Foundation (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 408, Lynwood, CA 90262 (Expires December 31, 2020).
5.	Sublease, dated January 15, 2016, between St. Francis Medical Center (as Sublessor) and St. Francis Multispecialty Medical Group, Inc. (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 303, Lynwood, CA 90262, as amended by that certain First Amendment to Sublease between St. Francis Medical Center (Sublessor) and St. Francis Multispecialty Medical Group, Inc. (Sublessee), dated December 24, 2019. (Expires December 31, 2020).

Verity Holdings, LLC as Landlord

- | |
|---|
| 1. Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Diane Clark (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. B, Lynwood, CA 90262 * |
| 2. Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Gregory Slack (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. A, Lynwood, CA 90262 * |
| 3. Apartment Lease, dated September 1, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Marco Monteon (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. D, Lynwood, CA 90262 * |

Schedule 1.7(d) - Assigned Contracts and Assigned Leases

Ref #	Debtor	Contract Counterparty	Nature of Contact / Lease	Termination Date	Cure Amount
57	St. Francis Medical Center	AMEDA INC	BREAST PUMP AND ACCESSORIES	10/31/2020	\$1,965.25
65	St. Francis Medical Center	AMERICAN RED CROSS	BLOOD PRODUCTS	11/11/2018	\$247,033.00
94	St. Francis Medical Center	ARJO INC	PATIENT LIFTS	7/31/2021	\$20,516.56
95	St. Francis Medical Center	ARROW INTERNATIONAL INC	HEMODYNAMIC MONITORING PRODUCT	6/30/2020	\$24,438.28
100	St. Francis Medical Center	ASAHI INTECC USA INC	DIC PRODUCTS	6/30/2019	\$3,417.77
136	St. Francis Medical Center	BAUSCH AND LOMB	OPHTHALMOLOGY PRODUCTS	6/30/2020	\$3,316.97
142	St. Francis Medical Center	BAYER MEDICAL CARE LLC	CM INJECTORS AND DISPOSABLES	12/31/2020	\$46,138.51
143	St. Francis Medical Center	BAYER MEDICAL CARE LLC	CONTRAST MEDIA MR	12/31/2020	
157	St. Francis Medical Center	BIO RAD LABORATORIES DIAGNOSTICS	BLOOD BANK ANALYZERS REAGENTS	1/31/2019	\$9,387.74
163	St. Francis Medical Center	BIOVENTUS LLC	BONE AND BONE SUBSTITUTE PRODUCTS	6/30/2021	\$15,189.80
164	St. Francis Medical Center	BIOVENTUS LLC	SYNTHETIC IMPLANTABLE PRODUCTS	6/30/2021	
190	St. Francis Medical Center	BRASSELER USA MEDICAL LLC	ORTHOPEDIC POWER TOOLS	4/30/2019	\$1,224.86
338	St. Francis Medical Center	CAREFUSION	CHLOROHEXADINE GLUCONATE (CHG)	7/31/2020	\$730.96
396	St. Francis Medical Center	COOK MEDICAL INC	SPECIALTY UROLOGY PRODUCTS	12/31/2020	\$60,694.99
397	St. Francis Medical Center	COOK MEDICAL INC	GASTROINTESTINAL ENDOSCOPY	1/31/2019	
398	St. Francis Medical Center	COOK MEDICAL INC	PERIPHERAL AND BILIARY STENTS	1/31/2020	
399	St. Francis Medical Center	COOK MEDICAL INC	DIR PRODUCTS	1/31/2020	
400	St. Francis Medical Center	COOK MEDICAL INC	CARDIAC RHYTHM MANAGEMENT	3/31/2020	
401	St. Francis Medical Center	COOK MEDICAL INC	VENA CAVA FILTERS	7/31/2020	
402	St. Francis Medical Center	COOK MEDICAL INC	HIGH RISK OBGYN PRODS MED/SURG	12/31/2019	
403	St. Francis Medical Center	COOK MEDICAL INC	HIGH RISK OBGYN PROD SPECIALTY	12/31/2019	
449	St. Francis Medical Center	DAVITA MEDICAL MANAGEMENT LLC	LEASE-AS LANDLORD	2/28/2019	\$0.00
519	St. Francis Medical Center	GRACE MEDICAL	ENT IMPLANTS AND INSTRUMENTS	10/31/2019	\$180.86

525	St. Francis Medical Center	HARDY DIAGNOSTICS	MANUAL MICROBIOLOGY	12/31/2019	\$7,043.31
539	St. Francis Medical Center	HELMER SCIENTIFIC	GENERAL LABORATORY PRODUCTS	3/31/2021	\$131.75
550	St. Francis Medical Center	HOPEVALE PROPERTIES LP (RELIABLE PROPERTIES) FKA CHUNG SUK PU FKA WIN PROPERTY MANAGEMENT	LEASE-AS TENANT	4/30/2019	\$0.00
556	St. Francis Medical Center	HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)	LEASE-AS TENANT	4/30/2019	\$0.00
557	St. Francis Medical Center	HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)	LEASE-AS TENANT	4/30/2019	
625	St. Francis Medical Center	LEICA MICROSYSTEMS INC	HISTOLOGY AND CYTOLOGY	3/31/2021	\$445.41
631	St. Francis Medical Center	LIVANOVA USA INC	PERFUSION PRODUCTS	1/31/2021	\$2,075.00
647	St. Francis Medical Center	Maintex Inc	HOUSEKEEPING SUPPLIES	12/31/2019	\$2,500.00
670	St. Francis Medical Center	MEDCOMP	DIALYSIS PRODUCTS	10/31/2020	\$4,623.00
830	St. Francis Medical Center	MERCEDES MEDICAL INC	HISTOLOGY AND CYTOLOGY	1/31/2021	\$910.00
838	St. Francis Medical Center	MICROTEK MEDICAL (ECOLAB)	OR EQUIPMENT DRAPES	3/31/2019	\$21,008.98
871	St. Francis Medical Center	NEUROSTRUCTURES INC	SPINAL IMPLANTS AND PRODUCTS	6/22/2019	\$3,307.50
896	St. Francis Medical Center	ORASURE TECHNOLOGIES INC	RAPID DIAGNOSTIC TEST KITS	10/31/2021	\$7,270.80
906	St. Francis Medical Center	PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)	LEASE-AS LANDLORD	12/31/2047	\$0.00
907	St. Francis Medical Center	PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)	LEASE-AS LANDLORD	12/31/2047	
919	St. Francis Medical Center	PENUMBRA INC	DIR PRODUCTS	1/31/2020	\$7,985.48
920	St. Francis Medical Center	PENUMBRA INC	NEUROVASCULAR INT RADIOLOGY	8/31/2020	
992	St. Francis Medical Center	SMITH & NEPHEW INC ENDOSCOPY DIV	ARTHROSCOPY SUPPLIES	4/30/2019	\$223,752.45
993	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SKIN INTEGRITY: WOUND CARE	3/31/2020	
994	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SKIN INTEGRITY: SKIN CLENSER	3/31/2020	
995	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SURGICAL WOUND DEBRIDEMENT	5/31/2020	

996	St. Francis Medical Center	SMITH & NEPHEW ORTHOPEDIC	ORTHO TOTAL JOINT IMPLANTS	9/30/2019	
997	St. Francis Medical Center	SMITHS MEDICAL ASD INC	ARTERIAL BLOOD GAS KITS	11/30/2020	\$6,818.23
998	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY HUBER NEEDLES	2/28/2021	
999	St. Francis Medical Center	SMITHS MEDICAL ASD INC	INFUSION DEVICES	1/31/2020	
1000	St. Francis Medical Center	SMITHS MEDICAL ASD INC	PULSE OXIMETRY AND CAPNOGRAPHY	4/30/2021	
1001	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY HYPODERMIC PRODUCTS	9/30/2019	
1002	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY IV CATHETERS	9/30/2019	
1003	St. Francis Medical Center	SMITHS MEDICAL ASD INC	TRACHEOSTOMY TUBES	9/30/2021	
1004	St. Francis Medical Center	SMITHS MEDICAL ASD INC	TEMPERATURE MONITORING PRODUCTS	12/31/2018	
1005	St. Francis Medical Center	SMITHS MEDICAL ASD INC	REGIONAL ANESTHESIA TRAYS	1/31/2019	
1018	St. Francis Medical Center	ST JUDE MEDICAL	DIC PRODUCTS	6/30/2019	\$567.79
1019	St. Francis Medical Center	ST JUDE MEDICAL	CARDIAC RHYTHM MANAGEMENT	11/14/2020	
1021	St. Francis Medical Center	ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC	LEASE-AS TENANT	12/31/2021	\$97,282.52
1022	St. Francis Medical Center	St. Francis Multispecialty Clinic	SUBLEASE AGREEMENT	1/31/2018	\$0.00
1059	St. Francis Medical Center	STRYKER ORTHOPEDICS	ORTHOPEDIC TOTAL JOINT PRODUCTS	5/31/2020	\$398,744.58
1060	St. Francis Medical Center	STRYKER ORTHOPEDICS	GENERAL ORTHO TRAUMA PRODUCTS	10/31/2019	
1129	St. Francis Medical Center	Verity Medical Foundation	SUBLEASE AGREEMENT	12/31/2020	\$7,700.00

Ref #	Debtor	Contract Counterparty	Nature of Contact / Lease	Termination Date	Seton Medical Center & Coastside	St. Francis Medical Center	Verity Health System
93	V Hold.	Campus Physical Therapy	Lease-as Landlord	7/31/2027	\$0.00	\$0.00	\$0.00
138	V Hold.	Dave, Rajan, MD	Lease-as Tenant	9/30/2017	\$0.00	\$0.00	\$0.00
201	V Hold.	Hsiao, Michael	Lease-other	5/10/2017	\$0.00	\$0.00	\$0.00
244	V Hold.	Lee, Shu May MD, Inc.	Lease-as Landlord	2/28/2022	\$0.00	\$0.00	\$0.00
257	V Hold.	Longar, Susan MD	Lease-as Landlord	3/31/2022	\$0.00	\$0.00	\$0.00
266	VHS	Mariposa 2040 LLC	Lease-as Tenant	6/30/2047	\$0.00	\$0.00	\$0.00
289	V Hold.	Medicus Integrated Health Services, Inc.	Lease-as Landlord	2/28/2022	\$0.00	\$0.00	\$0.00
323	V Hold.	Mulligan, Timothy, MD	Lease-as Landlord	4/30/2022	\$0.00	\$0.00	\$0.00
329	V Hold.	Nantworks, LLC	Lease-office space	3/31/2019	\$0.00	\$0.00	\$34,722.48
362	V Hold.	Order of Malta Los Angeles, Free Clinic	Lease-as Landlord	6/30/2022	\$0.00	\$0.00	\$0.00
419	V Hold.	Rajan Davie, M.D.	Lease-as Landlord	9/30/2017	\$0.00	\$0.00	\$0.00
420	V Hold.	Ranavat, Amritlal MD	Lease-as Landlord	12/31/2017	\$0.00	\$0.00	\$0.00
421	V Hold.	Raymond Dugan Velasco, MD, Inc.	Lease-as Landlord	4/30/2022	\$0.00	\$0.00	\$0.00
472	V Hold.	Stefan, Michael R., M. D.	Lease-as Landlord	4/14/2022	\$0.00	\$0.00	\$0.00
527	V Hold.	Uy, Santos MD	Lease-as Landlord	11/30/2021	\$0.00	\$0.00	\$0.00
538	V Hold.	Verity Medical Foundation	Lease-as Tenant	7/31/2022	\$0.00	\$0.00	\$0.00

561	V Hold.	Yamamoto, Kenneth MD	Lease-as Landlord	5/31/2019	\$0.00	\$0.00	\$0.00
Added	V Hold.	House Ear Institute	Tenant Lease	2/28/2021	\$0.00	\$0.00	\$0.00
Added	V Hold.	Rolando Mercader, M.D.	Tenant Lease	7/31/2020	\$0.00	\$0.00	\$0.00
Added	V Hold.	Diane Clark	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00
Added	V Hold.	Gregory Slack	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00
Added	V Hold.	Marco Monteon	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00

Schedule 1.7(I) - Permitted Exceptions

None.

Schedule 1.8(bb) - Other Excluded Assets

None.

Schedule 1.9(i) - Other Obligations

None.

Schedule 2.4 – Seller’s Knowledge of Breach or Default

None.

Schedule 2.5 - Brokers and Finders (Sellers)

Cain Brothers, a division of KeyBanc Capital Markets.

Schedule 2.7 - Compliance (Sellers)

See Confidential Side Disclosure Letter, dated of even date herewith.

Schedule 2.8 - Required Consents (Sellers)

None, other than those consents required under §365 of the Bankruptcy Code.

Schedule 2.9(b) - Environmental Matters (Sellers)

Underground storage tank non-compliance notice issued by Los Angeles Department of Water and Power (LADWP) in September 2016 to Saint Francis Medical Center. Seller removed tank per closure permit issued to Saint Francis Medical Center by LADWP. There was no soil contamination or clean up necessary.

Schedule 2.11 - Missing Material Licenses (Sellers)

SFMC timely submitted the laboratory license for renewal and has received confirmation that CDPH Laboratory Field Services has received the renewal, is processing it, and the hospital may continue testing without penalty.

Schedule 2.13 - Non-Bankruptcy Court Legal Proceedings (Sellers)

Employment Practices Liability Litigation		
Plaintiff/Grievant	Venue	Case Number(s)
Ahinasi, Sonnia	San Bernardino County Superior Court	CIVDS1822881
Aliazis, Tricia	EEOC Charge DFEH Charge	37A-2019-03433-C; 201903-05587626
Aragon, Jasmine	Los Angeles County Superior Court	BC717447
Brown, Star		Complaint Not Yet Filed
Capizzi, Renee		Mediation
Carcamo, Rosa	Los Angeles County Superior Court	TC029195
Carter, Margena		Right To Sue Letter
Dolmo, Norma	EEOC Charge DFEH Charge	480-2019-01625
Engelman, Ivonne *settlement in process	Los Angeles County Superior Court	BC704524
Harris, Leonard	Los Angeles County Superior Court	19STVC38595
Martin, Joan	EEOC Charge	37A-2018-02446
Nguyen, Diane	Los Angeles County Superior Court	BC713041
Nguyen, Natalie	Los Angeles County Superior Court; EEOC Charge	Small Claims 19CMSC01398; 480-2019-00050
Raj, Aaron		Notice Of Intent
Rapp, Dwight		Lawsuit Not Yet Filed - SOL of 4/17/20
Sorto, Cynthia	Los Angeles County Superior Court	20STCV04718
Waheed, Wahidi, Ernesto Madrgil, et al	San Mateo Superior Court	18-CIV-03214
Xue, Baoru		Demand Letter
General Liability Litigation		
Plaintiff	Venue	Case Number(s)
Arreola, Maria		Notice Of Intent
Burell, Lisa		Request For Payment (auto-related)
Cortes, Synthia	Los Angeles County Superior Court	BC659504

Hernandez, Iris	Los Angeles County Superior Court	BC681228
Khajekarrameddin, Frangis	Los Angeles County Superior Court	BC712663
Woolum, Dale		Notice Of Intent
Medical Malpractice (Professional Liability) Litigation		
Plaintiff	Venue	Case Number(s)
Aguirre Huerta, Rafael	Los Angeles County Superior Court	19STCV29922
Allen, III, LeRoy & Perkins, LaTrice		Notice Of Intent
Ancira, Mateo, by and through guardian ad litem Yolanda Frias	Los Angeles County Superior Court	19STCV23682
Arencibia, Vivian	Los Angeles County Superior Court	BC673423
Birdsong, Erica		Notice Of Intent
Braun, Brian	Los Angeles County Superior Court	19STCV13074
Bustamante, Marvela	Los Angeles County Superior Court	19STCV22710
Childress, Alberta	Los Angeles County Superior Court	20STCV00666
Correa, Maximino	Los Angeles County Superior Court	BC625271
De Los Angeles, Maria		Notice Of Intent
Durham, Breta	Los Angeles County Superior Court	BC680199
Ferguson, William	Los Angeles County Superior Court	19STCV08618
Flores, Luz	Los Angeles County Superior Court	19STCV38243
Fuentes, Federico	Los Angeles County Superior Court	19STCV08306
Hernandez, Daniel	Los Angeles County Superior Court	BC687878
Iniguez, Aida	Los Angeles County Superior Court	BC616038
Lopez, Monique	Potentially Compensable Incident	No Complaint, Demand Letter, Or Notice Of Intent At This Time
Mitchell, Alice		Letter To Preserve Record
Morataya, Jessica	Los Angeles County Superior Court	BC712998

Navarro, Richard	Los Angeles County Superior Court	BC669695
Ramirez, Guadalupe		Notice Of Intent
Robles, Josefina	Los Angeles County Superior Court	8C697012
Rodriguez, Yolanda by and through, Successor-in-Interest Corinna Jimenez, et al	Los Angeles County Superior Court	Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29707
Rojas, John	Los Angeles County Superior Court	Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29868 (SFMC not named or served)
Rubio, Alicia, by and through, guardian ad litem Cariola Rubio	Los Angeles County Superior Court	18STCV04410
Saleh, Ebtissam	Los Angeles County Superior Court	BC718838
Sanchez, Isabel		Notice Of Intent
Sprownson, Tammy	Los Angeles County Superior Court	5C724114
Vazquez, Eduardo, by and through biological mother, Denia Carolina Alvarado	Los Angeles County Superior Court	BC609128
Zavala, Adamari, by and through, guardian ad litem, A11 Adanesne Quiñones	Los Angeles County Superior Court	BC691431

Workers' Compensation Cases		
Grievant	Date of Loss	Case Number(s)
Acosta, Leslie	5/24/2018	ADJ12476569
Navarro Gutierrez, Giselle	10/23/2018	ADJ12149342
Sanders, Valencia	11/17/2016	ADJ10754107
Haith, Leilani	11/17/2016	ADJ1066160
Sutton, Tina	3/5/2013	ADJ11216966
Jean, Marlene	3/2/2010	ADJ7610324

Ponce, Diana	10/19/2015	
Balderas-St. Pierre, Luz	10/17/2015	
Balderas-St. Pierre, Luz	11/18/2016	
Monteon, Marco	9/20/2016	ADJ12088746
Padilla, Rebecca	1/25/2009	
Werner, Wendie	10/17/2010	ADJ7620832
Monteon, Angie	9/5/2012	ADJ9223401
Gardea, Richard	4/26/2004	ADJ11072161
Casey, Rochelle	11/7/2015	ADJ11332260
Bombay, Maura	9/16/2006	ADJ5815856
Anaya, Gloria	3/21/2009	ADJ7228730
Jones, Lisa	1/6/2004	ADJ772382
Herrera, Martha	1/31/2012	ADJ8485301
Gardea, Richard	5/8/2014	ADJ11073773
Silva, Marcelina	1/14/2015	
Silva, Marcelina	4/6/2016	
Anaya, Gloria	8/14/2009	ADJ7228730
Lee, Belinda	1/13/2015	ADJ12991056
Mendez, Maria	4/20/2015	ADJ12209*530
Quiñonez, Maria	7/10/2015	
Hernandez, Lorena	4/8/2013	ADJ8942433
Reed, Charotta	2/18/2010	ADJ7309641
Wang, Xiaoling	1/11/2012	ADJ8180221
Ganzon, Nancy	3/20/2012	ADJ8391108
Martinez, Marina C	2/6/2015	ADJ11955687
Mendez, Maria	2/8/2016	ADJ12209530
Infante, Elida	5/14/2006	ADJ4439918
Harris, Gloria	7/27/1984	ADJ1323480
Wills, Ora	8/17/1989	ADJ2755470
McCoy, Virginia	1/24/2017	ADJ10802194
Maravilla, Fernando	2/15/2017	ADJ10772424
Sears, Andrea	2/28/2017	
Giannelli, Michelle	3/2/2017	
Jornacion, Wilfredo	5/18/2017	ADJ12475946
Martirosyan, Alik	6/6/2017	
Epps, Cleveland	6/23/2017	ADJ11035557
Plaza, Caroline	6/27/2017	ADJ12089432
Elizalde Maria	6/27/2017	ADJ11186591
Harris, Stanley	11/22/2017	ADJ11498006
Espinoza, Ramon	10/10/2017	
Harris, Stanley	5/15/2018	ADJ11498006

Diaz, Gabriela	6/9/2018	
Malone, Veronica	12/21/2017	ADJ12557870
Medal, Sonia	1/9/2018	ADJ11664975
Gardea, Richard	6/30/2016	ADJ11072161
Torres-Olivares, Maria	1/11/2018	ADJ11799845
Dacio, Joicelyne	12/31/2017	
Roots Chandra	1/26/2018	ADJ12964974
King, LaVonda	2/1/2018	
Monteon Marco	2/8/2018	ADJ12088798
Zavala, Mayra	2/28/2018	
Jones, Leatrice	4/5/2018	
Casey, Rochelle	7/18/2018	ADJ11395500
Ramirez, Teresita	8/22/2018	
Smith, Rita	10/1/2018	
Meza, Maria	10/4/2018	ADJ11906361
Scrubb, Jacqueline	11/16/2018	
Chavez, Sandra	12/4/2018	
Boub, Theodore	2/13/2018	ADJ11965517
Armstrong, Gary	2/1/2019	ADJ2488567
Rodriguez, Isaac	2/27/2019	ADJ2050556
Ricketts, Chanel	3/9/2019	ADJ12129607
Cariaso, Sylvester	7/3/2014	
Monteon, Marco Jr	2/25/2019	ADJ12092140
Duffy, Earl	5/23/2019	
Jadraque-Olmos, Anna	6/10/2019	ADJ1271881
Dominguez, Cassidy	5/21/2019	ADJ12411106
Williams, Linda	7/15/2019	
Hill, Larry	5/17/2019	
Palomares, Reyna	7/31/2019	
Pham, Patty	7/26/2019	ADJ12566853
Duran, Monica	8/2/2019	ADJ12795212
Giannelli, Michelle	8/27/2019	
Santos, Grace Mary	9/6/2019	
Morales Silva, Angelita	8/14/2019	ADJ12504328
Morales Silva, Anqelita	8/21/2019	ADJ2505618
Duronslet, Devine	9/21/2019	
Alonza, Kathryn	9/20/2019	
Malone, Veronica	4/19/2019	ADJ12557869
Partida, Aurelio	10/1/2019	
Washington, Shirlee	10/6/2019	ADJ12640087
Plaza, Caroline	5/30/2019	ADJ12748038
Harris, Stanley	11/8/2019	ADJ12983668
Yepez, Consuelo	11/12/2019	

Acosta, Amber	11/1/2019	
Pinks Jeannene	9/11/2019	ADJ12675128
Marin, Solita	12/18/2019	
Marinoble, Tawny	12/31/2019	
Roots, Chandra	10/15/2019	ADJ12964974
Roots, Chandra	2/26/2018	ADJ13012642
Appeals		
Certain Medicare and Medicaid Group Appeals Handled By Two Law Firms: Stephenson, Aquisto & Coleman; And Hooper, Lundy and Bookman		
Appeals		
Union	Grievant/Case Name	Grievance Number
United Nurses Associations of CA/Union of Health Care Professionals	Carcamo, Rosa	SM 04-18
Labor Grievances		
Union	Grievant/Case Name	Grievant Number
SEIU	Class Action - for SEIU Bargaining Unit	
SEIU	Class Action - for SEIU Bargaining Unit	
UNAC	Employee given Corrective Action Plan (CAP) without union representative	SFMC SB 01-20
UNAC	Union grieved and written/verbal warning given to employee	SM 04-20
UNAC	Union grieved disciplinary action and employee received written warning. Union position is that written warning should have been a CAP	SM 07-20
UNAC v. SFMC	National Labor Relations Board - Region 21	ULP-21-CA-231856
UNAC	Union grieved and CAP	SM 06-20

Schedule 2.19 - List of Excluded Individuals (Sellers)

None.

Schedule 3.4 - No Violation (Purchaser)

None.

Schedule 3.7 - Legal Proceedings (Purchaser)

None.

Schedule 5.3 - Hospital Employees

See attached folder “Schedule 5.3 Hospital Employees”

Schedule 11.3 - Tax Allocation Schedule

The Parties agree that within sixty (60) days subsequent to the Closing Date (the “**Allocation Date**”), the Purchase Price shall be allocated to the Assets using the residual method and based upon the agreed fair market value of the various Classes of the Assets set forth below, as reasonably determined by the Purchaser and Seller, consistent with Section 1060 of the Internal Revenue Code. In particular, the Parties shall mutually agree upon the tax allocation associated with the Assets of Verity Holdings.

Class of Assets
Class I Assets (cash and general deposit accounts)
Class II Assets (Publicly traded stock; U.S. Government Securities)
Class III Assets (Accounts Receivable)
Class IV Assets (Inventory)
Class V Assets (Property, Plant and Equipment)
Class VI Assets (Intangibles other than Goodwill)
Class VII Assets (Goodwill)

Exhibit C

September 2019 Letter

See attached.

XAVIER BECERRA
Attorney General

State of California
DEPARTMENT OF JUSTICE



455 GOLDEN GATE AVENUE, SUITE 11000
SAN FRANCISCO, CA 94102-7004

Public: (415) 510-4400
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Facsimile: (415) 703-5480
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September 25, 2019

VIA EMAIL AND US MAIL

Hope R. Levy-Biehl
1100 Glendon Avenue, 14th Floor
Los Angeles, California 90024

hlevybiehl@nelsonhardiman.com

RE: Verity Health System of California, Inc. Notice of Proposed Transfer
St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical
Center

Dear Ms. Levy-Biehl:

Under Corporations Code section 5914 et seq., and California Code of Regulations, title 11, section 999.5, the Attorney General has considered the proposed transaction submitted by Verity Health System of California, Inc. In coming to the decisions, described below, we have carefully considered the factors set forth in Corporations Code section 5917 and the applicable regulations, including whether the transaction is in the public interest and whether the transaction effects the availability or accessibility of health care services to the affected community. Our decision is based on the material contained in the notice, the information and documents subsequently submitted by the applicants, comments made by members of the public, discussions with the applicants, and the results of our investigation.

The Attorney General hereby conditionally consents to Verity Health System of California, Inc.'s proposed sale of the assets of St. Francis Medical Center, St. Vincent Medical Center, including its St. Vincent Dialysis Center, and Seton Medical Center to Strategic Global Management, Inc. and/or one or more of its affiliates. The Attorney General's conditional approval of the sale is subject to the attached conditions that are incorporated by reference herein.

Verity Health System of California, Inc. also requested, under Title 11 of the California Code of Regulations, Sec. 999.5(h), a modification of the Attorney General Conditions issued on December 3, 2015. Verity Health System of California, Inc. requested that the Attorney General modify and update the Attorney General's Conditions issued on December 3, 2015 as follows: (1) modify and update the volume of charity care and community benefits provided by the St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center; (2) modify and update capital expenditures to credit Strategic Global Management for the expenditures Verity

September 25, 2019

Page 2

Health System of California, Inc. has invested in the health system; (3) modify and eliminate the requirement that Strategic Global Management maintain cancer care at St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center; and (4) modify and update the Conditions to conform to the present transaction and specific parties involved.

The Attorney General hereby denies, in part, and conditionally consents to Verity Health System of California, Inc.'s request for modification as reflected in the attached conditions that are incorporated by reference herein. The attached conditions serve as conditions for both the request for modification and the sale of the assets of St. Francis Medical Center, St. Vincent Medical Center, including its St. Vincent Dialysis Center, and Seton Medical Center as described in the second paragraph of this letter.

Sincerely,

[original signed]

SCOTT CHAN
Deputy Attorney General

For XAVIER BECERRA
Attorney General

cc: Kathryn F. Edgerton (Russo)
kedgerton@nelsonhardiman.com

Conditions to the Sale of St. Francis Medical Center¹ and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Inc., Seton Medical Center, and Strategic Global Management, Inc.

I.

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a California nonprofit public benefit corporation, St. Francis Medical Center Foundation, a nonprofit public benefit corporation, St. Vincent Foundation, a California nonprofit corporation, Seton Medical Center Foundation, a California nonprofit corporation, Verity Business Services, a California nonprofit public benefit corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, and Strategic Global Management, Inc., a California corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

II.

The transaction conditionally approved by the Attorney General consists of the Asset Purchase Agreement dated January 8, 2019, by and among, Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a

¹ Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

California nonprofit public benefit corporation, and Strategic Global Management, Inc., a California corporation, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the Asset Purchase Agreement, including, but not limited to, the Sale Leaseback Agreement and Interim Management Agreement.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;
- (b) Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of Strategic Global Management, Inc. that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Strategic Global Management, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Strategic Global Management, Inc. shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current² licensure and designation with the same types and/or levels of services, including the following:

- a. 46 emergency treatment stations at a minimum;
- b. Designation as a Level II Trauma Center;

² The term "current" or "currently" throughout this document means as of January 1, 2019.

- c. Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- d. Psychiatric evaluation team;
- e. Designation as an Emergency Department Approved for Pediatrics (EDAP);
- f. Designation as a Paramedic Base Station; and
- g. Certification as a Primary Stroke Center.

Strategic Global Management, Inc. must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the Asset Purchase Agreement.

V.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical shall maintain Center on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to retain its qualification as a Level II trauma center. Trauma II designation requires 24-hour immediate coverage by general surgeons, as well as coverage by the specialties of orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology and critical care. Requirements for on-call and promptly available specialties include the following:

- a. Neurology;
- b. Obstetrics/gynecology;
- c. Ophthalmology;
- d. Oral or maxillofacial or head and neck;
- e. Plastic surgery;
- f. Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- g. Urology.

VI.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the following services at current licensure, types, and/or levels of services:

- a. Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- b. Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
- c. Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;
- d. Women's health services, including women's imaging services;
- e. Cancer services, including radiation oncology;

- f. Pediatric services, including a designated area with at least five general acute care beds for pediatric services;
- g. Orthopedic and rehabilitation services;
- h. Wound care services;
- i. Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and
- j. Perinatal services, including a minimum of 50 perinatal beds.

Strategic Global Management, Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VII.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

- a. Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

VIII.

For at least five years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following clinics are subject to this condition:

- a. Pediatric services at Children's Counseling Center, 4390 Tweedy Ave, South Gate, California;
- b. The multi-specialty services, including wound care at Wound Care Center, 3628 E. Imperial Highway, Suite 103, Lynwood, California; and
- c. Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

IX.

For ten years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall:

- a) Be certified to participate in the Medi-Cal program at St. Francis Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:
 - i) Local Initiative: L.A. Care Health Plan or its successor; and
 - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Strategic Global Management, Inc. questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

X.

For six fiscal years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$12,793,435 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Strategic Global Management, Inc. in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.³

³ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

Strategic Global Management, Inc. shall use and maintain a charity care policy that is no less favorable than Verity Health System of California, Inc.'s current charity care policy (Verity's Financial Assistance Policy No. 06.03.04 effective December 5, 2017 and revised and reviewed June 20, 2018) and in compliance with California and Federal law at St. Francis Medical Center. Within 90 days from the closing of the Asset Purchase Agreement, Strategic Global Management, Inc. will amend the Financial Assistance Policy to include as follows:

- a. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted at St. Francis Medical Center in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- b. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on St. Francis Medical Center's website.
- c. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- d. As necessary, and at least on an annual basis, Strategic Global Management, Inc. will place an advertisement regarding the availability of financial assistance at St. Francis Medical Center in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- e. Strategic Global Management, Inc. will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at St. Francis Medical Center.
- f. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Strategic Global Management, Inc.'s Financial Assistance Policy at St. Francis Medical Center.

Any planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.'s obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

XI.

For six fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management, Inc. shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than \$1,139,301 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

- a. Southern California Crossroads Program;
- b. Health Benefit Resource Center;
- c. Welcome Baby Program;
- d. Healthy Community Initiatives;
- e. American Career College access for onsite training;
- f. Paramedic Training and Education; and
- g. Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.'s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

XII.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Strategic Global Management, Inc. shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

- a. Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;
- b. Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;
- c. Paramedic Base Hospital Services between the Hospital and Los Angeles County;
- d. Radiation Therapy Services between the Hospital and Los Angeles County;
- e. Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;
- f. Affiliation Agreement for physicians in post graduate training;
- g. Trauma Center Service Agreement between the Hospital and Los Angeles County; and
- h. Paramedic Training Institute Students between the Hospital and Los Angeles County.

For at least ten years from the closing date of the Asset Purchase Agreement, Strategic Global Management shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that Strategic Global Management, Inc.'s decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XIII.

For ten years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall have at St. Francis Medical Center a Local Governing Board of Directors. Strategic Global Management, Inc. shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report

authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XIV.

Strategic Global Management, Inc. shall commit to reserve or expend capital for St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center for capital improvements to the hospitals over the five-year period from the closing of the Asset Purchase Agreement of the amount that remains unexpended from the \$180 million commitment required of BlueMountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among the three hospitals.

XV.

Strategic Global Management, Inc. shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Safety. Code, § 129675-130070).

XVI.

Strategic Global Management, Inc. shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Francis Medical Center.

XVII.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Strategic Global Management, Inc.'s written policies, adhered to, and strictly enforced.

XVIII.

Within 15 days of the closing of date of the Asset Purchase Agreement, St. Francis Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

- a) The funds from St. Francis Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited

into the California Community Foundation's St. Francis Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

- b) If there are funds from St. Francis Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, the California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XIX.

For eleven fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Strategic Global Management, Inc. shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

XX.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXI.

Once the Asset Purchase Agreement is closed, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Analysis of the Hospital's Service Area

Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
Sub-Total		16,845	75.4%	75.4%	10.5%	160,828
All Other		5,504	24.6%	100%		
Grand Total		22,349	100%			

Source: OSHPD Discharge Database, CY 2017

Conditions to the Sale of St. Vincent Medical Center¹ and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Inc., Seton Medical Center, and Strategic Global Management, Inc.

I.

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a California nonprofit public benefit corporation, St. Francis Medical Center Foundation, a nonprofit public benefit corporation, St. Vincent Foundation, a California nonprofit corporation, Seton Medical Center Foundation, a California nonprofit corporation, Verity Business Services, a California nonprofit public benefit corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, and Strategic Global Management, Inc., a California corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

II.

The transaction conditionally approved by the Attorney General consists of the Asset Purchase Agreement dated January 8, 2019, by and among, Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a

¹ Throughout this document, the term “St. Vincent Medical Center” shall mean the general acute care hospital located at 2131 West Third Street, Los Angeles, CA 90057, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Vincent Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

California nonprofit public benefit corporation, and Strategic Global Management, Inc., a California corporation, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the Asset Purchase Agreement, including, but not limited to, the Sale Leaseback Agreement and Interim Management Agreement.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For five years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and all future owners, managers, lessees, licensees, or operators of St. Vincent Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Vincent Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Vincent Medical Center. The substitution, merger or addition of a new member or members of the governing body of Strategic Global Management, Inc. that transfers the control of, responsibility for or governance of St. Vincent Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Strategic Global Management, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Strategic Global Management, Inc. shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement unless otherwise stated, St. Vincent Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250). If, on Strategic Global Management, Inc.'s further evaluation, the cost to seismically retrofit the St. Vincent Medical Center becomes less feasible than building a new replacement hospital, services may need to be temporarily closed or relocated due to construction. A detailed program and services plan, architectural drawings, and financing plan shall be presented to the California Attorney General for approval before ceasing to operate any services.

V.

For five years from the closing date of the Asset Purchase Agreement, St. Vincent Medical Center shall maintain and provide 24-hour emergency services at no less than its current licensure² of 8 treatment stations, and designation and the following health care services at current licensure types, and/or levels of services:

- a. Designation as a STEMI Receiving center; and
- b. Maintaining the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals.

VI.

For at least five years from the closing date of the Asset Purchase Agreement, St. Vincent Medical Center shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Acute rehabilitation services, including a minimum of 19 licensed rehabilitation beds;
- b. Intensive care services, including a minimum of 30 intensive care beds;
- c. Cardiac services, including cardiac surgery and a minimum of two cardiac catheterization labs;
- d. Cancer services, including radiation oncology. Radiation oncology services may be relocated and patients transitioned to another site that has capacity within a three-mile radius after the first year after the closing of the Asset Purchase Agreement;
- e. Gastroenterology services;
- f. Imaging and laboratory services;
- g. Nephrology services, including end stage renal disease program, acute inpatient dialysis, and hemodialysis treatments;
- h. Neurology and neurotology services, including neurosurgery;
- i. Orthopedics, joint replacement, and spine care services;
- j. Transplant services, including kidney and multi-organ transplant procedures for kidney/pancreas double transplants. Transplant services do not include the liver transplant program. These services may be relocated to another hospital in the primary service area based upon a submission of a detailed plan to be approved by the California Attorney General; and
- k. Outpatient dialysis services. The outpatient dialysis services shall be within 5 miles of St. Vincent Medical Center by either (1) operating St. Vincent Dialysis Center, or (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the Conditions herein, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the Asset Purchase Agreement and that such center(s) participate in the Medi-Cal and Medicare programs as required in Conditions herein.

² The term “current” or “currently” throughout this document means as of January 1, 2019.

Strategic Global Management, Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VII.

For at least five years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Vincent Medical Center can utilize an alternative structure in providing such services. The following clinics are subject to this condition:

- a. Cardiac Care Institute, located at 201 S. Alvarado Street, Suite 321, Los Angeles, California;
- b. Transplant Medical Office, located at 8501 Camino Media, Suite 100, Bakersfield, California;
- c. Cancer Treatment Center, located at 201 S. Alvarado Street, Suite A, Los Angeles, California;
- d. Multi-Organ Transplant services, located at 2200 W. Third Street, 5th Floor, Los Angeles, California;
- e. Radiology services, located at 201 S. Alvarado Street, Suite 311, Los Angeles, California;
- f. Orthopedic Services, located at 2200 W. Third Street, 4th Floor, Los Angeles, California; and
- g. Multispecialty Clinic located at 2200 W. Third Street, Suite 120, Los Angeles, California.

VIII.

For at least five years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall:

- a) Be certified to participate in the Medi-Cal program at St Vincent Medical Center;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as

other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

- i) Local Initiative: L.A. Care Health Plan or its successor; and
- ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Strategic Global Management, Inc. questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

IX.

For six fiscal years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than \$696,643 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Strategic Global Management, Inc. in connection with the operation and provision of services at St. Vincent Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.³

Strategic Global Management, Inc. shall use and maintain a charity care policy that is no less favorable than Verity Health System of California, Inc.'s current charity care policy (Verity's Financial Assistance Policy No. 06.03.04 effective December 5, 2017 and revised and reviewed June 20, 2018) and in compliance with California and Federal law at St. Vincent Medical Center. Within 90 days from the closing of the Asset Purchase Agreement, Strategic Global Management, Inc. will amend the Financial Assistance Policy to include as follows:

- a. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted at St. Vincent Medical Center in a prominent

³ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.

- b. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on St. Vincent Medical Center's website.
- c. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- d. As necessary, and at least on an annual basis, Strategic Global Management, Inc. will place an advertisement regarding the availability of financial assistance at St. Vincent Medical Center in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.
- e. Strategic Global Management, Inc. will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at St. Vincent Medical Center.
- f. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Strategic Global Management, Inc.'s Financial Assistance Policy at St. Vincent Medical Center.

Any planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Vincent Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.'s obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Vincent Medical Center's service area (48 ZIP codes), as described on page 52 in the Healthcare Impact Report authored by JD Healthcare dated

August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

X.

For six fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management, Inc. shall provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than \$1,065,604 (the “Minimum Community Benefit Services Amount”) exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

- a. Health Benefits Resource Center; and
- b. Asian Pacific Liver Center.

The planning of, and any subsequent changes to, the community benefit services provided at St. Vincent Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.’s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.’s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Vincent Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Vincent Medical Center’s service area (48 ZIP codes), as defined on as described on page 52 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

XI.

For at least five years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Strategic Global Management, Inc. shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

- a. Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County; and

b. Radiation Therapy Services between the Hospital and Los Angeles County.

For at least five years from the closing date of the Asset Purchase Agreement, Strategic Global Management shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center. The goal is to ensure that Strategic Global Management, Inc.'s decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XII.

For five years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall have at St. Vincent Medical Center a Local Governing Board of Directors. Strategic Global Management, Inc. shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Vincent Medical Center. The members of the Local Governing Board shall include physicians from St. Vincent Medical Center's medical staff, St. Vincent Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Vincent Medical Center's primary service area (48 ZIP codes), as described on page 52 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XIII.

Strategic Global Management, Inc. shall commit to reserve or expend capital for St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center for capital improvements to the hospitals over the five-year period from the closing of the Asset Purchase Agreement of the amount that remains unexpended from the \$180 million commitment required of BlueMountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among the three hospitals.

XIV.

Strategic Global Management, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

Verity Health System of California, Inc. shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code.

XV.

Strategic Global Management, Inc. shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Vincent Medical Center.

XVI.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Strategic Global Management Inc.'s written policies, adhered to, and strictly enforced.

XVII.

Within 15 days of the closing of date of the Asset Purchase Agreement, St. Vincent Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

- a) The funds from St. Vincent Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Vincent Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Vincent Medical Center's service area (48 ZIP codes), as described on page 52 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.
- b) If there are funds from St. Vincent Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, the California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XVIII.

For six fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Strategic Global Management, Inc. shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

XIX.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XX.

Once the Asset Purchase Agreement is closed, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Analysis of the Hospital's Service Area

Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 48 ZIP Codes from which 71% of the Hospital's inpatient discharges came from. Approximately 38% of the Hospital's discharges originated from the top eight ZIP Codes, located in Los Angeles. In CY 2017, the Hospital's market share in the primary and secondary service area was approximately 4% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90057	Los Angeles	1,106	10.0%	10.0%	5,955	18.6%
90006	Los Angeles	726	6.5%	16.5%	5,472	13.3%
90026	Los Angeles	579	5.2%	21.7%	5,034	11.5%
90004	Los Angeles	491	4.4%	26.1%	4,691	10.5%
90005	Los Angeles	486	4.4%	30.5%	2,843	17.1%
90020	Los Angeles	297	2.7%	33.2%	2,600	11.4%
90019	Los Angeles	286	2.6%	35.8%	5,893	4.9%
90018	Los Angeles	263	2.4%	38.1%	5,975	4.4%
90029	Los Angeles	238	2.1%	40.3%	4,114	5.8%
90017	Los Angeles	235	2.1%	42.4%	2,308	10.2%
90037	Los Angeles	226	2.0%	44.4%	7,439	3.0%
90011	Los Angeles	212	1.9%	46.3%	10,436	2.0%
90012	Los Angeles	198	1.8%	48.1%	4,017	4.9%
90007	Los Angeles	195	1.8%	49.9%	3,129	6.2%
90013	Los Angeles	115	1.0%	50.9%	2,655	4.3%
90015	Los Angeles	112	1.0%	51.9%	1,918	5.8%
90014	Los Angeles	99	0.9%	52.8%	1,287	7.7%
90010	Los Angeles	50	0.5%	53.3%	311	16.1%
90009	Los Angeles	12	0.1%	53.4%	113	10.6%
PSA Sub-Total		5,926	53.4%	53.4%	76,190	7.8%
90044	Los Angeles	152	1.4%	54.7%	11,994	1.3%
90027	Los Angeles	150	1.4%	56.1%	4,273	3.5%
90016	Los Angeles	130	1.2%	57.3%	5,656	2.3%
90008	Los Angeles	127	1.1%	58.4%	4,258	3.0%
90003	Los Angeles	106	1.0%	59.4%	8,209	1.3%
90062	Los Angeles	96	0.9%	60.2%	4,018	2.4%
90028	Los Angeles	95	0.9%	61.1%	2,820	3.4%
90047	Los Angeles	87	0.8%	61.9%	7,164	1.2%
90043	Los Angeles	86	0.8%	62.6%	6,137	1.4%
90038	Los Angeles	82	0.7%	63.4%	2,349	3.5%
90033	Los Angeles	77	0.7%	64.1%	5,255	1.5%
90042	Los Angeles	68	0.6%	64.7%	5,173	1.3%
90039	Los Angeles	67	0.6%	65.3%	2,365	2.8%
90031	Los Angeles	62	0.6%	65.8%	3,161	2.0%
90065	Los Angeles	62	0.6%	66.4%	4,202	1.5%
90046	Los Angeles	61	0.5%	66.9%	4,210	1.4%
90036	Los Angeles	56	0.5%	67.5%	3,313	1.7%
90063	Los Angeles	55	0.5%	67.9%	5,008	1.1%
90001	Los Angeles	51	0.5%	68.4%	5,901	0.9%
90002	Los Angeles	46	0.4%	68.8%	5,797	0.8%
90032	Los Angeles	41	0.4%	69.2%	4,442	0.9%
90255	Huntington Park	40	0.4%	69.6%	6,172	0.6%
90023	Los Angeles	36	0.3%	69.9%	4,965	0.7%
91205	Glendale	28	0.3%	70.1%	4,781	0.6%
90041	Los Angeles	22	0.2%	70.3%	2,587	0.9%
90048	Los Angeles	20	0.2%	70.5%	2,470	0.8%
91204	Glendale	14	0.1%	70.6%	2,260	0.6%
90270	Maywood	13	0.1%	70.7%	2,309	0.6%
90069	West Hollywood	10	0.1%	70.8%	1,850	0.5%
PSA + SSA Sub-Total		7,866	70.8%	70.8%	209,289	3.8%
Other ZIPs		3,238	29.2%	100%		
Total		11,104	100%			

Note: Excludes normal newborns
Source: OSHPD Patient Discharge Database

Conditions to the Sale of Seton Medical Center¹ and Seton Coastside² and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center, St. Vincent Medical Center, St. Vincent Dialysis Center, Inc., Seton Medical Center, and Strategic Global Management, Inc.

I.

These Conditions shall be legally binding Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a California nonprofit public benefit corporation, St. Francis Medical Center Foundation, a nonprofit public benefit corporation, St. Vincent Foundation, a California nonprofit corporation, Seton Medical Center Foundation, a California nonprofit corporation, Verity Business Services, a California nonprofit public benefit corporation, Verity Medical Foundation, a California nonprofit public benefit corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Cayman Islands corporation, DePaul Ventures, LLC, a California limited liability company, DePaul Ventures – San Jose ASC, LLC, a California limited liability company, DePaul Ventures – San Jose Dialysis, LLC, a California limited liability company, and Strategic Global Management, Inc., a California corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of Seton Medical Center and Seton Coastside, or the real property on which Seton and Seton Coastside are located, any and all current and future owners, lessees, licensees, or operators of Seton Medical Center and Seton Coastside, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastside are located.

II.

¹ Throughout this document, the term “Seton Medical Center” shall mean the general acute care hospital located at 1900 Sullivan Ave., Daly City, CA 94015, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

² Throughout this document, the term “Seton Coastside” shall mean the skilled nursing facility with 5 general acute care beds located at 600 Marine Boulevard, Moss Beach, CA 94038-9641, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

The transaction conditionally approved by the Attorney General consists of the Asset Purchase Agreement dated January 8, 2019, by and among, Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, St. Vincent Medical Center, a California nonprofit public benefit corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Seton Medical Center, a California nonprofit public benefit corporation, and Strategic Global Management, Inc., a California corporation, and any agreements or documents referenced in or attached to as an exhibit or schedule and any other documents referenced in the Asset Purchase Agreement, including, but not limited to, the Sale Leaseback Agreement and Interim Management Agreement.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General's approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General's approval.

III.

For approximately 6 years (until December 13, 2025) from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and all future owners, managers, lessees, licensees, or operators of Seton Medical Center and Seton Coastside shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Seton Medical Center or Seton Coastside;

(b) Transfer control, responsibility, management, or governance of Seton Medical Center or Seton Coastside. The substitution, merger or addition of a new member or members of the governing body of Strategic Global Management, Inc. that transfers the control of, responsibility for or governance of Seton Medical Center or Seton Coastside, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Strategic Global Management, Inc., or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Strategic Global Management, Inc. shall also be deemed a transfer for purposes of this Condition.

IV.

For the remainder of the term³ (until December 13, 2025), Seton Medical Center (including Seton Coastside because both facilities are on the same license) shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250).

V.

For the remainder of the term (until December 13, 2025), the Seton Medical Center shall maintain 24-hour emergency medical services at a minimum of 18 treatment stations with the same types and/or levels of services, including:

- a. Designation as a STEMI Receiving Center; and
- b. Advanced certification as a Primary Stroke Center;

VI.

For the remainder of the term (until December 13, 2025), Seton Medical Center shall maintain the following services at current⁴ licensure, types, and/or levels of services, including:

- a. Cardiac services, including the 2 cardiac catheterization labs;
- b. Critical care services, including a minimum of 20 intensive care/coronary care beds;
- c. Psychiatric services, including a minimum of 22 distinct part beds with at least 20 beds available for the geriatric psychiatric unit;
- d. Women's health services, including the Seton Breast Health Center and women's imaging and mammography services; and
- e. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification as a sub-acute unit.

Strategic Global Management, Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VII.

³ The term "For the remainder of the term" refers to the Conditions to Change in Control and Governance of Seton Medical Center and Seton Coastside and Approval of the System Restructuring and Support Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Certain Funds Managed by BlueMountain Capital Management, LLC, and Integrity Healthcare, LLC., dated December 3, 2015. The System Restructuring and Support Agreement closed on December 14, 2015.

⁴ The term "current" or "currently" throughout this document means as of January 1, 2019.

For at least five years from the closing date of the Asset Purchase Agreement, Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services:

- a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
- b. Cancer services, including inpatient oncology services, interventional radiology, radiation therapy, and for those patients that may be in need of infusion therapy treatment, a referral process to other nearby hospitals or clinics, including Stanford Cancer Center, UCSF Helen Diller Comprehensive Care Cancer Clinic, St. Mary's Cancer Center, or other health facility that provides infusion therapy services. The referral process shall be memorialized in the policies and procedures at Seton Medical Center and should include procedures on how to assist patients with accessing infusion therapy at the nearby hospitals or clinics, and the transferring of patient medical records;
- c. 's written policies or procedures that refers patients that require medical infusion to be referred to another nearby hospital or entity that provides medial infusion services;
- d. Orthopedics and rehabilitation services, including spine care services;
- e. Diabetes services, including Northern California Diabetes Institute;
- f. Wound care services, including Seton Center for Advanced Wound Care; and
- g. Nephrology services.

Strategic Global Management, Inc. shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

VIII.

For the remainder of the term (until December 13, 2025), Seton Medical Center shall maintain the following services at current licensure, types, and/or levels of services at Seton Coastside including:

- a. 24-hour "standby" Emergency Department, with a minimum of 7 treatment stations; and
- b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.

IX.

For at least five years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be

moved to a different location within a three-mile radius of each clinic's current location, and Seton Medical and Seton Coastside can utilize an alternative structure in providing such services.

The following clinics are subject to this condition shall maintain the same types and/or levels of services provided, including women's healthcare services, and mammography services:

- a. Women's Health Services, located at 1850 Sullivan Avenue, Suite 190, Daly City California.
- b. Imaging Services located at 1850 Sullivan Avenue, Suite 100, Daly City California; and
- c. Wound Care Services, located at 1850 Sullivan Avenue, Suite 115, Daly City California.

X.

For six fiscal years from the closing date of the Asset Purchase Agreement, Strategic Global Management, Inc. shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center and Seton Coastside equal to or greater than \$1,055,863 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Strategic Global Management, Inc. in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.⁵

Strategic Global Management, Inc. shall use and maintain a charity care policy that is no less favorable than Verity Health System of California, Inc.'s current charity care policy (Verity's Financial Assistance Policy No. 06.03.04 effective December 5, 2017 and revised and reviewed June 20, 2018) and in compliance with California and Federal law at Seton Medical Center and Seton Coastside. Within 90 days from the closing of the Asset Purchase Agreement, Strategic Global Management, Inc. will amend the Financial Assistance Policy to include as follows:

- a. A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted at Seton Medical Center and Seton Coastside in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.
- b. A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on each Seton Medical Center's and Seton Coastside's website(s).

⁵ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

- c. If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.
- d. As necessary, and at least on an annual basis, Strategic Global Management, Inc. will place an advertisement regarding the availability of financial assistance at Seton Medical Center and Seton Coastside in a newspaper of general circulation in the communities served by the hospitals, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospitals.
- e. Strategic Global Management, Inc. will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community-based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at Seton Medical Center and Seton Coastside.
- f. By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of Strategic Global Management, Inc.'s Financial Assistance Policy at Seton Medical Center and Seton Coastside.

Any planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Seton Medical Center and Seton Coastside shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.'s obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). If the actual amount of charity care provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the Seton Medical Center service area (14 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 19, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

XI.

For six fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management, Inc. shall provide an annual amount of Community Benefit Services at Seton Medical Center and Seton Coastside equal to or greater than \$685,870 (the "Minimum Community Benefit Services Amount") exclusive of any funds from grants. For six fiscal years,

the following community benefit programs and services shall continue to be offered at its current or equivalent location:

- a. Health Benefits Resource Center; and
- b. RotaCare Clinic.

The planning of, and any subsequent changes to, the community benefit services provided at Seton Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Strategic Global Management, Inc.'s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose, California Average Base Period: 1982-84=100 (as published by the U.S. Bureau of Labor Statistics). If the actual amount of community benefit services provided at Seton Medical Center and Seton Coastside for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Strategic Global Management, Inc. shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Seton Medical Center's service area (14 ZIP codes), as defined on as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 19, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

XII.

For the remainder of the term (until December 13, 2025), Strategic Global Management, Inc. shall:

- a) Be certified to participate in the Medi-Cal program at Seton Medical Center and Seton Coastside;
- b) Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan.

If Strategic Global Management, Inc. questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

XIII.

For at least five years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Strategic Global Management, Inc. shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo, unless otherwise terminated by the County of San Mateo, for services, including the following:

- a. Participation in the Hospital Preparedness Program between the Hospital (jointly with Seton Coastside) and San Mateo County;
- b. STEMI Receiving Center Designation between the Hospital and San Mateo County;
- c. Financial Support for Seismic Upgrades between the Hospital and San Mateo County;
- d. Information Sharing and Data Use Agreement between the Hospital and the County of San Mateo Health System;
- e. Fee for Service Hospital Services Agreement between the Hospital (jointly with Seton Coastside) and San Francisco Health Plan;
- f. Memorandum of Understanding between the Hospital and San Mateo County Behavioral Health and Recovery Services Division;
- g. Affiliation Agreement for the Radiology Technology Program between the Hospital and San Mateo College District;
- h. Affiliation Agreement for the Registered Nursing Program between the Hospital (jointly with Seton Coastside) and San Mateo College District;
- i. Patient Transfer Agreement between the Hospital and San Mateo County Medical Center;
- j. Rail Shuttle Bus Service Administration for Seton Shuttle Agreement between the Hospital and San Mateo County Transit District;
- k. Medical Services Agreement between the Hospital and San Mateo Health Community Health Authority- Access and Care for Everyone (ACE) Program;
- l. Hospital Medi-Cal Hospital Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo;
- m. Memorandum of Understanding for Long Term Care Partnership Program between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo; and
- n. Care Advantage Hospital Service Agreement between the Hospital and San Mateo Health Commission dba Health Plan of San Mateo.

XIV.

For the remainder of the term (until December 13, 2025), Strategic Global Management, Inc. shall have at Seton Medical Center and Seton Coastside Local Governing Board(s) of Directors. Strategic Global Management, Inc. shall consult with the Local Governing Board(s) of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, making changes to the charity care and collection policies, and making changes to charity care services provided at Seton Medical Center and Seton Coastside. The members of the Local Governing Board(s) shall include physicians from Seton Medical Center's and Seton Coastside's medical staff, Seton Medical Center's and Seton Coastside's Chief(s) of Staff, one member designated by the San Mateo County Board of Supervisors, and community representatives from Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 19, 2019, attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board(s)'s approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

XV.

Strategic Global Management, Inc. shall commit to reserve or expend capital for St. Francis Medical Center, St. Vincent Medical Center, and Seton Medical Center for capital improvements to the hospitals over the five-year period from the closing of the Asset Purchase Agreement of the amount that remains unexpended from the \$180 million commitment required of BlueMountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among the three hospitals.

XVI.

Strategic Global Management, Inc. shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at Seton Medical Center and Seton Coastside.

XVII.

Strategic Global Management, Inc. shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070). Strategic Global Management, Inc. shall meet construction benchmarks which include the starting of construction on the 1963 Tower, and as detailed on the attached Exhibit 2.

XVIII.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside, and no restriction or limitation on providing or making reproductive health services available at Seton Medical Center and Seton Coastside, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Strategic Global Management Inc.'s written policies, adhered to, and strictly enforced.

XIX.

Within 15 days of the Attorney General's approval, Seton Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.

- a) The funds from Seton Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's Seton Medical Foundation, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Seton Medical Foundation's service area (14 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 19, 2019. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.
- b) If there are funds from Seton Medical Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, the California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

For six fiscal years from the closing date of the Asset Purchase Agreement Strategic Global Management shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Strategic Global Management, Inc. shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

XXI.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Strategic Global Management, Inc., and any other parties

referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XXII.

Once the Asset Purchase Agreement is closed, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Analysis of the Hospital's Service Area

Service Area Definition

The Hospital's service area is comprised of 14 ZIP Codes, from which approximately 82% of its discharges originated in CY 2017. Approximately 55% of the Hospital's discharges came from the top three ZIP Codes, located in Daly City, and South San Francisco. In CY 2017, the Hospital's market share in the service area was 12.6% based on inpatient discharges.

		PATIENT ORIGIN, CY 2017			Total Area Discharges	Market Share
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges		
94015	Daly City	1,347	25.5%	25.5%	4,640	29.0%
94014	Daly City	798	15.1%	40.6%	3,337	23.9%
94080	South San Francisco	732	13.8%	54.4%	5,074	14.4%
94044	Pacifica	533	10.1%	64.5%	2,972	17.9%
94112	San Francisco	263	5.0%	69.5%	6,620	4.0%
94066	San Bruno	216	4.1%	73.5%	3,515	6.1%
94134	San Francisco	130	2.5%	76.0%	3,795	3.4%
94132	San Francisco	114	2.2%	78.2%	1,908	6.0%
94019	Half Moon Bay	74	1.4%	79.6%	1,194	6.2%
94038	Moss Beach	46	0.9%	80.4%	249	18.5%
94005	Brisbane	21	0.4%	80.8%	369	5.7%
94037	Montara	14	0.3%	81.1%	183	7.7%
94018	El Granada	12	0.2%	81.3%	257	4.7%
94017	Daly City	11	0.2%	81.5%	33	33.3%
Subtotal		4,311	81.5%	81.5%	34,146	12.6%
Other ZIPs		977	18.5%	100%		
Total		5,288	100%			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

5

Report Year and Quarter
All

AB 2190 Quarterly Reports for 10801 Seton Medical Center

OSHPD Building Nbr	Bldg Name	Report Year and Quarter	Construction Project Nbr	Milestone Date	Milestone Description	Milestone Comments	Milestone Quarterly Update
BLD-00846	1963 Tower	2019 - Q2	I160019-41-00; I160019-41-01; I160019-41-02; I160019-41-03	4/1/2020	Start Construction		On schedule
				7/1/2022	Complete Construction		On schedule
BLD-00847	Front Wing	2019 - Q2	I160020-41-00; I160020-41-01	4/1/2020	Start Construction		On schedule
				7/1/2022	Complete Construction		On schedule

Exhibit D

Material Changes to September 2019 Hospital Conditions

See attached.

Conditions to the Sale of St. Francis Medical Center¹ and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Prime Healthcare Services, Inc. (“Purchaser”)

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, and St. Francis Medical Center Foundation, a nonprofit public benefit corporation and {Purchaser}, a Delaware corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

The transaction conditionally approved by the Attorney General consists of _____.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General’s approval.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, {Purchaser}, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of {Purchaser} that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of {Purchaser}, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of {Purchaser} shall also be deemed a transfer for purposes of this Condition.

¹ Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current² licensure and designation with the same types and/or levels of services, including the following:

- 46 emergency treatment stations at a minimum;
- Designation as a Level II Trauma Center;
- Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- Psychiatric evaluation team;
- Designation as an Emergency Department Approved for Pediatrics (EDAP);
- Designation as a Paramedic Base Station; and
- Certification as a Primary Stroke Center.

{Purchaser} must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the Asset Purchase Agreement.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain ~~Center~~ on-call coverage contracts and/or comparable coverage arrangements with physicians that are necessary to retain its qualification as a Level II trauma center. ~~Trauma II designation requires 24-hour immediate coverage by general surgeons, as well as coverage by the specialties of orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology and critical care. Requirements for on-call and promptly available specialties include the following~~The following on-call coverage contracts and/or comparable coverage arrangements are required to retain St. Francis Medical Center's status as a Level II trauma center:

- Neurology;
- Obstetrics/gynecology;
- Ophthalmology;
- Oral or maxillofacial or head and neck;
- Orthopedic
- Plastic surgery;
- Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- Urology.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the following services at current licensure, types, and/or levels of services:

- Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;

² The term "current" or "currently" throughout this document means as of January 1, 2019.

Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;
Women's health services, including women's imaging services;
~~Cancer services, including radiation oncology;~~
Pediatric services, including a designated area with at least five general acute care beds for pediatric services;
Orthopedic and rehabilitation services;
Wound care services;
Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and
Perinatal services, including a minimum of 50 perinatal beds.

{Purchaser} shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

For at least five years from the closing date of the Asset Purchase Agreement, {Purchaser} shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following ~~clinics are clinic is~~ subject to this condition:

~~Pediatric services at Children's Counseling Center, 4390 Tweedy Ave, South Gate, California;~~
~~The multi-specialty services, including wound care at Wound Care Center, 3628 E. Imperial Highway, Suite 103, Lynwood, California; and~~
Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

For ten years from the closing date of the Asset Purchase Agreement, {Purchaser} shall:

Be certified to participate in the Medi-Cal program at St. Francis Medical Center;

Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

Local Initiative: L.A. Care Health Plan or its successor; and
Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If [Purchaser] questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

For six fiscal years from the closing date of the Asset Purchase Agreement, [Purchaser] shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$~~12,793,4358,000,000~~ (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by [Purchaser] in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.³

~~[Purchaser] shall use and maintain a charity care policy that is no less favorable than Verity Health System of California Inc.'s current charity care policy (Verity's Financial Assistance Policy No. 06.03.04 effective December 5, 2017 and revised and reviewed June 20, 2018) and in compliance with California and Federal law at St. Francis Medical Center. Within 90 days from the closing of the Asset Purchase Agreement, [Purchaser] will amend the Financial Assistance Policy to include as follows:~~

~~A copy of the Financial Assistance Policy and the plain language summary of the Financial Assistance Policy must be posted at St. Francis Medical Center in a prominent location in the emergency room, admissions area, and any other location in the hospital where there is a high~~

³ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as ... charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

~~volume of patient traffic, including waiting rooms, billing offices, and hospital outpatient service settings.~~

~~A copy of the Financial Assistance Policy, the Application for Financial Assistance, and the plain language summary of the Financial Assistance Policy must be posted in a prominent place on St. Francis Medical Center's website.~~

~~If requested by a patient, a copy of the Financial Assistance Policy, Application for Financial Assistance, and the plain language summary must be sent by mail at no cost to the patient.~~

~~As necessary, and at least on an annual basis, [Purchaser] will place an advertisement regarding the availability of financial assistance at St. Francis Medical Center in a newspaper of general circulation in the communities served by the hospital, or issue a Press Release to widely publicize the availability of the Financial Assistance Policy to the communities served by the hospital.~~

~~[Purchaser] will work with affiliated organizations, physicians, community clinics, other health care providers, houses of worship, and other community based organizations to notify members of the community (especially those who are most likely to require financial assistance) about the availability of financial assistance at St. Francis Medical Center.~~

~~By December 1, 2019, all staff that interacts with patients and their families concerning payment of services shall be given training to make patients and their families aware of and informed of [Purchaser]'s Financial Assistance Policy at St. Francis Medical Center.~~

~~Any planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.~~

[Purchaser]'s obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982-84=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, [Purchaser] shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For six fiscal years from the closing date of the Asset Purchase Agreement [Purchaser] shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to

or greater than \$1,139,301 (the “Minimum Community Benefit Services Amount”) exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

Southern California Crossroads Program;
Health Benefit Resource Center;
Welcome Baby Program;
Healthy Community Initiatives;
American Career College access for onsite training;
Paramedic Training and Education; and
Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

{Purchaser}'s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Long Beach-Anaheim Average Base Period: 1982=100 (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, {Purchaser} shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, {Purchaser} shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;
Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;
Paramedic Base Hospital Services between the Hospital and Los Angeles County;
Radiation Therapy Services between the Hospital and Los Angeles County;

Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;

~~Affiliation Agreement for physicians in post-graduate training;~~

Trauma Center Service Agreement between the Hospital and Los Angeles County; and

Paramedic Training Institute Students between the Hospital and Los Angeles County.

For at least ten years from the closing date of the Asset Purchase Agreement, {Purchaser} shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that {Purchaser}'s decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

For ten years from the closing date of the Asset Purchase Agreement, {Purchaser} shall have at St. Francis Medical Center a Local Governing Board of Directors. {Purchaser} shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

{Purchaser} shall commit to reserve or expend ~~capital~~ for St. Francis Medical Center, ~~St. Vincent Medical Center, and Seton Medical Center~~ for capital improvements to the ~~hospitals~~ hospital over the five-year period from the closing of the Asset Purchase Agreement ~~of~~, the amount of capital that remains unexpended from the \$180 million commitment required of ~~BlueMountain-Blue Mountain~~ Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among ~~the three hospitals~~ St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center. Purchaser understands that such condition has previously been satisfied but will still commit to expend approximately \$35 million on St. Francis Medical Center over the five-year period from the closing of the Asset Purchase Agreement.

{Purchaser} shall commit the necessary investments required to maintain OSHPD seismic compliance requirements at the Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Safety. Code, § 129675-130070).

~~{Purchaser} shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the medical staff officers, committee chairs, or independence of the medical staff, and such persons shall remain in good standing for the remainder of their tenure at St. Francis Medical Center.~~

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings , or at any of its facilities. Both of these prohibitions shall be set forth in {Purchaser}'s written policies, adhered to, and strictly enforced.

~~Within 15 days of the closing of date of the Asset Purchase Agreement, St. Francis Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds to the California Community Foundation.~~

~~The funds from St. Francis Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Francis Medical Center Fund, and used to support nonprofit tax exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.~~

~~If there are funds from St. Francis Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, the California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.~~

For eleven fiscal years from the closing date of the Asset Purchase Agreement {Purchaser} shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of {Purchaser} shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, {Purchaser}, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the

Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a ~~party~~ Party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

Once the Asset Purchase Agreement is closed, and so long as such actions are consistent with the Asset Purchase Agreement, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

Analysis of the Hospital's Service Area

Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
Sub-Total		16,845	75.4%	75.4%	10.5%	160,828
All Other		5,504	24.6%	100%		
Grand Total		22,349	100%			

Source: OSHPD Discharge Database, CY 2017

Description of each of the material changes from the September 2019 Hospital Conditions that are reflected in the Accepted Conditions, and Prime’s explanation for such changes:

- In connection with the required maintenance of on-call coverage arrangements with physicians to retain Level II trauma center status, the reference to there being a “fair market value” requirement for those arrangements was removed. See Section V of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime removed the express “fair market value” language as being redundant with the requirements of applicable law for arrangements between hospitals and physicians, which by their very nature must be consistent with fair market value. As such, the “fair market value” language is unnecessary.
- In that same Section, the following sentence was removed: “Trauma II designation requires 24-hour immediate coverage by general surgeons, as well as coverage by the specialties of orthopedic surgery, neurosurgery, anesthesiology, emergency medicine, radiology and critical care.” See Section V of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime has every intention of complying with the spirit of this condition, with Prime revising the condition to be clear that it would commit to maintaining the Trauma II designation at the Hospital based upon whatever criteria are required in order to maintain such designation. Prime also notes that that the orthopedic specialty was added to this list.
- In the ten-year maintenance of type and level of services condition, “cancer services, including radiation oncology” was removed. See Section VI of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime intends to provide such services, but desires to have flexibility concerning such services in light of the currently low volumes and current community demand for such services.
- In the five-year clinic operations condition, the following clinics were removed:
 - Pediatric services at Children’s Counseling Center, 4390 Tweedy Ave, South Gate, California;
 - The multi-specialty services, including wound care at Wound Care Center, 3628 E. Imperial Highway, Suite 103, Lynwood, CaliforniaSee Section VIII of the September 2019 Hospital Conditions.

- The six-year annual charity care amount was reduced from \$12,793,435 to \$8,000,000. See Section X of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime believes that the \$8,000,000 charity care amount is more in line with current community need. This figure is also consistent with what the Bankruptcy Court subsequently approved in connection with the SGM transaction.

- The requirement to maintain a charity care policy that is no less favorable than Verity's current charity care policy was removed, including all of the related requirements to post and make available such policies to patients, to otherwise let the community know about the hospital's charity care policies and to decide on changes to the hospital's charity care policy and charity care services only after consultation with the hospital's Local Governing Board of Directors. See Section X of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime intends to put into place Prime's standard Charity Care Policy, which policy is included as an attachment to this letter in **Exhibit E**.

- In the ten-year maintenance of contracts with the City and/or County of Los Angeles condition, the Affiliation Agreement for physicians in post-graduate training was removed. See Section XII of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime does have post-graduate residents at many of its facilities. While Prime has a willingness to have such arrangements at its facilities, Prime is not amenable to this being an affirmative requirement in connection with the Transaction.

- In the medical staff maintenance of privileges condition, the requirement to not change the medical staff officers or committee chairs was removed, along with the requirement that such persons remain in good standing for the remainder of their tenure at the hospital. See Section XVI of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime is committed to respecting the independence of the Hospital's medical staff, and as such, Prime believes that the removed language falls within the purview of the medical staff. Said another way, Prime's view is that the Hospital's operator should not be involved in such decisions.

- The requirement that the St. Francis Medical Center Foundation transfer all charitable assets within 15 days after the Closing was removed in its entirety. See Section XVIII of the September 2019 Hospital Conditions.
 - Prime explanation: We understand that Prime believes this requirement to no longer be necessary, insofar as Prime will have no involvement with how the St. Francis Medical Center Foundation holds or handles its assets.

Exhibit E-1

Officers and Directors of Prime

See attached.

Prime Healthcare Services, Inc

Director and Officer Listing

Directors	Officers
Prem Reddy, M.D. (Chair) Jack Hunt Robert Diener Ted Dutton Greg Hafif	Prem Reddy, M.D. (President/CEO) Michael Heather (CFO) Steve Aleman (Assistant CFO) Marc Goldstone (Secretary)

Exhibit E-2

Officers and Directors of Prime Affiliate

See attached.

Prime Healthcare Services – St. Francis, LLC

List of Officers

Name	Title
Luis Leon	President / Chief Executive Officer
Steve Aleman	Chief Financial Officer
Marc Goldstone	Secretary
Abraham Joel Richlin	Assistant Secretary

Exhibit E-3

Prime's Audited Financial Statements

Submitted under separate cover.

Exhibit E-4

Prime's Articles of Incorporation

See attached.

ARTICLES OF INCORPORATION

Please find the articles of incorporation attached. Note that the articles of incorporation and amendments trace the name of the corporation from “K. Reddy Corp.” to “DVH Acquisition, Inc.” to “Desert Valley Health System, Inc.” to “Prime Healthcare Services, Inc.”

CERTIFICATE OF INCORPORATION

OF

K. REDDY CORP.

FIRST: The name of the Corporation is K. Reddy Corp.

SECOND: The address of its registered office in the State of Delaware is No. 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The aggregate number of shares of stock which the Corporation shall have authority to issue is 3,000 shares of common stock with a par value of \$.01 per share.

FIFTH: The name and mailing address of the Incorporator is as follows:

<u>NAME</u>	<u>MAILING ADDRESS</u>
ACFB Incorporated	2300 BP Tower 200 Public Square Cleveland, Ohio 44114

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make, alter or repeal the bylaws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By a majority of the whole board, to designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The by-laws may provide that in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, or in the by-laws of the Corporation, shall have and may exercise all of the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the by-laws of the Corporation; and unless the resolution or by-laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

When and as authorized by the stockholders in accordance with statute, to sell, lease or exchange all or substantially all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist, in whole or in part, of money or property, including shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the Corporation.

EIGHTH: Meetings of stockholders may be held within or without the State of Delaware, as the bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the bylaws of the Corporation. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

TENTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the Delaware General Corporation Law, or (4) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitations on personal liability

provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this Article shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ELEVENTH: A. Each person who was or is made a party to or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "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 director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent, authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA, excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in subsection B of this Article, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article or otherwise. The Corporation may, by action of its board of directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

B. If a claim under subsection A of this Article is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the

claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

C. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

D. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any 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 Delaware General Corporation Law.

E. As used in this Article, references to "the Corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees and agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

F. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation as to expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including a grand jury proceeding and an action by the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated or by any other applicable law.

THE UNDERSIGNED, being the Incorporator hereinabove named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is its act and deed and the facts herein stated are true, and accordingly have hereunto set its hand this 27th day of March, 2000.

ACFB INCORPORATED
Incorporator

By: Mary P. Givvo
Mary P. Givvo, Assistant Secretary

**CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
K. REDDY CORP.**

K. Reddy Corp., a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation by the unanimous written consent of its sole member, filed with the minutes of the Board, duly adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of the Corporation:

RESOLVED, that Article FIRST of the Certificate of Incorporation of the Company to read as follows:

FIRST: The name of the Corporation is DVH Acquisition, Inc.

SECOND: That in lieu of a meeting and vote of the sole stockholder, the sole stockholder of all the outstanding capital stock has executed a written consent to said amendment in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 228 and 242 of the Delaware General Corporation Law.

[SIGNATURE ON FOLLOWING PAGE]

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 01:00 PM 05/11/2000
001240849 - 3201141

IN WITNESS WHEREOF, said K. Reddy Corp. has caused this Certificate to be signed by
Prem Reddy, M.D., its President, this 11th day of May, 2000.

K. REDDY CORP.

By: *Prem Reddy*
Prem Reddy, M.D., President

**CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
DVH ACQUISITION, INC.**

DVH Acquisition, Inc., a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation by the unanimous written consent of its sole member, filed with the minutes of the Board, duly adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of the Corporation:

RESOLVED, that Article FIRST of the Certificate of Incorporation of the Company to read as follows:

FIRST: The name of the Corporation is Desert Valley Health System, Inc.

SECOND: That in lieu of a meeting and vote of the sole stockholder, the sole stockholder of all the outstanding capital stock has executed a written consent to said amendment in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Sections 228 and 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, said DVH Acquisition, Inc. has caused this Certificate to be signed by Prem Reddy, M.D., its President, this 10th day of January, 2001.

DVH Acquisition, Inc.

By: *Prem Reddy*
Prem Reddy, M.D., President

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Board of Directors of DESERT VALLEY HEALTH SYSTEM, INC. resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:


RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FIRST" so that, as amended, said Article shall be and read as follows:

FIRST: THE NAME OF THE CORPORATION IS PRIME HEALTHCARE SERVICES, INC.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 24TH day of AUGUST, 2005.

By: 
Authorized Officer
Title: SECRETARY

Name: RICHARD A. HAYES
Print or Type

Exhibit E-5
Prime's Bylaws

See attached.

BY-LAWS
OF
PRIME HEALTHCARE SERVICES, INC.

ARTICLE I
STOCKHOLDERS

Section 1.1 Place of Stockholders' Meetings. All meetings of the stockholders of the Corporation shall be held at such place or places, within or outside the State of Delaware, as may be fixed by the Board of Directors from time to time or as shall be specified in the respective notices thereof.

Section 1.2 Date, Hour and Purpose of Annual Meetings of Stockholders. Annual Meetings of Stockholders, commencing with the year 2001, shall be held on such day and at such time as the Directors may determine from time to time by resolution, at which meeting the stockholders shall elect, by a plurality of the votes cast at such election, a Board of Directors, and transact such other business as may properly be brought before the meeting. If for any reason a Board of Directors shall not be elected at the Annual Meeting of Stockholders, or if it appears that such Annual Meeting is not held on such date as may be fixed by the Directors in accordance with the provisions of the By-laws, then in either such event the Directors shall cause the election to be held as soon thereafter as convenient.

Section 1.3 Special Meetings of Stockholders. Special meetings of the stockholders entitled to vote may be called by the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President, the Secretary or by the Board of Directors, and shall be called by any of the foregoing at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the meeting.

Section 1.4 Notice of Meetings of Stockholders. Except as otherwise expressly required or permitted by the laws of Delaware, not less than ten days nor more than sixty days before the date of every stockholders' meeting the Secretary shall give to each stockholder of record entitled to vote at such meeting written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Such notice, if mailed, shall be deemed to be given when deposited in the United States mail, with postage thereon prepaid, addressed to the stockholder at the post office address for notices to such stockholder as it appears on the records of the Corporation.

An Affidavit of the Secretary or an Assistant Secretary or of a transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

Section 1.5 Quorum of Stockholders.

(a) Unless otherwise provided by the laws of Delaware, at any meeting of the stockholders the presence in person or by proxy of stockholders entitled to cast a majority of the votes thereat shall constitute a quorum.

(b) At any meeting of the stockholders at which a quorum shall be present, a majority of those present in person or by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting. In the absence of a quorum, the officer presiding thereat shall have power to adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting other than announcement at the meeting shall not be required to be given, except as provided in paragraph (d) below and except where expressly required by law.

(c) At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally called, but only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof, unless a new record date is fixed by the Board of Directors.

(d) If an adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

Section 1.6 Chairman and Secretary of Meeting. The Chairman, or in his absence, the Vice Chairman, or in his absence, the President, or in his absence, any Vice President, shall preside at meetings of the stockholders. The Secretary shall act as secretary of the meeting, or in his absence an Assistant Secretary shall act, or if neither is present, then the presiding officer shall appoint a person to act as secretary of the meeting.

Section 1.7 Voting by Stockholders. Except as may be otherwise provided by the Certificate of Incorporation or by these By-laws, at every meeting of the stockholders each stockholder shall be entitled to one vote for each share of stock standing in his name on the books of the Corporation on the record date for the meeting. All elections and questions shall be decided by the vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote at the meeting, except as otherwise permitted or required by the laws of Delaware, the Certificate of Incorporation or these By-laws.

Section 1.8 Proxies. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by his attorney-in-fact. Every proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney-in-fact, but need not be dated, sealed, witnessed or acknowledged.

Section 1.9 List of Stockholders.

(a) At least ten days before every meeting of stockholders, the Secretary shall prepare or cause to be prepared a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder.

(b) During ordinary business hours, for a period of at least ten days prior to the meeting, such list shall be open to examination by any stockholder for any purpose germane to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

(c) The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and it may be inspected by any stockholder who is present.

(d) The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this Section or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

ARTICLE II
DIRECTORS

Section 2.1 Powers of Directors. The property, business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all the powers of the Corporation except such as are by the laws of Delaware or the Certificate of Incorporation or these By-laws required to be exercised or done by the stockholders.

Section 2.2 Number, Method of Election, Terms of Office of Directors. The number of Directors which shall constitute the whole Board of Directors shall be such as from time to time shall be determined by resolution of the Board of Directors, but the number shall not be less than one provided that the tenure of a Director shall not be affected by any decrease in the number of Directors so made by the Board. Each Director shall hold office until his successor is elected and qualified, provided however that a Director may resign at any time.

Section 2.3 Vacancies on Board of Directors.

(a) Any Director may resign his office at any time by delivering his resignation in writing to the Chairman or the President or the Secretary. It will take effect at the time specified therein, or if no time is specified, it will be effective at the time of its receipt by the Corporation. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(b) Any vacancy or newly created Directorship resulting from any increase in the authorized number of Directors may be filled by vote of a majority of the Directors then in office, though less than a quorum, and any Director so chosen shall hold office until the next annual election of Directors by the stockholders and until his successor is duly elected and qualified, or until his earlier resignation or removal.

Section 2.4 Meetings of the Board of Directors.

(a) The Board of Directors may hold their meetings, both regular and special, either within or outside the State of Delaware.

(b) Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by resolution of the Board of Directors.

(c) The first meeting of each newly elected Board of Directors except the initial Board of Directors shall be held as soon as practicable after the Annual Meeting of the stockholders for the election of officers and the transaction of such other business as may come before it.

(d) Special meetings of the Board of Directors shall be held whenever called by direction of the Chairman or the President or at the request of Directors constituting one-third of the number of Directors then in office, but not less than two Directors.

(e) The Secretary shall give notice to each Director of any meeting of the Board of Directors by mailing the same at least two days before the meeting or by telegraphing or delivering the same not later than the day before the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting. Any and all business may be transacted at any meeting of the Board of Directors. No notice of any adjourned meeting need be given. No notice to or waiver by any Director shall be required with respect to any meeting at which the Director is present.

Section 2.5 Quorum and Action. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business; but if there shall be less than a quorum at any meeting of the Board, a majority of those present may adjourn the meeting from time to time. Unless otherwise provided by the laws of Delaware, the Certificate of Incorporation or these By-laws, the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.6 Presiding Officer and Secretary of Meeting. The Chairman or, in his absence, a member of the Board of Directors selected by the members present, shall preside at meetings of the Board. The Secretary shall act as secretary of the meeting, but in his absence the presiding officers shall appoint a secretary of the meeting.

Section 2.7 Action by Consent Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the records of the Board or committee.

Section 2.8 Executive Committee. The Board of Directors may appoint from among its members and from time to time may fill vacancies in an Executive Committee to serve during the pleasure of the Board. The Executive Committee shall consist of three members, or such greater number of members as the Board of Directors may by resolution from time to time fix. One of such members shall be the Chairman of the Board and another shall be the Vice Chairman of the Board, who shall be the presiding officer of the Committee. During the intervals between the meetings of the Board, the Executive Committee shall possess and may exercise all of the powers of the Board in the management of the business and affairs of the Corporation conferred by these By-laws or otherwise. The Committee shall keep a record of all its proceedings and report the same to the Board. A majority of the members of the Committee shall constitute a quorum. The act of a majority of the members of the Committee present at any meeting at which a quorum is present shall be the act of the Committee.

Section 2.9 Other Committees. The Board of Directors may also appoint from among its members such other committees of two or more Directors as it may from time to time deem desirable, and may delegate to such committees such powers of the Board as it may consider appropriate.

Section 2.10 Compensation of Directors. Directors shall receive such reasonable compensation for their service on the Board of Directors or any committees thereof, whether in the form of salary or a fixed fee for attendance at meetings, or both, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any Director from serving in any other capacity and receiving compensation therefor.

ARTICLE III OFFICERS

Section 3.1 Executive Officers of the Corporation. The executive officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors also may appoint a Chairman of the Board, a Vice Chairman of the Board, and one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers. Any two offices except those of Chairman of the Board and Vice Chairman of the Board, President and Vice President, or President and Secretary may be filled by the same person. None of the officers need be a member of the Board except the Chairman of the Board and the Vice Chairman of the Board.

Section 3.2 Choosing of Executive Officers. The Board of Directors at its first meeting after each Annual Meeting of Stockholders shall choose a President, a Secretary and a Treasurer.

Section 3.3 Additional Officers. The Board of Directors may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 3.4 Salaries. The salaries of all officers and agents of the Corporation specially appointed by the Board shall be fixed by the Board of Directors.

Section 3.5 Term, Removal and Vacancies. The officers of the Corporation shall hold office until their respective successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors.

Section 3.6 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and of the stockholders. He shall be the Chief Executive Officer of the Company, unless the Board has designated the President as the Chief Executive Officer. In the absence or disability of the Chairman of the Board: (a) the Vice Chairman of the Board shall preside at all meetings of the Board of Directors and of the stockholders, and (b) the powers and duties of the Chairman of the Board shall be exercised jointly by the Vice Chairman of the Board and the President until such authority is altered by action of the Board of Directors. The Chairman of the Board shall present to the Annual Meeting of Stockholders a report of the business of the preceding fiscal year.

Section 3.7 Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and perform such duties as are provided in these By-laws or as may be delegated to him by the Chairman of the Board, and shall perform such other duties as may from time to time be assigned to him by the Board of Directors.

Section 3.8 President. The President shall have such powers and perform such duties as are provided in these By-laws or as may be delegated to him by the Board of Directors or the Chairman of the Board. If there is no Chairman of the Board, the President shall be the Chief Executive Officer of the Corporation and shall have all the duties and responsibilities previously enumerated for the Chairman of the Board. In the absence of the Chairman of the Board and the Vice Chairman of the Board, the President shall preside at all meetings of the stockholders.

Section 3.9 Powers and Duties of the Chief Executive Officer. The Chief Executive Officer shall have general charge and supervision of the business of the Company and shall exercise and perform all the duties incident to the office of the Chief Executive

Officer. He shall have direct supervision of the other officers and shall also exercise and perform such powers and duties as may be assigned to him by the Board of Directors.

Section 3.10 Powers and Duties of Vice Presidents. Any Vice President designated by the Board of Directors shall, in the absence, disability, or inability to act of the President, perform all duties and exercise all the powers of the President and shall perform such other duties as the Board may from time to time prescribe. Each Vice President shall have such other powers and shall perform such other duties as may be assigned to him by the Board.

Section 3.11 Powers and Duties of Treasurer and Assistant Treasurers.

(a) The Treasurer shall have the care and custody of all the funds and securities of the Corporation except as may be otherwise ordered by the Board of Directors, and shall cause such funds to be deposited to the credit of the Corporation in such banks or depositories as may be designated by the Board of Directors, the Chairman, the President or the Treasurer, and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board of Directors, the Chairman, the President or the Treasurer.

(b) The Treasurer, or an Assistant Treasurer, or such other person or persons as may be designated for such purpose by the Board of Directors, the Chairman, the President or the Treasurer, may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

(c) The Treasurer, or an Assistant Treasurer, or such other person or persons as may be designated for such purpose by the Board of Directors, the Chairman, the President or the Treasurer, may sign all receipts and vouchers for payments made to the Corporation; he shall render a statement of the cash account of the Corporation to the Board of Directors as often as it shall require the same; he shall enter regularly in books to be kept by him for that purpose full and accurate accounts of all moneys received and paid by him on account of the Corporation and of all securities received and delivered by the Corporation.

(d) Each Assistant Treasurer shall perform such duties as may from time to time be assigned to him by the Treasurer or by the Board of Directors. In the event of the absence of the Treasurer or his incapacity or inability to act, then any Assistant Treasurer may perform any of the duties and may exercise any of the powers of the Treasurer.

Section 3.12 Powers and Duties of Secretary and Assistant Secretaries.

(a) The Secretary shall attend all meetings of the Board, all meetings of the stockholders, and shall keep the minutes of all proceedings of the stockholders and the Board of Directors in proper books provided for that purpose. The Secretary shall attend to the giving and serving of all notices of the Corporation in accordance with the provisions of the By-laws and as required by the laws of Delaware. The Secretary may, with the President, a

Vice President or other authorized officer, sign all contracts and other documents in the name of the Corporation. He shall perform such other duties as may be prescribed in these By-laws or assigned to him and all other acts incident to the position of Secretary.

(b) Each Assistant Secretary shall perform such duties as may from time to time be assigned to him by the Secretary or by the Board of Directors. In the event of the absence of the Secretary or his incapacity or inability to act, then any Assistant Secretary may perform any of the duties and may exercise any of the powers of the Secretary.

(c) In no case shall the Secretary or any Assistant Secretary, without the express authorization and direction of the Board of Directors, have any responsibility for, or any duty or authority with respect to, the withholding or payment of any federal, state or local taxes of the Corporation, or the preparation or filing of any tax return.

ARTICLE IV CAPITAL STOCK

Section 4.1 Stock Certificates.

(a) Every holder of stock in the Corporation shall be entitled to have a certificate signed in the name of the Corporation by the Chairman or the President or the Vice Chairman or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number of shares owned by him.

(b) If such a certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of the officers of the Corporation may be facsimiles and, if permitted by Delaware law, any other signature on the certificate may be a facsimile.

(c) In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of issue.

(d) Certificates of stock shall be issued in such form not inconsistent with the Certificate of Incorporation as shall be approved by the Board of Directors. They shall be numbered and registered in the order in which they are issued. No certificate shall be issued until fully paid.

Section 4.2 Record Ownership. A record of the name and address of the holder of each certificate, the number of shares represented thereby, and the date of issue thereof shall be made on the Corporation's books. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other

person, whether or not it shall have express or other notice thereof, except as required by the laws of Delaware.

Section 4.3 Transfer of Record Ownership. Transfers of stock shall be made on the books of the Corporation only by direction of the person named in the certificate or his attorney, lawfully constituted in writing, and only upon the surrender of the certificate therefor and a written assignment of the shares evidenced thereby. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and transferee request the Corporation to do so.

Section 4.4 Lost, Stolen or Destroyed Certificates. Certificates representing shares of the stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed in such manner and on such terms and conditions as the Board of Directors from time to time may authorize.

Section 4.5 Transfer Agent, Registrar, Rules Respecting Certificates. The Corporation shall maintain one or more transfer offices or agencies where stock of the Corporation shall be transferable. The Corporation shall also maintain one or more registry offices where such stock shall be registered. The Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates.

Section 4.6 Fixing Record Date for Determination of Stockholders of Record. The Board of Directors may fix in advance a date as the record date for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of the stockholders or any adjournment thereof, or the stockholders entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or to express consent to corporate action in writing without a meeting, or in order to make a determination of the stockholders for the purpose of any other lawful action. Such record date in any case shall not be more than sixty days nor less than ten days before the date of a meeting of the stockholders, nor more than sixty days prior to any other action requiring such determination of the stockholders. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE V SECURITIES HELD BY THE CORPORATION

Section 5.1 Voting. Unless the Board of Directors shall otherwise order, the Chairman, the Vice Chairman, the President, any Vice President or the Treasurer shall have full power and authority on behalf of the Corporation to attend, act and vote at any meeting of the stockholders of any corporation in which the Corporation may hold stock and at such

meeting to exercise any or all rights and powers incident to the ownership of such stock, and to execute on behalf of the Corporation a proxy or proxies empowering another or others to act as aforesaid. The Board of Directors from time to time may confer like powers upon any other person or persons.

Section 5.2 General Authorization to Transfer Securities Held by the Corporation.

(a) Any of the following officers, to-wit: the Chairman, the President, any Vice President, the Treasurer or the Secretary of the Corporation shall be and are hereby authorized and empowered to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, subscription warrants, stock purchase warrants, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by the Corporation, and to make, execute and deliver under the seal of the Corporation any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred.

(b) Whenever there shall be annexed to any instrument of assignment and transfer executed, pursuant to and in accordance with the foregoing paragraph (a), a certificate of the Secretary or an Assistant Secretary of the Corporation in office at the date of such certificate setting forth the provisions hereof and stating that they are in full force and effect and setting forth the names of persons who are then officers of the Corporation, then all persons to whom such instrument and annexed certificate shall thereafter come shall be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and to act in reliance upon the assumption that the shares of stock or other securities named in such instrument were theretofore duly and properly transferred, endorsed, sold, assigned, set over and delivered by the Corporation, and that with respect to such securities the authority of these provisions of the By-laws and of such officers is still in full force and effect.

ARTICLE VI
DIVIDENDS

Section 6.1 Declaration of Dividends. Dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 6.2 Payment and Reserves. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserves in the manner in which they were created.

Section 6.3 Record Date. The Board of Directors may, to the extent provided by law, prescribe a period, in no event in excess of sixty (60) days, prior to the date for payment of any dividend, as a record date for the determination of stockholders entitled to receive payment of any such dividend, and in such case such stockholders and only such stockholders as shall be stockholders of record on said date so fixed shall be entitled to receive payment of such dividend, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

ARTICLE VII GENERAL PROVISIONS

Section 7.1 Signatures of Officers. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate. The signature of any officer upon any of the foregoing instruments may be a facsimile whenever authorized by the Board.

Section 7.2 Fiscal Year. The fiscal year of the Corporation shall end on December 31 unless otherwise fixed by resolution of the Board of Directors.

Section 7.3 Seal. Upon resolution of the Board of Directors, the Corporation may elect to have a corporate seal. In such event, the corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal, Delaware". Said seal may be used for causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII WAIVER OF OR DISPENSING WITH NOTICE

Whenever any notice of the time, place or purpose of any meeting of the stockholders, Directors or a committee is required to be given under the laws of Delaware, the Certificate of Incorporation or these By-laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the holding thereof, or actual attendance at the meeting in person, or in the case of the stockholders, by his attorney-in-fact, shall be deemed equivalent to the giving of such notice to such persons. No notice need be given to any person with whom communication is made unlawful by any law of the United States or any rule, regulation, proclamation or executive order issued under any such law.

ARTICLE IX AMENDMENT OF BY-LAWS

These By-laws, or any of them, may from time to time be supplemented, amended or repealed by the Board of Directors, or by the vote of a majority in interest of the stockholders represented and entitled to vote at any meeting at which a quorum is present.

Exhibit E-6

Prime's Charity Care Policy

See attached.

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		Saved As:	PFS-A05
Subject:	Charity Care Policy (for-profit Facilities)	Formulated:	07/2008
Manual:	Patient Financial Services	Reviewed:	
Governing Board Approval		Date:	Revised: 07/2012, 4/2013, 2/2014, 11/2014, 1/2015, 1/2016, 3/2017,1/2018, 4/2019. 1/2020

Policy

Prime Healthcare For-profit Facilities will offer a charity care program for those patients who meet the eligibility tests described below and comply with the requirements of the Health & Safety Code sections 127400 - 127446.

A significant component of Prime Healthcare For-profit Facilities is to provide care for patients in times of need. Prime Healthcare For-profit Facilities provides charity care as a benefit to the community we serve as a not-for-profit hospital. To this end, Prime Healthcare For-profit Facilities are committed to assisting low-income and/or uninsured eligible patients with appropriate discount payment and charity care programs. All patients will be treated fairly, with compassion and respect.

Financial assistance policies must balance a patient's need for financial assistance with the hospital's broader fiscal stewardship.

Outside debt collection agencies and the hospital's internal collection practices will reflect the mission and vision of the hospital.

Financial assistance through discount payment and charity care programs is not a substitute for personal responsibility. It is the patients' responsibility to actively participate in the financial assistance screening process and where applicable, contribute to the cost of their care based upon their ability to pay.

Procedure:

1. Eligibility for Participation in Charity Care Program

A. Self-Pay Patients

A patient is eligible for the Charity Care Program under this policy if (1)The patient does not have third party coverage from a health insurer, health care service plan, union trust plan, Medicare, or Medi-Cal or whose injury is not a compensable injury for purposes of workers' compensation, automobile insurance, or other insurance as determined and documented by the hospital and (2) whose family income does not exceed 450% of the Federal Poverty Level and (3) the patient is either an uninsured patient or a patient with a high Medical cost.

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Subject:	Charity Care Policy (for-profit Facilities)	Formulated:	07/2008
Manual:	Patient Financial Services	Reviewed:	
Governing Board Approval		Date:	Revised: 07/2012, 4/2013, 2/2014, 11/2014, 1/2015, 1/2016, 3/2017,1/2018, 4/2019. 1/2020

Eligibility alone is not an entitlement to financial assistance qualification under this Policy. The patient must complete the Financial Assistance Application and provide all required documentation and the Facility must complete a process of applicant evaluation and determine qualification before charity care or a discount payment may be extended to the patient.

B. Insured Patients with high medical costs

A patient who has third party coverage or whose injury is a compensable injury for purposes of workers' compensation, automobile insurance, or other insurance as determined and documented by the hospital may qualify for the Charity care Program or the Discount Payment Program if all of the following conditions are met: (1) the patient has a family income of less than 450% of the Federal Poverty Level; (2) the patient does not receive a discount rate from the hospital as a result of his or her third party coverage; and (3) the patient has annual out-of-pocket costs incurred by that individual at a Prime Healthcare Facility that exceeds 10% of the patient's family income in the prior 12 months or the patient has annual out of pocket expenses that exceeds 10% of the patient's family income if the patient provides documentation of the patient's medical expenses paid by the patient or the patient's family in the prior 12 months.

Hospital staff shall make reasonable efforts to obtain from the patient, or his/ her representative, information about whether patient has coverage through a private or public health insurance plan that may fully or partially cover the charges for care. If the patient does not have proof of third party coverage, Hospital staff shall provide the patient with information that the patient may be eligible for specified health coverage programs, including, but not limited to, Medi-Cal, California Children's Services, the California Health Benefit Exchange or other county-funded health care programs.

The fact that a patient is applying for any of the above described health care coverage shall not preclude such patient from qualifying for the Charity program or the Discount Payment Program.

C. Other Circumstances

The Director of the Hospital's Patient Financial Services, (PFS) Department shall also have the discretion to extend charity care or a discount to patients under the following circumstances:

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Subject:	Charity Care Policy (for-profit Facilities)	Formulated:	07/2008
Manual:	Patient Financial Services	Reviewed:	
Governing Board Approval		Date:	Revised: 07/2012, 4/2013, 2/2014, 11/2014, 1/2015, 1/2016, 3/2017,1/2018, 4/2019. 1/2020

- (i) The patient qualifies for limited benefits under the State’s Medi-Cal Program, i.e., limited pregnancy or emergency benefits, but does not have benefits for other services provided at the Hospital.
- (ii) The patient qualifies for a Medically Indigent Adult Program offered by a county other than the one in which the Hospital is located.
- (iii) Reasonable efforts have been made to locate and contact the patient, such efforts have been unsuccessful, and the PFS Director has reason to believe that the patient would qualify for charity or a discount, i.e., homeless;
- (iv) A Third-Party Collection Agency has made efforts to collect the outstanding balance and has recommended to the Hospital’s PFS Director that charity care or a discount be offered.

D. Completion of a Financial Assistance Application.

1. The Financial Assistance Application should be completed as soon as there is an indication the patient may be in need of financial assistance. The application form may be completed during a patient stay, or after services are completed and the patient has been discharged.
2. The Financial Assistance Application provides:
 - a. Information necessary for the Facility to determine if the patient has income sufficient to pay for services.
 - b. Documentation useful in determining qualification for financial assistance; and
 - c. An audit trail documenting the Facility’s commitment to providing financial assistance.
3. In certain circumstances, a completed Financial Assistance Application may not be required if the Facility, in its sole discretion, determines it has sufficient patient financial information from which to make a financial assistance qualification decision.
4. If a patient applies or has a pending application for another health coverage program at the same time he or she applies for financial assistance under this Policy, neither application shall prevent the patient for establishing eligibility under the other program.

E. Determination Based On Ability to Pay.

Qualification for charity care shall be determined solely based on the patient’s and/or patient family representative’s ability to pay. Qualification for financial assistance shall not be based in any way on age, gender, sexual orientation, gender identity, ethnicity, national origin, veteran status, disability or

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religion. While financial assistance shall not be provided on a discriminatory or arbitrary basis, the Facility retains full discretion, consistent with laws and regulations, to establish eligibility criteria and determine when a patient has provided sufficient evidence of qualification for financial assistance.

F. Asset/Income Qualification.

1. For Charity Care: Family size and documentation of family income in the form of federal income tax returns and recent pay stubs.
 - a. Family size and documentation of income and assets including information on all monetary assets including, without limitation, federal income tax returns, recent pay stubs, and/or other relevant information, but including statements on retirement or deferred compensation plans qualified under the Internal Revenue Code, or nonqualified deferred compensation plans. The Facility may require waivers or releases from the patient or patient's family, authorizing the Facility to obtain account information from financial commercial institutions, or other entities that hold or maintain the monetary assets, to verify their value.
 - b. A patient's family assets may be evaluated to determine if sufficient patient household resources exist to satisfy the Facility's bill for services rendered. Evaluation of patient assets will consider both the asset value and amounts owed against the asset to determine if potential net worth is available to satisfy the patient payment obligation. Recognizing the need to protect basic household assets, each patient family unit evaluated will be allowed the following asset exemptions:
 - i. Primary residence;
 - ii. One vehicle per patient or two vehicles per family unit;
 - iii. The first \$10,000 of monetary assets, and 50% of monetary assets after the first \$10,000; and
 - iv. Retirement or deferred compensation plans qualified under the Internal Revenue Code, or nonqualified deferred compensation plans.

Patients who have assets beyond those specifically exempted will be expected to leverage the assets through independent financing in order to satisfy the patient account.

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G. Catastrophic Medical Event.

Any patient who experiences a catastrophic medical event may be deemed eligible for financial assistance as determined in the Facility's sole discretion. The determination of a catastrophic medical event shall be based upon the amount of the patient's family income and assets as reported at the time of occurrence. As a general guideline, any account with a patient liability for services rendered that exceeds \$100,000 may be considered for eligibility as a catastrophic medical event

H. Definition of Patient's Family & Determination of Family Income

The "patient's family" means the following: (1) for persons 18 years of age and older, spouse, domestic partner and dependent children under 21 years of age, whether living at home or not; and (2) for persons under 18 years of age, parent, caretaker, relatives, and other children under 21 years of age of the parent or caretaker relative.

Documentation of family income shall be limited to recent pay stubs or tax returns.

In determining a patient's monetary assets, the hospital shall not consider retirement or deferred compensation plans qualified under the Internal Revenue Code,

non-qualified deferred compensation plans, the first ten thousand dollars (\$10,000.00) of monetary assets, and fifty percent (50%) of the patient's monetary assets over the first ten thousand dollars (\$10,000.00).

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I. Federal Poverty Levels

Household Size	100%	125%	300%	350%	400%	450%
1	\$12,760	\$15,950	\$38,280	\$44,660	\$51,040	\$57,420
2	\$17,240	\$21,550	\$51,720	\$60,340	\$68,960	\$77,580
3	\$21,720	\$27,150	\$65,160	\$76,020	\$86,880	\$97,740
4	\$26,200	\$34,846	\$78,600	\$91,700	\$104,800	117,900
5	\$30,680	\$38,350	\$92,040	\$107,380	\$122,720	138,060
6	\$35,160	\$43,950	\$105,480	\$123,060	\$140,640	\$158,220
7	\$39,640	\$49,550	\$118,920	\$138,740	\$158,560	\$178,380
8	\$44,120	\$55,150	\$132,360	\$154,420	\$176,480	\$198,540

*For households with more than 8, add \$4,480 for each additional person

SOURCE: *Federal Register, publication date 01/17/2020, Document Citation 85 FR 3060*

Charity Care

The patient balances for those patients who qualify to participate in the Charity Care Program, as determined by the hospital, shall be reduced to a sum equal to \$0 with the remaining balance eliminated and classified as charity care.

1. Resolution of Disputes

Any disputes regarding a patient's eligibility to participate in the Charity Care Program shall be directed and resolved by the Hospital's Chief Financial Officer.

2. Notices

To ensure that patients are aware of the existence of the Charity Care Program, the following actions shall be taken:

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A. Written Notice to Patients

Each patient who is seen at Prime Healthcare For-profit Facilities, whether admitted or not, shall receive the notice attached hereto as Exhibit 1. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the Hospital.

B. Posting of Notices

The notice attached hereto as Exhibit 2 shall be clearly and conspicuously posted in locations that are visible to the patients in the following areas: (1) Emergency Department; (2) Billing Office; (3) Admissions Office; and (4) Other Outpatient Settings. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the Hospital.

C. Notice to Accompany Bills To Potentially Eligible Patients

Each bill that is sent to a patient who has not provided proof of coverage by a third party at the time care is provided or upon discharge must include a statement of charges for services rendered by the hospital and the notice attached hereto as Exhibit 3. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the Hospital.

Efforts to Obtain Information Regarding Coverage & Applications for Medi-Cal and

Prime Healthcare For-profit Facilities shall make all reasonable efforts to obtain from the patient and/or his/her representative information about whether private or public health insurance or sponsorship may fully or partially cover the charges for care rendered by

the hospital to a patient including, but not limited to, the following:

- (1) Private health insurance; (2) Medicare; and/or (3) the Medi-Cal program, the California Children’s Services Program or other state-funded programs designed to provide health coverage.

If a patient does not indicate that he/she has coverage by a third-party payor or requests a discounted price or charity care then the patient shall be provided with an application for the Medi-Cal program, or other governmental program prior to discharge.

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Collection Activities

Prime Healthcare for profit Facilities may use the services of an external collection agency for the collection of patient debt. No debt shall be advanced for collection until the Director of the Hospital PFS or his/her designee has reviewed the account and approved the advancement of the debt to collection. Prime Healthcare for-profit Facilities shall obtain an agreement from each collection agency that it utilizes to collect patient debt that the agency will comply with the requirements of AB 774 and SB1276.

Neither Prime Healthcare for-profit Facilities nor any collection agency utilized by Prime Healthcare for-profit Facilities shall report adverse information to a consumer credit reporting agency or commence civil action against the patient for nonpayment at any time prior to 150 days after the initial billing if the patient lacks third party coverage or for a patient that provides information that he or she may qualify for the Charity Care Program.

In addition, if a patient is attempting to qualify for eligibility under Prime Healthcare for-profit Facilities Charity Care Program or the Discount Payment Policy and is attempting in good faith to settle an outstanding bill with the hospital by negotiating a reasonable payment plan or making regular partial payments of a reasonable amount, Prime Healthcare for-profit Facilities shall not send the unpaid bill to any collection agency unless that entity has agreed to comply with AB 774 and SB1276. Any collection agency shall comply with any payment plan entered into by a patient.

Prime Healthcare For-profit Facilities shall not, in dealing with patients eligible under the Charity Care Program or the Discount Payment Policy, use wage garnishments or liens on primary residences as a means of collecting unpaid hospital bills.

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EXHIBIT 1

Charity Care & Discounted Payment Program

Patients who lack insurance or have inadequate insurance and meet certain low- and moderate-income requirements may qualify for discounted payments or charity care. Prime Healthcare for-profit Facilities PFS Designee, at the Hospital may be contacted at **xxx-xxx-xxxx** to obtain further information. The Emergency Department Physicians, who are not employees of the Hospital, may also provide Charity Care or Discounted payment programs. Please contact **xxx-xxx-xxxx** for further information.

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Exhibit 2

CHARITY CARE & DISCOUNTED PAYMENT PROGRAM

PATIENTS WHO LACK INSURANCE OR HAVE INADEQUATE INSURANCE AND MEET CERTAIN LOW- AND MODERATE-INCOME REQUIREMENTS MAY QUALIFY FOR DISCOUNTED PAYMENTS OR CHARITY CARE. PATIENTS SHOULD CONTACT PRIME HEALTHCARE FOR-PROFIT FACILITIES PFS DESIGNEE, at xxx-xxx-xxxx TO OBTAIN FURTHER INFORMATION. THE EMERGENCY DEPARTMENT PHYSICIANS, WHO ARE NOT EMPLOYEES OF THE HOSPITAL, MAY ALSO PROVIDE CHARITY CARE OR DISCOUNTED PAYMENT PROGRAMS. PLEASE CONTACT xxx-xxx-xxxx FOR FURTHER INFORMATION.

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Exhibit 3

Our records indicate that you do not have health insurance coverage or coverage under Medicare, Medi-Cal, or other similar programs. If you have such coverage, please contact our office at xxx-xxx-xxxx as soon as possible so the information can be obtained, and the appropriate entity billed.


If you do not have health insurance coverage, you may be eligible for Medicare, Medi-Cal, Prime Healthcare For-profit Facilities Discounted Payment Program, or Charity Care. For more information about how to apply for Medicare, Medi-Cal, or other similar programs, please contact Prime Healthcare For-profit Facilities PFS Designee at xxx-xxx-xxxx who will be able to answer questions and provide you with applications for these programs.

Patients who lack insurance or have inadequate insurance and meet certain low- and moderate-income requirements may qualify for discounted payments or charity care. Patients should contact Prime Healthcare For-profit Facilities or PFS Designee, at xxx-xxx-xxxx to obtain further information. The Emergency Department Physicians, who are not employees of the Hospital, may also provide Charity Care or Discounted payment programs. Please contact xxx-xxx-xxxx for further information.

Exhibit E-7

Prime's Discount Payment Policy

See attached.

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Policy:

Prime healthcare facilities will offer a discount payment program for financially qualified patients who meet the eligibility tests described below and comply with the requirements of Health & Safety Code sections 127400 to 127446.

A significant component of Prime Healthcare facilities is to provide care for patients in times of need. Prime healthcare provides a Discount Payment program as a benefit to the community we serve. To this end, Prime Healthcare is committed to assisting low-income and/or uninsured eligible patients with appropriate discount payment and charity care programs. All patients will be treated fairly, with compassion and respect.

Financial assistance policies must balance a patient’s need for financial assistance with the hospital’s broader fiscal stewardship.

Outside debt collection agencies and the hospital’s internal collection practices will reflect the mission and vision of the hospital.

Financial assistance through discount payment and charity care programs is not a substitute for personal responsibility. It is the patients’ responsibility to actively participate in the financial assistance screening process and where applicable, contribute to the cost of their care based upon their ability to pay.


Procedure:

1. Eligibility for Participation In Discount Payment Program

A. Self-Pay Patients

A patient is eligible for financial assistance under this policy if (1) A patient who does not have third party coverage from a health insurer, health care service plan, union trust plan, Medicare, or Medi-Cal or whose injury is not a compensable injury for purposes of workers’ compensation, automobile insurance, or other insurance as determined and documented by the hospital and (2) whose family income does not exceed 450% of the Federal Poverty Level and (3) the patient is either an uninsured patient or a patient with a high Medical cost.

Eligibility alone is not an entitlement to financial assistance qualification under this Policy. The patient must complete the Financial Assistance Application and provide all required

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documentation and the Facility must complete a process of applicant evaluation and determine qualification before charity care or a discount payment may be extended to the patient.

B. Insured Patients with high medical costs

A patient who has third party coverage or whose injury is a compensable injury for purposes of workers' compensation, automobile insurance, or other insurance as determined and documented by the hospital may qualify for the Discount Payment Program if all of the following conditions are met: (1) the patient has a family income of less than 450% of the Federal Poverty Level; (2) the patient does not receive a discount rate from the hospital as a result of his or her third party coverage; and (3) the patient has annual out-of-pocket costs incurred by that individual at a Prime healthcare Facility that exceed 10% of the patient's family income in the prior 12 months or the patient has annual out of pocket expenses that exceed 10% of the patient's family income if the patient provides documentation of the patient's medical expenses paid by the patient or the patient's family in the prior 12 months.


Hospital staff shall make reasonable efforts to obtain from the patient, or his/ her representative, information about whether patient has coverage through a private or public health insurance plan that may fully or partially cover the charges for care. If the patient does not have proof of third party coverage, Hospital staff shall provide the patient with information that the patient may be eligible for specified health coverage programs, including, but not limited to, Medi-Cal, California Children's Services, the California Health Benefit Exchange or other county-funded health care programs.

The fact that a patient is applying for any of the above described health care coverage shall not preclude such patient from qualifying for Discount Payment Program.

C. Other Circumstances

The Director of the Hospital's Patient Financial Services, (PFS) shall also have the discretion to extend charity care or a discount to patients under the following circumstances:

- a. The patient qualifies for limited benefits under the State's Medi-Cal Program, i.e., limited pregnancy or emergency benefits, but does not have benefits for other services provided at the Hospital.
- b. The patient qualifies for a Medically Indigent Adult Program offered by a county other than the one in which the Hospital is located.
- c. A Third-Party Collection Agency has made efforts to collect the outstanding balance and has recommended to the Hospital's PFS Director that charity care or a discount be offered.

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D. Completion of a Financial Assistance Application.


1. The Financial Assistance Application should be completed as soon as there is an indication the patient may be in need of financial assistance. The application form may be completed during a patient stay, or after services are completed and the patient has been discharged.
2. The Financial Assistance Application provides:
 - a. Information necessary for the Facility to determine if the patient has income sufficient to pay for services.
 - b. Documentation useful in determining qualification for financial assistance; and
 - c. An audit trail documenting the Facility's commitment to providing financial assistance.
3. In certain circumstances, a completed Financial Assistance Application may not be required if the Facility, in its sole discretion, determines it has sufficient patient financial information from which to make a financial assistance qualification decision.
4. If a patient applies or has a pending application for another health coverage program at the same time he or she applies for financial assistance under this Policy, neither application shall prevent the patient for establishing eligibility under the other program.

E. Determination Based on Ability to Pay.

Qualification for charity care or a discount payment shall be determined solely based on the patient's and/or patient family representative's ability to pay. Qualification for financial assistance shall not be based in any way on age, gender, sexual orientation, gender identity, ethnicity, national origin, veteran status, disability or religion. While financial assistance shall not be provided on a discriminatory or arbitrary basis, the Facility retains full discretion, consistent with laws and regulations, to establish eligibility criteria and determine when a patient has provided sufficient evidence of qualification for financial assistance.

F. Asset/Income Qualification.

1. For Discount Payments: Family size and documentation of family income in the form of federal income tax returns and recent pay stubs.


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- a. Family size and documentation of income and assets including information on all monetary assets including, without limitation, federal income tax returns, recent pay stubs, and/or other relevant information, but including statements on retirement or deferred compensation plans qualified under the Internal Revenue Code, or nonqualified deferred compensation plans. The Facility may require waivers or releases from the patient or patient's family, authorizing the Facility to obtain account information from financial commercial institutions, or other entities that hold or maintain the monetary assets, to verify their value.
- b. A patient's family assets may be evaluated to determine if sufficient patient household resources exist to satisfy the Facility's bill for services rendered. Evaluation of patient assets will consider both the asset value and amounts owed against the asset to determine if potential net worth is available to satisfy the patient payment obligation. Recognizing the need to protect basic household assets, each patient family unit evaluated will be allowed the following asset exemptions:
 - i. Primary residence;
 - ii. One vehicle per patient or two vehicles per family unit;
 - iii. The first \$10,000 of monetary assets, and 50% of monetary assets after the first \$10,000; and
 - iv. Retirement or deferred compensation plans qualified under the Internal Revenue Code, or nonqualified deferred compensation plans.

Patients who have assets beyond those specifically exempted will be expected to leverage the assets through independent financing in order to satisfy the patient account.

G. Catastrophic Medical Event.

Any patient who experiences a catastrophic medical event may be deemed eligible for financial assistance as determined in the Facility's sole discretion. The determination of a catastrophic medical event shall be based upon the amount of the patient's family income and assets as reported at the time of occurrence. As a general guideline, any account with a patient liability for services rendered that exceeds \$100,000 may be considered for eligibility as a catastrophic medical event.

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H. Definition of Patient’s Family & Determination of Family Income

The “patient’s family” means the following: (1) for persons 18 years of age and older, spouse, domestic partner and dependent children under 21 years of age, whether living at home or not; and (2) for persons under 18 years of age, parent, caretaker, relatives, and other children under 21 years of age of the parent or caretaker relative. Documentation of family income shall be limited to recent pay stubs or tax returns. The patient’s assets or the assets of the patient’s family may not be considered.

1. Federal Poverty Levels

The measure of 450% of the Federal Poverty Level shall be made by reference to the most up to date Health and Human Services Poverty Guidelines for the number of persons in the patient’s family or household. The current Federal Poverty Levels are as follows:


Household Size	100%	125%	300%	350%	400%	450%
1	\$12,760	\$15,950	\$38,280	\$44,660	\$51,040	\$57,420
2	\$17,240	\$21,550	\$51,720	\$60,340	\$68,960	\$77,580
3	\$21,720	\$27,150	\$65,160	\$76,020	\$86,880	\$97,740
4	\$26,200	\$34,846	\$78,600	\$91,700	\$104,800	117,900
5	\$30,680	\$38,350	\$92,040	\$107,380	\$122,720	138.060
6	\$35,160	\$43,950	\$105,480	\$123.060	\$140.640	\$158.220
7	\$39,640	\$49,550	\$118,920	\$138.740	\$158,560	\$178.380
8	\$44,120	\$55,150	\$132,360	\$154,420	\$176,480	\$198.540

*For households with more than 8, add \$4,480 for each additional person

SOURCE: *Federal Register, publication date 01/17/2020, Document Citation 85 FR 3060*

2. Pricing Guidelines.

If a patient qualifies for a Discount Payment, the Facility shall limit the expected payment for medically necessary services rendered to the amount the Facility would expect in good faith to receive for providing the services from Medicare, Medi-Cal or any other government –sponsored health program of health benefits in which the Facility participates, whichever is greater. If the Facility provides a service for which there is not established payment by a government sponsored

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program, the Facility shall establish an appropriate discount payment. Generally, the following rates shall apply:

Fair Pricing Rates-Reference Sheet


Outpatient Services	Rates:
Emergency Room	Medicare guidelines
Outpatient Ancillary services	Medicare guidelines
Outpatient surgery/invasive services	Medicare guidelines
Inpatient Services:	Rates:
Inpatient Admissions	Medicare guidelines
OB Delivery	Medi-Cal/Medicaid Guidelines
Outpatient OB observation	Medi-Cal/Medicaid Guidelines

3. Qualified Payment Plans.

When the Facility has determined a patient is qualified for a discount payment, the patient shall have the option to pay any or all outstanding amounts due in one lump sum payment or through a scheduled term Qualified Payment Plan. The Facility will discuss payment plan options with each patient that requests to make arrangements for term payments. Individual payment plans will be arranged based upon the patient’s ability to effectively meet the payment terms. As a general guideline, payment plans will be structured to last no longer than 36 months.

4. Reasonable Payment Plan.

Prime Healthcare Facilities shall negotiate in good faith with the patient; however, the Facility is not obligated to accept the payment terms offered by the patient. If the Facility and an individual patient or guarantor cannot reach an agreement to establish a Qualified Payment Plan, the Facility will use the “reasonable payment plan” formula as defined in Health & Safety Code Section 127400(i) as the basis for a payment plan. A “reasonable payment plan” means monthly payments that are not more than 10% of patient’s family income for a month, excluding deductions for essential living expenses as such expenses are defined in the statute.

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To apply the “reasonable payment plan” formula, the Facility shall collect patient family information on income and “essential living expenses” in accordance with the statute. The Facility shall use a standardized form to collect such information. Each patient or guarantor seeking to establish a payment plan by applying the “reasonable payment plan” formula shall submit the family income and expense information as requested unless the information request is waived by the Facility.

5. No Interest.

No interest will be charged to Qualified Payment Plan accounts for the duration of any plan arranged under the provisions of the Policy.

6. Payment Default

Once a Qualified Payment Plan has been approved by the Facility, any failure to pay all consecutive payments due may constitute a payment plan default. It is the patient or guarantor’s responsibility to contact the Facility’s Business Office if circumstances change and payment plan terms cannot be met. However, in the event of payment plan default, the Facility will make a reasonable attempt to contact the patient or their family representative by telephone and also give notice of the default in writing. The patient shall have an opportunity to renegotiate the extended Qualified Payment Plan and may do so by contacting the Business Office within twenty-one (21) days from the date of the written notice of extended payment plan default. If the patient fails to request renegotiation of the Qualified Payment Plan within twenty-one (21) days, the payment plan will be deemed inoperative and the account may become subject to collection actions as permitted by law.

7. Resolution of Disputes


Any disputes regarding a patient’s eligibility to participate in the Discount Payment Program shall be directed and resolved by the Hospital’s Chief Financial Officer.

a. Notices

In order to ensure that patients are aware of the existence of the Discount Payment Program, the following actions shall be taken:

b. Written Notice to Patients

Each patient who is seen at a Prime Healthcare Facility, whether admitted or not, shall receive the notice attached hereto as Exhibit 1. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the hospital.

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c. Posting of Notices

The notice attached hereto as Exhibit 2 shall be clearly and conspicuously posted in locations that are visible to the patients in the following areas: (1) Emergency Department; (2) Billing Office; (3) Admissions Office; and (4) Other Outpatient Settings. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the hospital.

8. Notice to Accompany Bills To Potentially Eligible Patients

Each bill that is sent to a patient who has not provided proof of coverage by a third party at the time care is provided or upon discharge must include a statement of charges for services rendered by the hospital and the notice attached hereto as Exhibit 3. The notice shall be provided in non-English languages spoken by a substantial number of the patients served by the hospital.

9. Efforts to Obtain Information Regarding Coverage & Applications for Medi-Cal


Prime healthcare Facilities shall make all reasonable efforts to obtain from the patient or his or her representative information about whether private or public health insurance or sponsorship may fully or partially cover the charges for care rendered by the hospital to a patient including, but not limited to, the following: (1) Private health insurance; (2) Medicare; and/or (3) the Medi-Cal program, the Healthy Families Program, the California Children's Services Program or other state-funded programs designed to provide health coverage.

If a patient does not indicate that he/she has coverage by a third-party payor or requests a discounted price or charity care then the patient shall be provided with an application for the Medi-Cal program, or other governmental program prior to discharge.

10. Collection Activities

Prime Healthcare Facilities may use the services of an external collection agency for the collection of patient debt. No debt shall be advanced for collection until the Director of PFS or his/her designee has reviewed the account and approved the advancement of the debt to collection. Prime Healthcare Facilities shall obtain an agreement from each collection agency that it utilizes to collect patient debt that the agency will comply with the requirements of AB 774 and SB1276.

Neither Prime healthcare facilities nor any collection agency utilized by Prime Healthcare Facilities shall report adverse information to a consumer credit reporting agency or commence civil action against the patient for nonpayment at any time prior to 150 days after the initial billing if the patient lacks third party coverage or for a patient that provides information that he or she may be a patient with high medical costs. In addition, if a patient is attempting to qualify for eligibility under prime healthcare

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facilities Charity Care Policy or the Discount Payment Policy and is attempting in good faith to settle an outstanding bill with the hospital by negotiating a reasonable payment plan or making regular partial payments of a reasonable amount, Prime Healthcare Facilities shall not send the unpaid bill to any collection agency unless that entity has agreed to comply with AB 774 and SB1276.

Any collection agency shall comply with any payment plan entered by a patient.

Prime Healthcare Facilities shall not, in dealing with patients eligible under the Charity Care Policy or the Discount Payment Policy, use wage garnishments or liens on primary residences as a means of collecting unpaid hospital bills.

11. Refunds

See Hospital's Refund Policy

EXHIBIT 1

Charity Care & Discounted Payment Program

Patients who lack insurance or have inadequate insurance and meet certain low- and moderate-income requirements may qualify for discounted payments or charity care. Patients should contact the Prime Healthcare Facilities, PFS Designee at the Hospital at **xxx-xxx-xxxx** to obtain further information. The Emergency Department Physicians, who are not employees of the Hospital, may also provide Charity Care or Discounted payment programs. Please contact **xxx-xxx-xxxx** for further information.


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Manual:	Patient Financial Services	Reviewed:	12/2010, 1/2020
Governing Board Approval		Date:	Revised: 1/2020

Exhibit 2

CHARITY CARE & DISCOUNTED PAYMENT PROGRAM

PATIENTS WHO LACK INSURANCE OR HAS INADEQUATE INSURANCE AND MEET CERTAIN LOW- AND MODERATE-INCOME REQUIREMENTS MAY QUALIFY FOR DISCOUNTED PAYMENTS OR CHARITY CARE. PATIENTS SHOULD CONTACT PRIME HEALTHCARE FACILITIES, PFS DESIGNEE, AT THE HOSPITAL AT ~~XXX-XXX-XXXX~~ TO OBTAIN FURTHER INFORMATION. THE EMERGENCY DEPARTMENT PHYSICIANS, WHO ARE NOT EMPLOYEES OF THE HOSPITAL, MAY ALSO PROVIDE CHARITY CARE OR DISCOUNTED PAYMENT PROGRAMS. PLEASE CONTACT: ~~XXX-XXX-XXXX~~ FOR FURTHER INFORMATION.


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		Revised:	1/2020

Exhibit 3

Our records indicate that you do not have health insurance coverage or coverage under Medicare, Medi-Cal, Healthy Families, or other similar programs. If you have such coverage, please contact our office at **909-464-8975** as soon as possible so the information can be obtained, and the appropriate entity billed.

If you do not have health insurance coverage, you may be eligible for Medicare, Medi-Cal, Prime healthcare Facilities Discounted Payment Program, or Charity Care. For more information about how to apply for Medicare, Medi-Cal, or other similar programs, please contact the Prime Healthcare Facility, PFS Designee at **xxx-xxx-xxxx** who will be able to answer questions and provide you with applications for these programs.

Patients who lack insurance or have inadequate insurance and meet certain low- and moderate-income requirements may qualify for discounted payments or charity care. Patients should contact the Prime Healthcare Facilities, PFS Designee, at the Hospital at **xxx-xxx-xxxx** to obtain further information. The Emergency Department Physicians, who are not employees of the Hospital, may also provide Charity Care or Discounted payment programs. Please contact **xxx-xxx-xxxx** for further information.

Exhibit E-8

Hart-Scott-Rodino Filings

To be submitted under separate cover.