

LAZARD

September 19, 2014

Mr. Andrew Turnbull
Managing Director
Houlihan Lokey
123 North Wacker Drive
Chicago, IL 60606

Re: Blue Wolf Capital Fund III, L.P. Restructuring, Conversion and Disaffiliation
Proposal to the Daughters of Charity Health System and Affiliates (DCHS)

Dear Andrew:

I appreciate the time you and your team took on yesterday's phone call. I write to follow-up on the call and give you some additional reactions to the various issues we discussed.

Let me deal first, as did you, with the three issues you raised having to do with the economics of the relationship between the Daughters of Charity, the Daughters of Charity Foundation, Blue Wolf and NewFound Health. While each are separate, we recognize that they each provide important information for you in making this decision. I will then address the issues related to the structure and risks of the transaction.

Looking at the economic issues, I am authorized to indicate that in the context of reaching an understanding on a transaction that you and the other advisors would recommend to the Daughters, Blue Wolf is prepared to make meaningful changes to our proposal to accommodate your concerns.

1. Working Capital Adjustment

Our proposal with respect to working capital is, as you know based on bridging from a projected 12/31/14 balance sheet to our target liquidity of \$300 million, after accounting for the new capital that we will raise and invest. If operations and therefore the actual 12/31/14 balance sheet is stronger than forecast, a smaller amount would be needed - the proposal is simply to achieve our target

We are happy to compare our analysis with yours and in particular we look forward to receiving supporting detail behind your statement that the various fees, severance, and other liabilities which you are asking us to pay at closing will total \$30 million. At this point, without this data, we of course have not been able to include and account for these in our offer.

2. Deposit

We understand your position that a deposit would enhance your certainty that the party you select to go forward will stay the course between signing and closing. As we have explained, we strongly believe that Blue Wolf's enormous investment to date, the number of stakeholders who are counting on Blue Wolf, and the reputation of Blue Wolf, Lazard, Dr. Becker and Mr. Wright should give you every confidence that when we receive the necessary approvals, we will expeditiously close. That said, we do understand this concern.

3. NewFound Health's \$45 million, 10-year Sponsorship of the Daughters of Charity Foundation

As we discussed, this would be a commitment of the Blue Wolf-affiliated investment company which would serve as the primary investor in the transaction. It is that entity, not the Hospital System, which would make the contributions. While we will shortly provide further detail on how we see this working, we are glad that you have recognized that it is a positive element of our proposal and we welcome your views on how to structure this to maximize its benefits to the Daughters. We would also appreciate an introduction to any other advisors who would have an interest in this matter.

4. Bridging the Short Period until the New Entity Receives 501(c) Status

As we indicated, we are today reaching out the United States Conference of Catholic Bishops and remain confident that this matter will not be an impediment to a successful transaction. We would welcome your participation in these discussions. It is by no means novel and we believe that the Daughters' advisors and Blue Wolf's, working together can craft a solution acceptable to all parties.

5. Management Services Agreement

You expressed concern as to whether the MSA would unduly burden the Hospital System. Let me once again assure you that we have designed the MSA based on a comprehensive review of industry regulations and standard terms. Indeed, by providing for a reduced fee until the system is restored to financial health, it is likely more favorable to the Hospitals than one that could be attained in the open market. And, as we stated and have previously discussed, our turn-around plan fully accounts for these arrangements. If you have further concerns here, we would be happy to discuss them, although we would appreciate a better understanding of exactly where your concern lies.

6. Closing Sequence

You expressed concern about which actions would be taken by the old Board as opposed to the new. As Charlie indicated, we are open to discussing this issue and accommodating your concerns.

7. Post-Closing Treatment of Non-Represented Employees

Subject to maintaining the proper deference to the new Board, we are prepared to address your concerns in this area. As you know, under our transaction the Hospital System will not be sold and therefore will continue to have in place the policies and programs under which it currently operates, including its severance and other human resources policies. In general, we believe that changes to work practices, benefit and organization consistent with

those we have suggested to the represented employees, will be necessary for the non-represented group as well. You should be aware that our general approach is to make these changes without reducing base rate of pay and we can certainly assure you all employees will be treated with dignity and respect for their historic service to the organization. Again, we welcome your input.

8. Labor Agreements

You expressed a concern regarding the likelihood of ratification of collective bargaining agreements along the lines we have discussed. We believe that the materials submitted with our bid reflects the strong support of the leadership of UNAC and the SEIU for our proposal and we are completely confident that upon your acceptance of our offer we will be able to obtain ratification of new collective bargaining agreements. These agreements would be effective at closing and would allow us to realize the labor cost savings for employees represented by these two unions of the magnitude we have prior discussed. We have provided you with letters from the Presidents of those two organizations confirming our belief. We do not have the same level of confidence as to the timing of new CBAs with the CAN, however we are confident that, with hard work, fair dealings and perseverance we will achieve our targets these as well. A key tenet of Blue Wolf's business is its ability to work constructively with organized labor.

While we formally cannot represent that SEIU and UNAC have not reached similar understandings with other bidders nor whether CNA has in fact reached such an understanding, we encourage you to ask them directly and would be eager to hear how they respond.

9. MAE Definition

We understand your concern regarding our proposed revision to the MAE definition and we are prepared to work with Ropes & Gray to craft a compromise position.

10. Release and Discharge

Inclusion of the board members of DCHS in the release is acceptable. With respect to your proposed indemnity provisions, we are prepared to work with Ropes & Gray to craft an indemnity with respect to the ERISA issues raised.

11. Government Approval

You expressed a concern regarding how conditions that the Attorney General might place on her approval might impact our commitments. You offered to provide suggested language for us to review and we are confident that we can address this concern.

12. Post-Closing Enforcement

You expressed concern about how we would memorialize our commitment to Pastoral Care and capital investments into the Hospital System after the closing. Again, subject to proper deference to the new Board, we are prepared to address this concern.

As you can see, we are prepared to address, in a significant way, many of the issues that you raised. And while we expect that there will be an additional group of smaller issues, we are confident that once we reach an agreement on the issues that you identified as the most critical, and you have received direction from your Board, we can quickly move to complete definitive documentation.

As mentioned at the beginning of this letter, in the context of reaching an agreement that you are prepared to recommend to the DCHS Board of Directors, we are prepared to look again at our position regarding the level of Working Capital that drives the contribution from the Daughters of Charity and to consider a deposit payable upon execution of definitive documentation.

We therefore would suggest that we convene on Wednesday of next week in Chicago to further discuss and resolve these issues.

Please let us know as soon as possible if we can move forward on this basis so we can make the necessary arrangements, and work constructively with you and your counsel to develop appropriate documentation.

In closing let me once again emphasize that while we recognize the importance of the issues discussed above and are prepared to address them, we cannot emphasize enough that these economic accommodations will not come at the expense of the core tenets of our offer. Our transaction is built and we will not deviated from our commitment to have these hospitals both continue the vital role that they play in providing high-quality health care to underserved communities and in providing good jobs and promised pensions to their employees and their families.

Sincerely,



Ron Bloom

cc: John Chesley, Esq. Ropes & Gray