



BLUEWOLF

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September 23, 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 write to clarify our offer dated September 12, 2014 concerning the calculations used to determine the contribution which we propose that the Daughters of Charity would make to DCHS as part of the Transaction referenced above.

As we indicated in our presentation to you and other DCHS advisors of September 10, 2014 and our letter of September 19, 2014, our intent is to use the contribution to bridge 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. As we noted, we believe that this level of liquidity is an essential part of our plan to ensure that system can maintain its mission and honor its commitments to its employees, including pension obligations.

Upon re-reading our offer, we realized that confusion may arise due to our inclusion of a 6/30/14 Actual Balance Sheet.

Therefore, I am here attaching a new Exhibit G and Annex VI of the Restructuring, Conversion and Disaffiliation Agreement.

As you can see, we are targeting \$100.1 million of Net Working Capital, which would, based on our projection, require a \$60 million contribution from the Daughters.

Let me also state, as we said in our letter of September 19, 2014, that at the time of our offer we did not have (and have still not) received detail regarding the \$30 million in fees, severance and other costs. Therefore, those costs are not included or accounting for on this balance sheet. However, upon receiving the necessary documents and the context of reaching an agreement that you are prepared to recommend to the Daughters, we are prepared to modify our position beyond that stated herein.



Thank you for your attention on this matter.

Sincerely,

BLUE WOLF CAPITAL FUND III, L.P.

By: Blue Wolf Capital Advisors III, L.P.
Its: General Partner

By: Blue Wolf Capital Advisors III, LLC
Its: General Partner

By: 
Adam Blumenthal, Managing Partner

cc: John Chesley, Esq. Ropes & Gray

**ANNEX VI
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
WORKING CAPITAL CALCULATION**

NET WORKING CAPITAL SCHEDULE

(\$ in thousands)

	Projected 2Q 2015 <u>12/31/2014</u>
Cash and cash equivalents	\$49,932
Patients accounts receivable, net	159,143
Due from government agencies	21,051
Interest in pooled investments - short-term	921
Interest in pooled investments - long-term	16,499
Other current assets	<u>47,709</u>
Total current assets	\$295,255
Accounts Payable	\$46,701
Current Portion of Long-Term Debt	5,977
2014 Bridge Facility Draw	83,828
Accrued liabilities/other	107,684
Due to government agencies	<u>11,006</u>
Total current liabilities	\$255,196
Net working capital	\$40,059

NOTE: SCHEDULE ABOVE IS TO INFORM THE BALANCE SHEET CATEGORIES THAT WILL FACTOR INTO THE CALCULATION OF NET WORKING CAPITAL AS PER DCHS' HISTORICAL NORMS. EXACT AMOUNTS ARE ILLUSTRATIVE

Net Working Capital means an amount (which may be positive or negative) equal to (i) the current assets minus (ii) the current liabilities, in each case, determined in a manner consistent with the calculations above used in DCHS' unaudited June 30, 2014 balance sheet and determined in accordance with GAAP. For the avoidance of doubt, Accrued Liabilities on the Closing Date will include, in addition to the projected amounts shown above, any fees and expenses payable by DCHS, the Existing Sponsor or their affiliates and any other liabilities not accrued for on the 6/30/2014 consolidated balance sheet of DCHS including, but not limited to, severance obligations to executives of DCHS, unfunded contributions on the 401(a)(17) plan and any other amounts owed by DCHS to the Existing Sponsors and its affiliates as of the closing or in connection with the transaction contemplated herein. Notwithstanding the clause above, the following items will be excluded from the calculation of Net Working Capital: (i) any receivable (or the proceeds of any receivable) related to the Quality Assurance Fee program; (ii) any increase in current assets or decrease in current liabilities arising from the sale or other form of disposition of any long-term assets; (iii) any transactions or deposits made in connection with the Mellon Bank reserve or similar item and (iv) any other transactions out of the ordinary course that would impact current assets and current liabilities.

EXHIBIT G
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
WORKING CAPITAL TARGET

\$100,059,000