

ASSET PURCHASE AGREEMENT

BY AND AMONG

DAUGHTERS OF CHARITY HEALTH SYSTEM

AND

INTEGRITY HEALTHCARE, INC. OR ASSIGNEES<sup>1</sup>

Dated as of September \_\_\_\_, 2014

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<sup>1</sup> Integrity Healthcare will form one or more subsidiary entities to acquire the Transferred Assets.

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## LIST OF EXHIBITS

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B	Escrow Agreement
C	Bill of Sale
D	Real Estate Assignments
E	Personal Property Assignments
F.	Commitment Letter

## LIST OF SCHEDULES

[list to be updated]

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10.13

Title Insurance Criteria

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (as amended, modified or supplemented from time to time, this “Agreement”) is made and entered into as of the [DAY] day of [MONTH], 2014 (the “Effective Date”) by and among DAUGHTERS OF CHARITY HEALTH SYSTEM, a California nonprofit religious corporation (the “Seller”) and INTEGRITY HEALTHCARE, INC., a Nevada corporation, or Assignees<sup>2</sup> (“Purchaser”). Seller and Purchaser are sometimes referred to in this Agreement collectively as the “Parties” or individually as a “Party.”

### RECITALS

A. Seller engages in the business of delivering inpatient, outpatient and related health care services to the public through the ownership and operation of certain health care facilities and related assets and operations including the Hospitals, Medical Office Buildings and other assets set forth on Exhibit A. The assets and interests identified on Exhibit A are sometimes collectively referred to in this Agreement as the “Business”; and the individual operations of the Business are referred to as Components of the Business. As used herein “Seller” includes, as indicated by context, the legal entity that owns, operates or will transfer to Purchaser the Transferred Assets of the respective Component of the Business.

B. Purchaser desires to purchase from Seller and Seller desires to sell to Purchaser, at the Closing (as defined below in Section 4.08), the Transferred Assets (as defined below in Section 2.01), subject to the Assumed Liabilities (as defined below in Section 3.01), for the consideration, upon the terms and subject to the conditions set forth in this Agreement.

### AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties hereby agree as follows:

### ARTICLE I.

#### DEFINITIONS; CERTAIN RULES OF CONSTRUCTION

**Section 1.01. Definitions.** In addition to the other terms defined throughout this Agreement, the following terms shall have the following meanings when used in this Agreement:

“Accounts Payable” means the accounts payable of the Seller as reflected on Seller’s balance sheet.

“Accounts Receivable” means the accounts receivable of the Seller as reflected on Seller’s balance sheet.

“Action” means any claim, controversy, action, cause of action, suit, litigation, inquiry, arbitration, investigation, opposition, interference, audit (including, without limitation, any audit

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<sup>2</sup> Integrity Healthcare will form one or more subsidiary entities to acquire the Transferred Assets.

initiated by the Centers for Medicare & Medicaid Services, such as those initiated by a Recovery Audit Contractor or similar audits), assessment, hearing, complaint, demand or other legal proceeding (whether sounding in contract, tort or otherwise, whether civil or criminal and whether brought at law or in equity) that is commenced, brought, conducted, tried or heard by or before, or otherwise involves, any Governmental Authority.

“Affiliate” means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such specified Person. For purposes of the foregoing, a Person shall be deemed to control a specified Person if such Person possesses, directly or indirectly, the power to elect or appoint a majority of the governing body of such specified Person.

“AG Approval” means the consent of the California Attorney General to the transactions contemplated in this Agreement.

“Agency Settlements” has the meaning given in Section 12.02(c) of this Agreement.

“Agreement” means this Asset Purchase Agreement and any Disclosure Schedules, exhibits, annexes or other schedules attached hereto.

“Ancillary Agreements” means the Escrow Agreement and each of the agreements, certificates, instruments and documents to be executed and delivered by the Parties in connection with the Contemplated Transactions as set forth on Schedule 1.01(a).

“Antitrust Filings” has the meaning given in Section 7.01(b) of this Agreement.

“Antitrust Laws” means the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), and any other applicable antitrust Legal Requirements.

“Application” has the meaning given in Section 7.01(d) of this Agreement.

“Asset Due Date” has the meaning given in Section 13.01(b) of this Agreement.

“Assumed Liabilities” has the meaning given in Section 3.01 of this Agreement.

“Bill of Sale” has the meaning given in Section 4.09(a) of this Agreement.

“Bonds” means the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A outstanding in the principal amount as of June 30, 2013 of \$259,124,000 and the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System – St. Francis Medical Center) Series 2005F, 2005G and 2005H outstanding in the principal amount as of June 30, 2013 of \$30,860,000, secured by Obligations Nos. 8, 10 and 11 issued under the Master Indenture and by the Deeds of Trust.

“Business Day” means any day other than a Saturday, Sunday or day on which banks are permitted to close in the State of California.

“Church Plan” means the Daughters of Charity Health System Retirement Plan, a “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“Closing” has the meaning given in Section 4.08 of this Agreement.

“Closing Date” means the date on which the Closing actually occurs.

“Closing Balance Sheet” has the meaning given in Section 4.03 of this Agreement.

“Closing of Financials” has the meaning given in Section 13.04 of this Agreement.

“Closing Statement” has the meaning given in Section 4.03 of this Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collective Bargaining Agreements” means the collective bargaining agreements and other labor union contracts listed on Schedule 1.01(b).

“Confidential Information” has the meaning given in Section 7.07 of this Agreement.

“Confidentiality Agreement” means that certain Confidentiality Agreement, by and between Daughters of Charity Health System and Purchaser, dated as of [DATE].

“Contemplated Transactions” means the transactions contemplated by this Agreement, including (a) the purchase and sale of the Transferred Assets; and (b) the execution, delivery and performance of the Ancillary Agreements.

“Contractual Obligation” means, with respect to any Person, any written contract, agreement, deed, mortgage, lease, license, commitment, promise, undertaking, arrangement or understanding, or other document or instrument (including any document or instrument evidencing or otherwise relating to any Debt) applicable on the Execution Date to which, or by which, such Person is a party or otherwise subject or bound, or to which, or by which, any property, business, operation or right of such Person is subject or bound.

“Corporation Conversion Structure” has the meaning given in Section 2.01.

“Cost Reports” means all cost and other reports related to any of the Components of the Business filed pursuant to the requirements of any applicable Government Payment Programs for cost-based payments or reimbursement due to or claimed by any Seller from any applicable Government Payment Programs or their fiscal intermediaries or payor agents, including all Cost Report receivables or payables and all related appeals and appeal rights, but excluding from this definition form UB-92, UB-04, CMS 1450, CMS 1500 and other forms or claims filed or submitted by any Seller to any applicable Government Payor Programs or their fiscal intermediaries or payor agents with respect to the Business for payment or reimbursement due to or claimed on a fee-for-service, fee schedule or other similar basis.

“Assigned Contracts” has the meaning given in Section 2.01(t) of this Agreement.

“Daughters Intellectual Property” has the meaning given in Section 2.02(f) of this Agreement.

“Debt” means (a) all obligations for borrowed money; (b) all obligations evidenced by bonds, debentures, notes, or other similar instruments; or (c) any obligation guaranteeing or intending to Guarantee (whether directly or indirectly Guaranteed, endorsed, co-made, discounted, or sold with recourse) any obligation of any other Person that constitutes Debt under any of clauses (a) through (c) above.

“Deeds of Trust” means each Deed of Trust with Fixture Filing and Security Agreement dated as of December 1, 2001 granted by a Member of the DCHS Obligated Group to the Master Trustee under the Master Indenture.

“Disclosure Schedules” means those schedules attached to this Agreement and referred to in one or more sections or subsections of this Agreement.

“DRG Straddle Patient” has the meaning given in Section 12.03(a) of this Agreement.

“DSH Payments” means all disproportionate share replacement payments from any Government Payment Program including Medi-Cal and Medicare accrued by Seller before or on the Closing Date.

“Effective Date” has the meaning given in the preamble to this Agreement.

“Employee Pension Benefit Plan” has the meaning set forth in Section 3(2) of ERISA.

“Employee Welfare Benefit Plan” has the meaning set forth in Section 3(1) of ERISA.

“Environmental Law” means all federal, state, or local laws, rules or regulations (whether now existing or hereafter enacted or promulgated) and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, relating to the protection of human health, safety and environment.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” has the meaning given in Section 4.06(b) of this Agreement.

“Escrow Agreement” has the meaning given in Section 4.06(a) of this Agreement.

“Excluded Liabilities” has the meaning given in Section 3.02 of this Agreement.

“Final Purchase Price Adjustment” has the meaning given in Section 4.04 of this Agreement.

“Foundation of Seller” means the [NAME OF HOSPITAL] Foundation, a charitable organization that raises funds for the benefit of, and makes grants or pledges of funds to, Seller.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time.

“Good Faith Deposit” has the meaning given in Section 4.06(b) of this Agreement.

“Government Order” means any order, writ, judgment, injunction, decree, stipulation, restriction, ruling, decision, verdict, determination or award made, issued or entered by or with any Governmental Authority.

“Government Payment Programs” means the federal Medicare program, TRICARE, the State of California Medi-Cal program, and similar or successor health care payment programs with or for the benefit of Governmental Authorities.

“Governmental Approval” means any consent, waiver, approval, order or authorization of, accreditation by, clearance, certification, License, permit, entitlement, or approval from, registration, declaration or filing with, agreements to own and operate the Hospital or participate in any Government Payment Program, or notice to any Governmental Authority or accrediting or certifying body, including, but not limited to the AG Approval.

“Governmental Authorities” means any and all agencies, authorities, bodies, boards, bureaus, commissions, courts, departments, directorates, instrumentalities, legislatures, officials, tribunals and offices of any nature whatsoever of any United States federal, state, or local government unit or political subdivision and any self-regulatory organization.

“Guarantee” means, with respect to any Person, (a) any guarantee of the payment or performance of, or any contingent obligation in respect of, any Debt or other liability of any other Person or (b) any other arrangement whereby credit is extended to any obligor (other than such Person) on the basis of any promise or undertaking of such Person (i) to pay the Debt or other liability of such obligor; (ii) to purchase any obligation owed by such obligor; (iii) to purchase or lease assets under circumstances that are designed to enable such obligor to discharge one or more of its obligations; or (iv) to maintain the capital, working capital, solvency or general financial condition of such obligor.

“Healthcare Requirements” means the requirements of or with respect to Government Payor Programs, Referral Laws, Patient Privacy Requirements, requirements for accreditation by The Joint Commission.

“HIPAA” has the meaning given in Section 13.02(a) of this Agreement.

“Hired Employee” has the meaning given in Section 8.02(a) of this Agreement.

“HITECH Payments” means any Health Information Technology for Economic and Clinical Health payments made by Medicare and Medicaid to Purchaser after the Closing Date with respect to meaningful use of electronic health records at the Hospital for all periods ending on or prior to the Closing Date.

“Hospital Employees” has the meaning given in Section 8.02(a) of this Agreement.

“Hospital” has the meaning given in the recitals of this Agreement.

“HSR Act” Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended.

“Independent Auditor” means Ernst & Young LLP, or such other nationally recognized firm of certified public accountants as may be mutually selected by Seller and Purchaser.

“Intellectual Property” has the meaning given in Section 2.01(o) of this Agreement.

“Interim Financial Statement” has the meaning given in Section 7.04(g) of this Agreement.

“Inventory” has the meaning given in Section 2.01(g) of this Agreement.

“Leased Real Property” has the meaning given in Section 2.01(c) of this Agreement.

“Leases” has the meaning given in Section 2.01(e) of this Agreement.

“Legal Requirements” means, with respect to any Person, all constitutional provisions, statutes, laws, ordinances, bylaws, codes, rules, regulations, restrictions, Government Orders, judgments, orders, writs, permits, Licenses, injunctions, decrees, determinations, resolutions, rulings, promulgations, policies, interpretations, awards or any similar provision having the force or effect of law of, or any guideline adopted or issued by, any Governmental Authority having jurisdiction over such Person or any of such Person’s assets or businesses.

“Licenses” has the meaning given in Section 5.19(d) of this Agreement.

“Master Indenture” means the Master Indenture of Trust dated as of December 1, 2001 among the Members of the DCHS Obligated Group and the Master Trustee, as amended and supplemented.

“Master Trustee” means U.S. Bank Trust National Association.

“Material Adverse Effect” means any event, change, fact, condition, circumstance or occurrence that, individually or in the aggregate with other events, changes, facts, conditions, circumstances, or occurrences, has had or would reasonably be likely to result in a material adverse effect on (i) the Transferred Assets, taken as a whole, (ii) the Assumed Liabilities, taken as a whole, or (iii) the ability of Seller to perform its material obligations under this Agreement; provided, however, that none of the following (or the results thereof) shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been a Material Adverse Effect: (a) events, changes, facts, conditions, circumstances or occurrences generally affecting the health care industry of the United States as a whole; (b) events, changes, facts, conditions, circumstances or occurrences generally affecting the United States of America or world economy or the debt, credit or securities markets of the United States of America or world (including any decline in the price of any security or any market index) or the market or geographical area in which Hospital is located; (c) any outbreak or escalation of hostilities or declared or undeclared acts of war or terrorism; (d) changes or proposed changes in Legal Requirements or the interpretation thereof by a Governmental Authority; (e) changes or proposed changes in GAAP or other accounting requirements or principles (or interpretations thereof); (f) events, changes, facts, conditions, circumstances or occurrences resulting from actions taken by Seller which actions Purchaser has requested or to which Purchaser has consented in writing; (g) any event, change, fact, condition, circumstance or occurrence resulting from any actions taken by Purchaser or its Affiliates other than as contemplated by this

Agreement; (h) any failure of Seller to meet projections, forecasts or revenue or earning predictions for any period; or (i) events, changes, facts, conditions, circumstances or occurrences resulting from the announcement or execution or the existence of, or compliance with, this Agreement and the Contemplated Transactions. Notwithstanding any other portion of this definition or any other provision of this Agreement, Seller shall be deemed to have experienced a “Material Adverse Effect” if Seller experiences over any two (2) successive calendar months a total consolidated net loss (excluding depreciation and amortization and (excluding the amount of any adjustment to the extent it relates to any period not included in such two successive calendar months) in excess or Twenty-Two Million Dollars (\$22,000,000).

“Medical Foundation” means the DCHS Medical Foundation, a network of approximately 400 primary care and specialty care physicians offering a range of medical, surgical and other healthcare services.

“Member of the DCHS Obligated Group” means each of Daughters of Charity Health System, O’Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center.

“Ordinary Course of Business” means the ordinary course of the operation of the Hospital consistent with the past customs and practices of Seller; *provided that*, that if Seller takes an action that is required in order to comply with any Legal Requirement, such action shall be deemed to have been taken by Seller in the Ordinary Course of Business.

“Outside Date” has the meaning set forth in Section 11.01(d) of this Agreement.

“Owned Real Property” has the meaning given in Section 2.01(a) of this Agreement.

“Parties” has the meaning given in the preamble to this Agreement.

“Patient Privacy Requirements” means the applicable requirements of the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996 as amended by the American Recovery and Reinvestment Act of 2009 and the implementing regulations thereunder governing the privacy of individually identifiable health information and the security of such information maintained in electronic form or of any similar state law, including, without limitation, the California Medical Information Act (Civil Code Section 56 et. seq.) and the security and notification provisions of California Health and Safety Code Section 1280.15.

“Permit” means a grant of authority or permission issued by a Governmental Authority.

“Permitted Exceptions” means those matters identified on Schedule 1.01(c)

“Person” means any individual or any corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, Governmental Authority or other entity of any kind.

“Personal Property” has the meaning given in Section 2.01(f) of this Agreement.

“Personal Property Assignments” has the meaning given in Section 4.09(c) of this Agreement.

“Personal Property Leases” has the meaning given in Section 2.01(e) of this Agreement.

“Post-Closing CFO” has the meaning given in Section 13.04 of this Agreement.

“Prepaid Expenses” has the meaning given in Section 2.01(h) of this Agreement.

“Privacy Laws” has the meaning given in Section 13.02(a) of this Agreement.

“Purchase Price” has the meaning given in Section 4.01 of this Agreement.

“Purchaser” has the meaning given in the preamble of this Agreement.

“Purchaser” has the meaning given in the preamble of this Agreement.

“QA Receipts” means any quality assurance and supplemental Medi-Cal payments made by the California Department of Health Care Services to Purchaser after the Closing Date as licensee of the Hospital at the time of payment pursuant to Section 14167 et seq. or Section 14169 et seq. of the California Welfare and Institutions Code in connection with “quality assurance fees” paid prior to or after the Closing Date with respect to services provided by Seller prior to the Closing Date.

“QA Expense” means any quality assurance and supplemental Medi-Cal-related payments or liabilities therefor made to or for the credit of the California Department of Health Care Services by Purchaser after the Closing Date as licensee of any Hospital at the time of payment pursuant to Section 14167 et seq. or Section 14169 et seq. of the California Welfare and Institutions Code in connection with “quality assurance fees” with respect to services provided by Seller prior to the Closing Date.

“Real Estate Assignments” has the meaning given in Section 4.09(b).

“Real Property” has the meaning given in Section 2.01(c) of this Agreement.

“Real Property (Landlord) Leases” has the meaning given in Section 2.01(d) of this Agreement.

“Real Property Leases” has the meaning given in Section 2.01(d) of this Agreement.

“Real Property (Tenant) Leases” has the meaning given in Section 2.01(c) of this

“Records” means, with respect to the Business, all files, data, documents, records, correspondence, work papers, operating manuals and other documents including without limitation Hired Employee records, financial records, equipment records, construction plans and specifications, patient records, medical records and medical and administrative libraries, medical staff, peer review and physician credentialing records and files, and on-site regulatory

compliance records, including in each case electronically stored files, data, documents and records.

“Referral Laws” means Section 1128B(b) of the Social Security Act, as amended, 42 USC Section 1320a 7(b) (Criminal Penalties Involving Medicare or State Health Care Programs), commonly referred to as the “Federal Anti-Kickback Statute,” Section 1877 of the Social Security Act, as amended, 42 USC Section 1395nn and related regulations (Prohibition Against Certain Referrals), commonly referred to as “Stark Law”, 42 USC Section 1320a-7a(a)(5), California Business and Professions Code Sections 650, 650.01 and 650.02, California Labor Code Sections 139.3, 139.31 and 3215, California Insurance Code Section 754, California Welfare and Institutions Code Section 14107.2 and California Health and Safety Code Section 445.

“Released Parties” has the meaning given in Section 4.11(d) of this Agreement.

“Retained Asset Due Date” has the meaning given in Section 13.01(a) of this Agreement.

“Retained Assets” has the meaning given in Section 2.02 of this Agreement.

“Retained Records” means all Records (a) relating to (i) the Retained Assets including, without limitation, all Tax Records (to the extent Seller has retained liability for the relevant Taxes) and Records relating to the Seller Accounts Receivable (to the extent the relevant accounts receivable have not been transferred hereunder), the Seller Cost Reports (except to the extent that Purchaser has assumed any liability with respect to the relevant cost reporting period), and the Agency Settlements, or (ii) the operations of Seller other than the Business; (b) relating to Actions concerning events occurring prior to the Closing Date including, without limitation, all correspondence from Governmental Authorities pertaining to the Actions listed on Schedule 1.01(e) (except with respect to any Action the liability for which Purchaser as assumed); (c) protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other privilege or protection recognized under law (except with respect to which the common interest doctrine applies); (d) retained by Seller pursuant to the rights of Seller under Section 13.02, (e) proprietary to Seller unless related to the Business; or (f) that Seller is required to retain pursuant to Privacy Laws, all other Legal Requirements or the requirements of any relevant insurance carrier.

“Returns” means any and all returns, reports, information statements and certifications with respect to any and all Taxes that are required to be filed with the IRS or any other federal, state or local taxing authority, including consolidated, combined and unitary tax returns, and any and all returns, reports, and information statements required to be so filed in connection with any employee benefit plan.

“RPHE” means the Retirement Plan for Hospital Employees, as Amended and Restated Effective January 1, 2006.

“Seller” has the meaning given in the preamble of this Agreement.

“Seller Accounts Receivable” has the meaning given in Section 2.01(i) of this Agreement.

“Seller Cost Reports” means all cost and other reports filed by Seller for payment and/or reimbursement from Government Payment Programs and other payors.

“Seller Plans” has the meaning given in Section 5.10(a) of this Agreement.

“Software” has the meaning given in Section 2.01(o) of this Agreement.

“Special Employee Liabilities” means the amount of vacation, holiday, sick time, paid time off, extended illness or similar benefits accrued as of the Closing Date by employees of Seller.

“Straddle Patients” has the meaning given in Section 12.03 of this Agreement.

“Tax” means any and all foreign or United States federal, state, or local income, gross receipts, License, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar, including FICA), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind including any interest, penalty, or addition thereto.

“Tax Return” means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Title Company” means Chicago Title.

“2014 Bonds” means the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2014A and 2014B, secured by Obligations Nos. 13 and 14 issued under the Master Indenture and Supplemental Master Trust Indentures for Obligations No. 13 and 14 and by the Deeds of Trust.

“Transaction Costs” means fees payable to Houlihan Lokey for investment banking services and other legal and professional fees.

“Transferred Assets” has the meaning given in Section 2.01 of this Agreement.

“Transferred Intellectual Property” has the meaning given in Section 2.01(o) of this Agreement.

“Transferred Records” has the meaning given in Section 2.01(m) of this Agreement.

“Unions” means the Services Employees International Union, [the California Nurses Association, the International Union of Operating Engineers Local 39, Engineers and Scientists of California Local 20, California Licensed Vocational Nurses’ Association, and the United Nurses Association of California] (each, a “Union”).<sup>3</sup>

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<sup>3</sup> Note: Delete from this list any Union not applicable to specific Seller.

“Utilities” means water, sewer, gas, electricity, telephone services, cable television, internet, and other telecommunications.

“WARN Act” has the meaning given in Section 8.02(d) of this Agreement.

**Section 1.02. Certain Matters of Construction.**

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(b) Section and subsection headings contained in this Agreement are not to be considered part of this Agreement, are included solely for convenience, are not intended to be full or accurate descriptions of the content of the sections or subsections of this Agreement and shall not affect the construction of this Agreement.

(c) Except as otherwise explicitly specified to the contrary in this Agreement, (i) the words “hereof,” “herein,” “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular section or subsection of this Agreement and reference to a particular section of this Agreement shall include all subsections thereof; (ii) references to a section, Disclosure Schedule, other schedule, or annex means a section of, or Disclosure Schedule, other schedule, or annex to this Agreement, unless another agreement is specified; (iii) definitions shall be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender shall include each other gender; (iv) the word “including” means including without limitation; (v) any reference to “\$” or “dollars” means United States dollars; and (vi) references to a particular statute or regulation include all rules and regulations thereunder and any successor statute, rule or regulation, in each case as amended or otherwise modified from time to time.

(d) References in this Agreement to “Seller’s knowledge”, “knowledge of Seller” or words of substantially similar import, mean the actual then current knowledge of (i) the Chief Executive Officer of Seller, (ii) the Chief Executive Officer, President or comparable officer of each Component of the Business, (iii) the Chief Financial Officer or comparable officer of each Component of the Business, (iv) the Chief Medical Officer or comparable officer of each Hospital, (v), the Chief Compliance Officer of Seller and of each Component of the Business, the Chief Information Technology Officer of Seller and of each Component of the Business as of the Effective Date and the Closing based on reasonable inquiry.

(e) References in this Agreement to “Purchaser’s knowledge”, “knowledge of Purchaser” or words of substantially similar import, mean the actual then current knowledge of the Chief Executive Officer of Purchaser as of the Closing based on reasonable inquiry. 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.

(f) Unless the context clearly requires otherwise, when used herein “or” shall not be exclusive (*i.e.*, “or” shall mean “and/or”).

(g) Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement.

## ARTICLE II.

### TRANSFERRED ASSETS

**Section 2.01.** Transferred Assets. As of the Closing Date and subject to the terms and conditions of this Agreement, Seller agrees to sell, assign, transfer, convey and deliver to Purchaser, free and clear of all liens and encumbrances, other than the Permitted Exceptions and the Assumed Liabilities, and Purchaser agrees to purchase, acquire, receive and accept, all of the right, title and interest of Seller in and to the Transferred Assets, the transfer of which Transferred Assets will occur on the Closing Date. As an alternative, upon mutual agreement of the Parties, Purchaser and Seller shall, to the extent practical, structure the transaction that is the subject of this Agreement as Purchaser becoming a substitute member in one or more of Seller's subsidiary corporations, which shall be converted to for-profit corporations, all subject to approval by the California Attorney General, which approval shall include confirmation by the California Attorney General that all assets of the such corporations are not subject to any charitable purposes ("Corporation Conversion Structure"). "Transferred Assets" shall mean all of the rights, titles and interests of Seller on the Closing Date in the following (other than the Retained Assets):

(a) all of the real property, together with all plant, buildings, structures, installments, improvements, fixtures, betterments and additions situated thereon, identified on Schedule 2.01(a) (collectively, the "Owned Real Property");

(b) all construction in progress related to the Hospital and recorded on the books and records of Seller;

(c) all of the leasehold interests of Seller, to the extent assignable or transferable by Seller, in all real property that is leased to Seller as lessee or tenant identified on Schedule 2.01(c) (collectively, the "Leased Real Property" and together with the Owned Real Property, the "Real Property") pursuant to any lease, sublease, or other contractual obligation (collectively, the "Real Property (Tenant) Leases");

(d) all of the interests of Seller as lessor, to the extent assignable or transferable by Seller, in and to each lease, sublease, or other contractual obligation under which the Real Property is occupied or used by a third-party exclusively with respect to the operation of the Hospital (collectively, the "Real Property (Landlord) Leases" and together with the Real Property (Tenant) Leases, the "Real Property Leases").

(e) all of the interests of Seller as lessee, to the extent assignable or transferable by Seller, in and to each lease, sublease, License or other contractual obligation under which the Personal Property is used by Seller exclusively with respect to the operation of the Hospital identified on Schedule 2.01(e) (collectively, the "Personal Property Leases" and together with the Real Property Leases, the "Leases");

(f) all of the tangible personal property owned, or to the extent assignable or transferable by Seller, leased, subleased or licensed by Seller and used exclusively with respect to the operation of the Hospital including, without limitation, equipment, furniture, fixtures, machinery, vehicles, office furnishings, and leasehold improvements, except for the tangible personal property identified on Schedule 2.01(f) (collectively, the “Personal Property”);

(g) all inventories of usable supplies, drugs, medical supplies, food, janitorial and office supplies and other disposables and consumables that are (i) owned by Seller and (ii) on the premises of the Hospital on the Closing Date (collectively, the “Inventory”);

(h) to the extent assumable by Purchaser, all advance payments, prepayments, prepaid expenses, and deposits (other than such payments, prepayments or deposits in respect of (A) income Taxes or (B) California franchise taxes imposed on corporations, limited liability companies, limited partnerships etc. in excess of \$800 for each such entity or in respect of similar impositions in amounts excess of the annual minimum amount imposed with respect to Marillac Insurance Company, Ltd.) made by Seller with respect to the Hospital as of the Closing Date, as set forth on Schedule 2.01(h) (collectively the “Prepaid Expenses”);

(i) all accounts, notes, interest and other health care receivables generated in connection with the operation of the Hospital by Seller before or on the Closing Date, whether billed or unbilled, recorded or unrecorded, or payable by a Government Payment Program, medically indigent assistance program, private payors or any other payor (including an insurance company), health care provider, independent practice association network (such as a health maintenance organization, preferred provider organization or any other managed care program), any fiscal intermediary of the foregoing, private pay patients, private insurance or any other source, including, without limitation, DSH Payments, QA Payments, HITECH Payments and accounts, notes or other amounts receivable from physicians but specifically excluding the Agency Settlements (“Seller Accounts Receivable”).

(j) all rights, claims and choses of action of Seller related to and/or arising out of the Seller Accounts Receivable, and any payments, awards or other proceeds arising therefrom;

(k) all insurance proceeds (including applicable deductibles, copayments or self-insured requirements) arising in connection with the ownership or operation of the Transferred Assets or the Hospital before or on the Closing Date to which Purchaser is entitled pursuant to Section 4.12;

(l) all surpluses arising out of any risk pools to which Seller is party on the Closing Date;

(m) all Records except the Retained Records (collectively, the “Transferred Records”);

(n) all of the rights of Seller, to the extent assignable or transferable by Seller, to all licenses (including Software licenses and all licenses issued by or received from a Governmental Authority), provider numbers, permits, approvals, certificates of exemption, franchises, accreditations, registrations, authorizations, filings, consents, permits or approvals

issued to Seller and used by Seller exclusively with respect to the operation of the Hospital, together with all waivers which Seller has of any such requirements, if any (collectively, the “Licenses”), including, without limitation, the licenses and Medicare provider numbers listed on Schedule 2.01(n);

(o) To the extent assignable or transferable by Seller without the expenditure of money (i) all patents, patent applications, trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, uniform resource locators (URLs), domain names, trade dress, copyrights, copyright registrations, website content, know-how, and trade secrets identified in Schedule 2.01(o)(i), (collectively, the “Intellectual Property”) and (ii) all computer software and code identified in Schedule 2.01(o)(ii) (collectively, the “Software” and together with the Intellectual Property, the “Transferred Intellectual Property”), together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any Transferred Intellectual Property accruing after the Closing Date;

(p) all systems, servers, computers, hardware, firmware, middleware, telecom equipment, networks, data communications lines, routers, hubs, switches and all other information technology equipment, and all associated documentation owned or licensed by Seller and used by Seller identified on Schedule 2.01(p);

(q) all telephone numbers and facsimile numbers that are used exclusively with respect to the operation of the Hospital;

(r) all goodwill of Seller evidenced by the Transferred Assets;

(s) all transferable unclaimed property of any Person in Seller’s possession as of the Closing Date, including, without limitation, property which is subject to applicable escheat laws;

(t) all right and interest of Seller, to the extent assignable or transferable by Seller, in and to all contracts and agreements identified on Schedule 2.01(t)<sup>4</sup> (collectively, the “Assigned Contracts”);

(u) to the extent assignable or transferable by Seller without out-of-pocket expense to Seller, all warranties on the Transferred Assets in favor of the Hospital;

(v) all of Seller’s rights to use of the Hospital names associated with the phrase “Integrity Healthcare” and not associated with the phrase “Daughters of Charity” (For avoidance of doubt, Purchaser shall not hold itself or the Hospitals out as affiliated with Daughters of Charity, shall not utilize letterhead including “Daughters of Charity” and shall not utilize business cards utilizing “Daughters of Charity” and shall phase out use of forms and documentation utilizing “Daughters of Charity” within twelve (12) months of Closing;

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<sup>4</sup> Note: All contracts, including Collective Bargaining Agreements and Capitalized Leases to be identified on this schedule.

(w) all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to any Seller Cost Reports arising out of time periods prior the Closing Date;

(x) all claims, rights, interests and proceeds with respect to any Tax refund or credit or other recovery (including, without limitation, refunds, credits or other receivables related to real property and personal property Taxes), together with interest thereon, with respect to taxable periods (or portions thereof) ending on or before the Closing Date, and the right to pursue appeals of same;

(y) receivables relating to any Affiliate of Seller;

(z) all restricted and unrestricted cash and cash equivalents, including, without limitation, investments in marketable securities, certificates of deposit, bank accounts, financial accounts, investment accounts, and promissory notes owned or held by, or on behalf or for the benefit, of Seller, the Hospital and/or the Foundation of Seller on the Closing Date

(aa) all restricted and unrestricted cash and cash equivalents, including, without limitation, investments in marketable securities, certificates of deposit, bank accounts, financial accounts, investment accounts and promissory notes owned or held by Seller, the Hospital and/or the Foundation of Seller on the Closing Date; and

(bb) all equity interests of seller in DePaul Ventures, Marrilac Insurance Company, St. Vincent Dialysis Center, De Paul Ventures San Jose ASC, LLC , De Paul Ventures San Jose Dialysis, LLC.

**Section 2.02. Retained Assets.** Notwithstanding anything to the contrary in Section 2.01, Seller shall retain all assets which are not among the Transferred Assets, including, without limitation, the following assets of Seller (collectively, the “Retained Assets”):

(a) all debt service reserve funds held by, or on behalf or for the benefit, of Seller on the Closing Date;

(b) [reserved];

(c) each Foundation of Seller itself;

(d) any unrestricted gift or grant, and the proceeds therefrom made to or for the benefit of Seller or Foundation of Seller, whether before, on or after the Closing Date;

(e) subject to Purchaser’s rights under Section 13.02, (i) the Retained Records and (ii) all procedures, marketing materials, standard operating procedures, studies, analyses and Software to the extent (A) relating to the Retained Assets or the operations of Seller other than the operation of the Hospital or Medical Foundation; (B) protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other privilege or protection recognized under law; (C) proprietary to Seller; or (D) Seller is required to retain such by law;

(f) all trademarks, domain names and content listed on Schedule [ ]<sup>5</sup>, and any other trademark or domain name that contains, uses or references the name “Daughters,” “Daughters of Charity,” “Daughters of Charity Health System,” “DCHS,” “DOCHS,” “DCHS Medical Foundation,” or any such similar name (the “DCHS Names”; together with any abbreviations, variations, logos or symbols associated or used in connection with the DCHS Names or Retained Assets, the “DCHS Marks”), and any trademark or domain name that contains, uses or references the name of a Person belonging to or affiliated with DCHS (the “Related Names”; together with any abbreviations, variations, logos or symbols associated or used in connection with the Related Names, the “Related Marks”) (collectively, the “Daughters Intellectual Property”);

(g) [reserved];

(h) [reserved];

(i) all assets integral to the operations of the ancillary community benefit services identified in Schedule 2.02(i) unless the responsibility for conduct of such ancillary community benefit services is assumed by Purchaser pursuant to the AG Approval;

(j) any assets identified in Schedule 2.02(j),<sup>6</sup> and

(k) any other asset excluded by written agreement of the Parties.

### ARTICLE III.

#### OBLIGATIONS AND LIABILITIES

**Section 3.01. Assumed Liabilities.** At the Closing, the Purchaser shall, assume and agree to pay, perform and discharge when due any and all liabilities and obligations of any kind or nature whatsoever of DCHS and its Affiliates whether known or unknown, absolute, accrued, contingent or otherwise, other than the Excluded Liabilities (collectively, the “Assumed Liabilities”). Without limiting the generality of the foregoing, Assumed Liabilities shall include any and all liabilities related to: (i) all of the liabilities as more particularly described in the unaudited June 30, 2014 balance sheet attached hereto as Schedule 3.01 (the “Balance Sheet”) and those liabilities not described, reflected or included in the Balance Sheet, including any and all off-balance sheet items; (ii) Seller’s Plans, including pension plans; (iii) Collective Bargaining Agreements; (iv) taxes, including Transfer Taxes and any unpaid real estate Taxes; and (v) government payment program liabilities, if any, including any overpayments, and the following:

(a) accounts payable;

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<sup>5</sup> Note to Draft: Full schedule of retained IP to be vetted by DCHS.

<sup>6</sup> Note: Items with religious purposes to be included on this schedule. SELLER TO PROVIDE EXCLUSIONS LIST.

(b) long-term debt, excluding the 2005 Bonds the 2014 Bonds and all other obligations required to be paid pursuant to Section 4.01;

(c) amounts due to government agencies;

(d) accrued liabilities;

(e) all of the health and welfare, paid time-off and retirement benefit plan liabilities of DCHS and any off-balance sheet pension liabilities of DCHS, including any liabilities arising under the Multiemployer Plans, the Defined Benefit Church Plan, the Defined Contribution Church Plans, any single-employer defined benefit plan to which the liabilities of DCHS under one or more of the Multiemployer Plans may be transferred as the result of the partition of one or more of the Multiemployer Plans;

(f) all of the Contracts, operating and capital leases, Real Property Leases, agreements and commitments relating to the ownership and operation of the Business, including all physician service contracts and agreements and all of the Collective Bargaining Agreements with any existing unions or any Collective Bargaining Agreements under which there is a continuing duty to bargain, as described more particularly in Schedule [ ], including any liabilities arising from the results of any effects bargaining with the union;

(g) any liabilities arising out of or relating to any professional liability claim or similar third party litigation arising out of the operations of the Business (including the Hospitals, St. Vincent Dialysis Corp., St. Vincent de Paul Ethics Corporation and St. Vincent Dialysis Center and all other Affiliates of DCHS) prior to the Closing;

(h) any liabilities for violations of the Health Care Laws arising from acts or omissions at all times prior to Closing, including, without limitation, those pertaining to Medicare and Medi-Cal fraud or abuse or cost reports related to the Business;

(i) any and all liabilities insured by Marillac Insurance Company, Ltd.; and

(j) any and all liabilities that arise under the D&O Insurance and the Fiduciary Liability Insurance, including, but not limited to, any and all deductibles, co-pays and any other non-covered expense or financial obligation under the D&O Insurance and the Fiduciary Liability Insurance.

**Section 3.02. Excluded Liabilities.** Purchaser shall not assume, and shall not be liable for, any of Seller's duties, obligations or liabilities associated with any Retained Assets (the "Excluded Liabilities"), which shall be and remain liabilities of Seller:

(a) [reserved]

(b) all liabilities and obligations of Seller for commissions or fees owed to any finder or broker in connection with the Contemplated Transactions;

(c) all liabilities and obligations of Seller relating to the Bonds plus any liabilities for borrowed money;

- (d) all liabilities associated with any Excluded Assets;
- (e) all liabilities to be satisfied at Closing from cash consideration;
- (f) all cost and liabilities of Sellers with respect to the transactions contemplated by this Agreement, including, without limitation, fees of brokers, attorneys and accountants.

## ARTICLE IV.

### CONSIDERATION; CLOSING

#### **Section 4.01. Cash At Closing.**

(a) Purchase Price. Subject to the terms and conditions of this Agreement, the aggregate consideration for the sale, conveyance assignment, transfer and delivery of the Transferred Assets shall be (i) Two Hundred Seventy-Two Million Dollars (\$272,000,000) (the “Cash Purchase Price”). The Cash Purchase Price shall be utilized exclusively to defease the Bonds and to pay-off the mortgage note secured by real property at O’Connor Hospital; and any portion thereof not so utilized will be applied to the obligations set forth in Section 4.01(b) below.

(b) Additional Payments. In addition to the Cash Purchase Price, the following cash amounts shall be paid in connection with Closing: (i) funding of repayment of the 2014 Bonds in an amount not to exceed One Hundred Million Dollars (\$100,000,000) net of any additions to the 2014 Bonds sinking fund; (ii) (A) amounts with respect to severance payments for Seller employees terminated by Seller at the Closing as a result of the transactions that are the subject of this Agreement less the amount of such severance payments made prior to the Closing; (B) stay-pay bonus payable to Seller employees; and (C) termination of two (2) nonqualified pension plans (collectively in no event exceeding \$17,000,000); and (iii) amounts with respect to Transaction Costs (but in no event exceeding \$18,000,000); and (iv) Transfer Taxes as described in Section 4.07 below

**Section 4.02. [Reserved]**

**Section 4.03. [Reserved]**

**Section 4.04. [Reserved]**

**Section 4.05. [Reserved]**

**Section 4.06. Escrow Agreement; Good Faith Deposit.**

(a) Concurrently with the execution of this Agreement, Seller and Purchaser shall enter into an Escrow Agreement in substantially the form attached hereto as Exhibit B (the “Escrow Agreement”).

(b) Purchaser, within one (1) Business Day after the Effective Date, shall deposit a cash sum in the amount of Twenty-Seven Million Two Hundred Thousand Dollars (\$27,200,000) (along with any earnings thereon, the “Good Faith Deposit”) with the escrow

agent designated in the Escrow Agreement (the “Escrow Agent”). The Good Faith Deposit shall be returned to Purchaser, with any earnings thereon, in the event of any termination of this Agreement in accordance with Section 11.02(b). In the event the Closing occurs, the Good Faith Deposit will be released to Seller on the Closing Date pursuant to the terms set forth in the Escrow Agreement and credited against the Purchase Price.

**Section 4.07.** Transfer Taxes. Notwithstanding any provision in this Agreement to the contrary, all sales, use, transfer, documentary, stamp, recording and all other similar non-income Taxes arising out of or in connection with the purchase and sale of the Transferred Assets as contemplated in this Agreement (the “Transfer Taxes”) shall be paid by Purchaser. Purchaser shall file all necessary Tax Returns and other documents required to be filed with respect to such Transfer Taxes and shall cooperate with Purchaser to the extent reasonably necessary to make such filings or Tax Returns as may be required.<sup>7</sup>

**Section 4.08.** The Closing. The consummation of the Contemplated Transactions (the “Closing”) will take place at [TIME] Pacific Time at the offices of Ropes & Gray, LLP, Three Embarcadero Center, San Francisco, CA 94111 as promptly as practicable following, but in no event later than the seventh (7<sup>th</sup>) Business Day following the satisfaction or waiver of each of the conditions set forth in ARTICLE IX and ARTICLE X (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at Closing) or such other time and place as Seller and Purchaser may agree. Subject to the provisions of ARTICLE XI, the failure to consummate the Closing on the date and time determined pursuant to this Section 4.08 shall not result in the termination of this Agreement and shall not relieve either Party to this Agreement of any obligation under this Agreement.

**Section 4.09.** Items to be Delivered by Seller at Closing. At or before the Closing, Seller shall deliver to Purchaser the following, duly executed by Seller where appropriate:

- (a) Assignment, Bill of Sale and Assumption of Liabilities dated and effective as of the Closing Date and in the form of Exhibit C attached hereto (the “Bill of Sale”);
- (b) An Assignment and Assumption of each Real Property Lease in the form of Exhibit D, dated and effective as of the Closing Date (the “Real Estate Assignments”);
- (c) Assignment and Assumption of Personal Property Leases in the form of Exhibit E, dated and effective as of the Closing Date (the “Personal Property Assignments”);
- (d) Certified articles of incorporation, bylaws, foreign corporation qualifications of Seller;
- (e) Reconveyance deeds terminating any Deeds of Trust encumbering the Owned Real Property and conveying title to the Owned Real Property from the trustee under such Deed of Trust to Seller;

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<sup>7</sup> Assumes exemption from sales taxes for Hospital equipment.

(f) grant deeds from Seller to Purchaser conveying to Purchaser fee simple title to the Owned Real Property, free and clear of all encumbrances except for the Permitted Exceptions and the Assumed Liabilities;

(g) release of any lien under the Master Indenture or the Deeds of Trust on the Transferred Assets;

(h) favorable original certificates of good standing or comparable status of Seller, issued by the State of California, dated no earlier than a date which is ten (10) Business Days prior to the Closing Date;

(i) a certificate of an authorized signatory of Seller certifying to the satisfaction of Purchaser by Seller of the provisions set forth in ARTICLE V and ARTICLE VII of this Agreement;

(j) a certificate certifying to Purchaser (i) the incumbency of the authorized signatory of Seller on the Effective Date and on the Closing Date and bearing the authentic signatures of such authorized signatory who shall execute this Agreement and each of the Ancillary Agreements and (ii) the due adoption and text of the resolutions of the board of directors and sole corporate member of Seller, which resolutions shall not be amended or rescinded and shall remain in full force and effect at the Closing Date, authorizing (A) the transfer of the Transferred Assets and Assumed Liabilities by Seller to Purchaser and (B) the execution, delivery and performance of this Agreement and all Ancillary Agreements and instruments by or on behalf of Seller, as applicable;

(k) an executed certificate confirming Seller's non-foreign status sufficient to comply with the requirements of Section 1445 of the Code, commonly known as the Foreign Investment in Real Property Tax Act of 1980, and regulations applicable thereto;

(l) Owner's Title Affidavit or any other documents reasonably requested by a title company in order to issue an Owner's Title Policy in the name of the Purchaser at Closing;

(m) [reserved];

(n) [reserved];

(o) [reserved]; and

(p) such other instruments and other documents which are reasonably requested by Purchaser to effect the intent of this Agreement.

**Section 4.10.** Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall execute and deliver or cause to be delivered to Seller the following, duly executed by Purchaser where appropriate:

(a) payment of the Cash Purchase Price plus the estimated amount of the Transfer Taxes. Such amount shall be payable by wire transfer of immediately available funds to Seller to the account specified by Seller to Purchaser in writing;

(b) a certificate of an authorized signatory of Purchaser certifying to Seller's satisfaction the provisions set forth in ARTICLE VI and ARTICLE VIII of this Agreement;

(c) a certificate certifying to Seller (i) the incumbency of the officers of Purchaser on the Effective Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and each Ancillary Agreement and (ii) the due adoption and text of the resolutions of the board of directors of Purchaser, which resolutions shall not be amended or rescinded and shall remain in full force and effect after the Closing Date, authorizing (A) the purchase and assumption of the Transferred Assets and the Assumed Liabilities and (B) the execution, delivery and performance of this Agreement and all Ancillary Agreements and instruments by Purchaser;

(d) favorable original certificate of good standing, or comparable status, of Purchaser, issued by the State of California, dated no earlier than a date which is ten (10) Business Days prior to the Closing Date;

(e) a counterpart to the Bills of Sale;

(f) a counterpart to each of the Real Estate Assignments; and

(g) such other instruments and other documents which are reasonably requested by Seller to effect the intent of this Agreement, including, without limitation, instruments of transfer of all equity interests in DePaul Ventures, Marrilac Insurance Company, St. Vincent Dialysis Center, De Paul Ventures San Jose ASC, LLC, and De Paul Ventures San Jose Dialysis, LLC.

**Section 4.11. Disclaimer of Warranties; Release.**

(a) Except as expressly provided in this Agreement, neither Seller nor its Affiliates have made or do make, and Seller and its Affiliates specifically disclaim, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to (i) the nature, quality, sufficiency or condition of the Business; (ii) the income to be derived from the Business; or (iii) the compliance of or by the Business with any Legal Requirements. The assets comprising the Business will be acquired by Purchaser in their physical condition on the Closing Date, "AS IS," "WHERE IS" AND "WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS," THAT IS, IN THEIR PRESENT CONDITION AND WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY KIND, WITH NO WARRANTIES OF NONINFRINGEMENT AND WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION with respect to the Real Property, including, without limitation, the land, the buildings and the improvements and fixtures thereon, and WITH NO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE with respect to the physical condition of the Real Property, any personal property or any inventory, any and all of which warranties (both express and implied) Seller for itself and each of its Affiliates hereby disclaims. All of the Real Property and personal property shall be further subject to wear and tear and use of the inventory and other supplies in the ordinary course of business on and before the Closing Date.

(b) Purchaser acknowledges, covenants and agrees, on behalf of itself and its Affiliates: (i) that it has completed to its satisfaction its own due diligence investigation, and based thereon, formed its own independent judgment with respect to the Business and any and all of the Assumed Liabilities; (ii) that it has been furnished with or given full access to such documents and information about the Business, its assets, liabilities and operations as it and its representatives and advisors have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement and the Transaction; (iii) that in entering into this Agreement, it has relied solely upon its own investigation and analysis and the representations, warranties, covenants and agreements set forth in this Agreement; and (iv) that (A) no representation or warranty has been or is being made by Seller or any other Person as to the accuracy or completeness of any of the information provided or made available to Purchaser except as expressly set forth in ARTICLE 5, and (B) there are uncertainties inherent in attempting to make estimates, projections, forecasts, plans, budgets and similar materials and information, Purchaser is familiar with such uncertainties, Purchaser is taking full responsibility for making its own evaluations of the adequacy and accuracy of any and all estimates, projections, forecasts, plans, budgets and other similar materials or information that may have been delivered or made available to it or any of its respective agents or representatives, Purchaser has relied or will rely on such information, and Purchaser will not assert, and will cause its Affiliates not to assert, any claims against Seller or any of their Affiliates or Released Parties with respect thereto.

(c) Purchaser expressly waives any and all rights it may have against Seller and any Affiliate of Seller under Section 1542 of the California Civil Code (“Section 1542”) and under any statute, rule, or principle of common law or equity of any jurisdiction that is similar to Section 1542 (“Similar Provision”). Thus, Purchaser acknowledges that it may not invoke the benefits of Section 1542 or any Similar Provision against Seller and any Affiliate of Seller in order to prosecute or assert in any manner any claims released in this Agreement. Purchaser is aware that Section 1542 provides as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” Purchaser acknowledges that it shall be forever barred from filing any claim or lawsuit released herein and enforcement of this Agreement is its sole remedy.

(d) PURCHASER AND EACH OF ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, SHAREHOLDERS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS HEREBY (I) WAIVE AND RELEASE SELLER AND ITS AFFILIATES AND THEIR RESPECTIVE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, THE “RELEASED PARTIES”) FROM ALL RESPONSIBILITY, CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS’ FEES AND COURT COSTS) OF EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN (COLLECTIVELY, “LOSSES”), THAT PURCHASER MIGHT HAVE ASSERTED OR ALLEGED AGAINST ANY RELEASED PARTIES AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT PHYSICAL CONDITIONS, VIOLATIONS OF LAW, VIOLATIONS OF THE RIGHTS OF THIRD PARTIES AND ANY AND ALL

OTHER ACTS, OMISSIONS, EVENTS CIRCUMSTANCES OR MATTERS REGARDING THE REAL PROPERTY, THE BUSINESS, THE HOSPITALS AND ANY ASSET, INTELLECTUAL PROPERTY AND/OR LIABILITY TRANSFERRED TO PURCHASER BY THIS AGREEMENT; AND (II) AGREE TO INDEMNIFY, DEFEND AND HOLD HARMLESS THE RELEASED PARTIES, FROM ANY AND ALL LOSSES THAT ARE ASSERTED OR ALLEGED AGAINST EACH OF THE RELEASED PARTIES ARISING OUT OF EVENTS, CONTRACTUAL OBLIGATIONS, ACTS, OR OMISSIONS OF ANY RELEASED PARTY THAT OCCURRED IN CONNECTION WITH THE OWNERSHIP OR OPERATION OF THE BUSINESS, OR CONDUCT OF BUSINESS ON OR INVOLVING THE REAL PROPERTY AND/OR THE HOSPITALS AND OTHER OPERATIONS PRIOR TO THE CLOSING DATE, AND PURCHASER SHALL BE LIABLE TO THIRD PARTIES FOR AND SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE RELEASED PARTIES FROM AND AGAINST ANY AND ALL LOSSES ARISING OUT OF EVENTS, CONTRACTUAL OBLIGATIONS, ACTS, OR OMISSIONS OF PURCHASER AND EACH OF ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS THAT OCCUR IN CONNECTION WITH THE OWNERSHIP OR OPERATION OF THE BUSINESS, OR CONDUCT OF BUSINESS ON OR INVOLVING THE REAL PROPERTY AND/OR THE HOSPITALS FROM AND AFTER THE CLOSING.

**Section 4.12. Risk of Loss.** If any part of the Transferred Assets is damaged, lost or destroyed (whether by fire, theft, or other cause or causality event), in whole or in part, prior to the Closing Date, the Parties agree that Purchaser's sole remedy will be insurance proceeds or other claims against third parties.

**Section 4.13. [Reserved]**

**Section 4.14. Closing Escrow.**

(a) The transfer of the Transferred Assets and the payoff of the Bonds, the 2014 Bonds, the mortgage note secured by real property at O'Connor Hospital, the satisfaction of the obligations described in Section 4.01(b), the payment of the amounts described in Sections 4.01(a) and 4.01(b), the delivery of the items described in Sections 4.09 and 4.10 shall take place on the Closing Date through an escrow (the "Closing Escrow") to be opened with \_\_\_\_\_ [Purchaser to specify] (the "Closing Escrow Holder") and pursuant to closing escrow instructions to be mutually agreed by the Parties. All of the Transferred Assets shall be delivered to Purchaser free and clear of all liens and encumbrances except only for the Permitted Exceptions.

**Section 4.15. Medical Foundation Assets.** Transferred Assets held by the Medical Foundation Component of the Business shall be transferred to a wholly-owned subsidiary of Purchaser, which shall make such assets available to one or more medical professional corporations to continue the conduct the business previously conducted by the Medical Foundation.

## ARTICLE V.

### REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the disclosure schedules delivered by Seller to Purchaser in accordance with the terms of this Agreement, including any documents attached to or incorporated by reference in such disclosure schedules (the “Disclosure Schedules”), Seller hereby represents and warrants to Purchaser that the statements contained in this ARTICLE V are true and correct as of the date hereof, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof). The Disclosure Schedules shall be arranged in schedules corresponding to the sections contained in this Article V, and any disclosure made in any section of such schedules shall qualify other sections in this Article V only if such schedules specifically refer to such other sections of this Article V.

**Section 5.01.** Existence and Corporate Capacity. Seller is a nonprofit religious corporation which is duly organized, validly existing, in good standing, and authorized to transact business in the State of California. Seller and DOCMSC have the requisite power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its activities as now being conducted. Seller and its Affiliates are each duly organized, validly existing and in good standing under the laws of the state or jurisdiction of organization, and Seller and its Affiliates each have the power and authority to conduct their respective activities as now being conducted, except for instances in which failure to have such power and authority would not reasonably be expected to have a Material Adverse Effect.

**Section 5.02.** Powers; Consents; Absence of Conflicts with Other Agreements. 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 (a) any material provision of the articles of incorporation or bylaws of Sellers, (b) any state or federal Legal Requirement applicable to Seller, or (c) any indebtedness, mortgage, lien, restriction, charge, security interest, claim, right of another, or other encumbrance upon any of the Transferred Assets whatsoever, under any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, lease, license, franchise, agreement or other instrument or obligation to which any Seller is a party or by which any of the Transferred Assets are or will be bound except where such violations, conflicts or breaches would not have a Material Adverse Effect.

**Section 5.03.** Binding Agreement. Assuming the due execution and delivery of this Agreement by Purchaser, this Agreement constitutes the valid and legally binding obligation of Seller and DOCMSC and is enforceable against Seller and DOCMSC in accordance with its terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors’ rights generally and except as enforceability may be subject to general principles of equity (collectively, the “Enforceability Exceptions”).

**Section 5.04.** Financial Statements. Seller has delivered to Purchaser copies of the following financial statements of the Business on an accrual-basis (Schedule 5.04) (the “Financial Statements”): (a) unaudited balance sheet dated as of June 30, 2014 (the “Balance

Sheet Date”); (b) unaudited income statement for the twelve month period ending on the Balance Sheet Date; and (c) audited consolidated balance sheet and income statement for the fiscal year of Seller ended on June 30, 2013 and June 30, 2012, respectively. Such unaudited Financial Statements materially conform to GAAP practices in the United States, consistently applied, except as to the absence of footnotes and normal audit adjustments and as otherwise may be set forth in Schedule [ ] (“GAAP Exceptions”). The Financial Statements are complete and present fairly in all material respects the financial position of Seller and its Affiliates and the results of their operations, changes in net assets and cash flows at the dates and for the periods indicated, in conformity with GAAP applied consistently for the periods specified (with the exception of any GAAP Exceptions).

**Section 5.05. Contracts.** Seller has delivered to Purchaser an accurate list of (a) all Contracts providing for annual payments in excess of One Hundred Thousand Dollars (\$100,000) which affect the Business or the operation thereof, to which V (or one of its Affiliates) is bound, (b) all Contracts between V (or one of its Affiliates) and a person or entity in a position to make or influence referrals to the Hospital, and (c) all Collective Bargaining Agreements and contracts with labor unions to which V or any of its Affiliates are bound.

**Section 5.06. Environmental Matters.**

(a) Seller has provided Purchaser with the Phase I Environmental Site Assessments for the Real Property (the “Environmental Survey”).

(b) Except as disclosed on Schedule 5.06(b), to the Knowledge of Seller the operations of the Business 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 other Governmental Entity.

(c) There are no pending or, to the Knowledge of Seller, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Entity directed against Seller (or one of its Affiliates) that pertain or relate to (i) any material remedial obligations under any applicable Environmental Laws, (ii) material violations by Seller (or one of its Affiliates) of any Environmental Laws, or (iii) material personal injury or property damage claims relating to a release of or exposure to Hazardous Materials.

**Section 5.07. Real Property.**

(a) Schedule 5.07(a)(i) sets forth a list of all of the real property that is owned by Seller and its Affiliates, including, without limitation, the real property that is used with respect to the operation of the Business, together with all buildings, improvements and fixtures located thereupon, including, without limitation, all buildings and other improvements then under construction (the “Real Property”). Except as set forth on Schedule 5.07(a)(ii), Seller and its Affiliates now own fee simple title to all of the Real Property free and clear of any and all Encumbrances other than the Permitted Exceptions.

(b) Except as set forth on Schedule 5.07(b), Seller has not received any written notice and to Seller’s Knowledge, there are no proceedings or actions pending to change

the zoning of, or other land use (including parking) restrictions affecting, the Real Property. Seller has not received any written notice of any proceeding pending before any Governmental Entity relating to the Real Property, and to Seller's Knowledge there is no study or investigation pending or threatened by any Governmental Entity relating to the Real Property.

(c) Schedule 5.07(a) sets forth an accurate and complete list of all real property leases, subleases, licenses and occupancy agreements, options or commitments, oral or written, pursuant to which either Seller or its Affiliates is a licensor, licensee, lessor, lessee, sublessor, or sublessee, including, without limitation, all retail and office space leases, specifying the interest of Seller or its Affiliates, but excluding any real property lease consummated as part of the transactions contemplated herein and the Lease Agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and Seller dated October 1, 2001 for the building at 26000 Altamont Road, Los Altos Hills, CA (collectively referred to as the "Real Estate Leases"). Seller has provided Purchaser with complete and correct copies of all Real Estate Leases, together with all amendments and modifications.

(d) Each Real Estate Lease is a legal, valid, binding, obligation of Seller or its Affiliate, enforceable against either Seller or its Affiliate, as applicable, in accordance with its terms. Each Real Estate Lease is the legal, valid and binding obligation of the other party thereto, enforceable against such other party in accordance with its terms. Each Real Estate Lease is in full force and effect. To the Knowledge of Seller, no event or condition has occurred that with the passage of time or the giving of notice (or both) would constitute a material default or breach of the terms of any Real Estate Lease.

(e) Neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no written notice of any Public Taking has been received by Seller with regard to any portion of the Real Property. No public improvements have been ordered to be made that have not heretofore been assessed, and no special, general or other assessments are pending or, to Seller's Knowledge, have been threatened against or will affect the Real Property.

(f) Except as disclosed on Schedule 5.07(f), Seller has not received any written notice and Seller has no Knowledge of any unsatisfied requests for repairs, restorations, or improvements to the Real Property from any Governmental Entity or insurance company or provider.

(g) Seller has delivered at its own expense (i) the existing preliminary title reports for all the Real Property dated [ ] and issued by Chicago Title Company (the "Title Commitments"), (ii) the underlying title documents listed on the Title Commitments (the "Underlying Title Documents"), and (iii) the existing as-built ALTA surveys prepared by Mollenhauer Group or Bock & Clark and dated [ ] (the "Surveys", and collectively with the Title Commitment and the Underlying Title Documents, the "Title Documents").

**Section 5.08. Litigation or Proceedings.** Seller has delivered to Purchaser an accurate list and summary description (Schedule [ ]) of all material litigation or proceedings with respect to the Business to which Seller is a party. Except as set forth on Schedule [ ], there are no claims, actions, suits, proceedings or investigations pending, or to the Knowledge of Seller, threatened

against or affecting Seller or any of its Affiliates with respect to the Business, at law or in equity, or before or by any Governmental Entity in which an adverse determination would have a Material Adverse Effect.

**Section 5.09.** Tax Liabilities.

(a) Seller is a corporation exempt from federal income taxation under Section 501(c)(3) of the Code and is not a private foundation within the meaning of Section 509(a) of the Code, and is listed in the Official Catholic Directory pursuant to being included in the United States Conference of Catholic Bishops group exemption letter. Seller is a corporation exempt from California state income taxation. Except as set forth on Schedule 5.09(a), all Tax Returns required to be filed by or on behalf of, or with respect to Seller have been duly and timely filed. All such Tax Returns were correct and complete in all material respects, and were filed or will be filed within the time and in the manner provided by applicable Law (including any valid extensions thereof), and Tax liabilities of Seller, if any, shown thereon have been paid by Seller.

(b) Except as set forth on Schedule 5.09(b), Seller has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor or other third party.

**Section 5.10.** Employee Benefits.

(a) Schedule 5.10(a) contains a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller and its Affiliates, whether oral or written, which constitutes an Employee Pension Benefit Plan, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller and its Affiliates, whether oral or written, which constitutes an Employee Welfare Benefit Plan, and (iii) each other material employee benefit, bonus, incentive, deferred compensation, severance, change in control, fringe benefit, performance or retention plan, in each case, that is maintained, contributed to or provided by Seller and its Affiliates and that covers any current or former officers, directors, employees, independent contractors or consultants of Seller and its Affiliates (collectively, the "Seller Plans").

(b) Seller has made available to the Purchaser true, complete and correct copies of (i) each Seller Plan (or, in the case of any unwritten Seller Plan, a description thereof); (ii) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Seller Plan (if any such report was required); (iii) the most recent summary plan description for each Seller Plan for which such summary plan description is required; and (iv) each trust agreement and group annuity contract relating to any Seller Plan, if any.

(c) Except as otherwise provided on Schedule 5.10(c), to the Knowledge of Seller, Seller does not have any direct or indirect, actual or contingent liability with respect to any Seller Plan, other than to make payments for contributions, premiums or benefits when due in the ordinary course of business, all of which payments that are due having been made. The Hospitals are not subject to any Encumbrance under ERISA or the Code.

(d) All of the Seller Plans have been administered in material compliance with ERISA and the Code, to the extent applicable.

(e) Except as otherwise provided on Schedule 5.10(e) no Seller Plan provides retiree medical or other retiree welfare benefits to any Person (other than health care continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or analogous state law).

**Section 5.11. Personnel.**

(a) Schedule 5.11(a) sets forth a complete list (as of the date set forth therein and updated as provided below) of names, positions and current annual base salaries or base wage rates, paid bonuses (including retention bonuses), and the accrued paid time off pay of all employees of Seller and its Affiliates shortly prior to the Effective Date, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Seller's policies, the Family and Medical Leave Act of 1993 or other similar Laws (the "Seller Employees"). Schedule 5.11(a) also indicates whether each such Seller Employee is a part-time or full-time employee. Seller shall update Schedule 5.11(a) to reflect changes in employment status and/or new hires and terminations occurring after the Effective Date by providing a revised schedule to Purchaser no later than five (5) Business Days before the date scheduled for Closing.

(b) Except as listed in Schedule 5.11(b), there is no unfair labor practice complaint against Seller pending, or to the Knowledge of Seller threatened, before the National Labor Relations Board with respect to the operation of the Hospitals that would have a Material Adverse Effect, and there is no labor strike, arbitration, dispute, slowdown or stoppage, and no union organizing campaign, pending or, to the Knowledge of Seller, threatened, by or involving the Seller Employees, that would have a Material Adverse Effect.

(c) Except as provided in Schedule 5.11(c), to the Knowledge of Seller, since January 1, 2012 (i) Seller and its Affiliates have substantially complied with all applicable Laws relating to employee health and safety in all material respects, and (ii) neither Seller nor any of its Affiliates have received any written notice from any Governmental Entity that past or present conditions of the Hospitals violate any applicable Laws or otherwise will be made the basis of any claim, proceeding, or investigation based on violations of the Occupational Safety and Health Act of 1970 or otherwise related to employee health and safety.

**Section 5.12. Insurance.** Schedule 5.12 sets forth a list of all material insurance policies currently held by Seller (or one of its Affiliates) with respect to the Business, as well as any self-insurance trust or captive insurance companies (the "Insurance Policies"). To the Knowledge of Seller, Seller and its Affiliates are in material compliance with the terms of the Insurance Policies, and such Insurance Policies are in full force and effect. Except as set forth on Schedule [ ], to the Knowledge of Seller, neither Seller nor any of its Affiliates are (a) delinquent with respect to any premium payments thereon or (b) in default or breach with respect to any material provision contained in the Insurance Policies.

**Section 5.13. Accounts Receivable.** To the Knowledge of Seller, all outstanding accounts receivable have arisen from bona fide transactions in the ordinary course of business and are collectible in the ordinary course of business in accordance with their terms. None of the accounts receivable are subject to any counterclaims, discounts or set off, and all reserves against

such accounts receivable are adequate and consistent with the reserves previously maintained by Seller in the ordinary course of business. None of the accounts receivable of Seller or any of its Affiliates has been sold to any third party.

**Section 5.14. Non-Contravention.** Neither the execution and delivery by Seller of this Agreement and each Ancillary Agreement nor performance of any of the material provisions hereof by Seller, will violate, conflict with or result in a breach of any material provision of the articles of incorporation or bylaws of Seller. There are no existing agreements, options, commitments or rights with, of or to any Person to acquire, directly or indirectly, any of the Transferred Assets.

**Section 5.15. Compliance With Legal Requirements.** To the knowledge of Seller, Seller, with respect to the operation of the Business, is in compliance with all Legal Requirements, except where the failure to be in such compliance would not have a Material Adverse Effect. Except as would not have a Material Adverse Effect, to the knowledge of Seller, Seller, with respect to the operation of the Business, has not been given written notice of, and is not under investigation with respect to, any violation of any applicable Legal Requirements applicable to Seller's ownership and operation of the Business.

**Section 5.16. Certain Healthcare Matters.**

(a) Government Payment Programs.

(i) Each of the Hospitals is (i) qualified for participation in, and have current and valid provider contracts with, the applicable Government Payment Programs and/or their fiscal intermediaries or paying agents and is in compliance with the conditions of participation or requirements applicable with respect such participation and (ii) eligible for payment under the applicable Government Payment Programs for services rendered to qualified beneficiaries.

(ii) The Cost Reports for each of the Hospitals (and each other Component of the Business that files Cost Reports) that provides services to beneficiaries of Government Payment Programs were filed when due, and have been audited (with Notices of Program Reimbursement issued), for the Cost Report periods particularly described on Schedule 5.16(a)(ii).

(iii) Except as set forth on Schedule 5.16(a)(iii), all amounts shown as due from any of the Hospitals in the Cost Reports either were remitted with such Cost Reports or will be remitted when required by applicable Legal Requirements and are appropriately reflected in the Financial Statements, and all amounts shown in the Notices of Program Reimbursement as due have been or prior to Closing will be paid when required by applicable Legal Requirements.

(iv) Seller and the Components of the Business have not received or submitted any claim for payment to the Government Payment Programs (or their fiscal intermediaries or paying agents) with respect to any Component of the Business in excess of the amount provided by applicable Legal Requirements or applicable provider contract, and the Seller and the Components of the Business

have not received notice of any dispute or claim by any Governmental Authority, fiscal intermediary or other Person regarding any of the Components of the Business and the Government Payment Programs or the participation by any of the Components of the Business in such Programs.

(v) Except as set forth on Schedule 5.16(a)(v), no Seller is subject to or the beneficiary of any, outstanding loan, grant or loan guarantee pursuant to the Hill Burton Act (42 USC Section 291a, et seq.).

(vi) None of the Hospitals is subject to or liable for any accrued or unaccrued repayment obligation pursuant to the Peer Grouping Inpatient Reimbursement Limitation of the Medi-Cal Program as described in 22 California Code of Regulations Section 51548.

(b) Medical Staff. The Seller has made available to the Purchaser true, correct and complete copies of the bylaws, rules and regulations of the medical staffs of the Hospitals. Except as set forth on Schedule 5.16(b), there is no pending or, to the Seller's Knowledge, threatened dispute with medical staff member of any Hospital with respect to medical staff privileges or credentialing. With respect to each physician who is a member of the medical staff of any Hospital, the credentialing process for such physician included queries to the Medical Board of California for 805 Reports and queries to the National Practitioner Data Bank.

(c) Accreditation; Survey Reports. Except as set forth on Schedule 5.16(c)(i), each Hospital is duly accredited by The Joint Commission for the period set forth on Schedule 5.16(c)(i). Each ambulatory surgery center is accredited by \_\_\_\_\_. Except as set forth on Schedule 5.16(c)(i), no Seller has received any written notices of deficiency from The Joint Commission or any other accreditation entity with respect to any Hospital's current accreditation period that are outstanding on the Effective Date and require any action or response by such Seller or such Hospital, and pertaining to such deficiencies that have not been corrected or otherwise remedied. With respect to each Hospital, the Seller has made available to the Purchaser a true and complete copy of such Hospital's most recent Joint Commission or other accreditation entity accreditation survey report and deficiency list, if any; the most recent Statement and Deficiencies and Plan of Correction on Form CMS-2567; the most recent state licensing report and list of deficiencies, if any; the most recent fire marshal's survey and deficiency list, if any, and the corresponding plans of correction or other responses, each as set forth on Schedule 5.16(c)(ii).

(d) Licenses. All governmental licenses, approvals, authorizations, registrations, consents, orders, certificates, decrees, franchises and permits applicable to all Components of the Business (collectively, the "Licenses") are listed on Schedule 5.16(d). The Licenses are all of the licenses necessary for the Seller's ownership and operation of its or their respective properties and assets and the conduct and operation of their respective businesses (including the Business). Each Seller and Component of the Business is duly licensed by the State of California to operate, with respect to the Hospitals, as general acute care hospitals having that number and type of licensed beds as set forth on each Hospital's current general acute care hospital license, and with respect to other health care delivery operations that are Components of the Business, as a facility of such type with the number of operating rooms,

dialysis stations, etc. as set forth on the license of such Component of the Business. Such Licenses are in full force and effect and no proceeding is pending or, to the Seller's Knowledge, threatened, seeking the revocation or limitation of any such License. There are no provisions in or agreements relating to any of the Licenses that would preclude or limit the Purchaser from, with respect to the Hospitals, operating the Hospitals and using all the licensed beds of the Hospitals as they are currently classified, and with respect to other health care delivery operations that are Components of the Business, operating as currently operated by Seller. At no time during the three (3) year period prior to the Effective Date, has any Seller received any written notice indicating that the qualification as a participating provider in any Governmental Reimbursement Program of any Component of the Business may be terminated or withdrawn.

(e) Compliance Generally. Each Seller and each Hospital and other Component of the Business is and has been in compliance in all respects with all applicable Legal Requirements, including all Healthcare Requirements, governing the conduct or operation of its business (including the Business), and all of its Licenses. No Seller has received any written notice of any violation of any such Legal Requirement or License, and to the Seller's Knowledge, no written notice of such violation has been threatened at any time over the last twelve (12) months. There is no outstanding, or, to the Seller's Knowledge, threatened order or allegation from any Governmental Authority of any alleged, actual, or potential violation of any Laws. No investigation or review by any Governmental Authority is pending or, to the Seller's Knowledge, threatened, nor has any Governmental Authority notified any Seller in writing within the twelve (12) month period prior to the Effective Date of its intention to conduct the same.

(f) Conviction. No Seller, Hospital or other Component of the Business nor any director, officer, employee, agent or independent contractor of any of them has been excluded from participating in the Medicare program or any other Government Payment Programs. None of the Seller's officers, directors, agents or management employees (as that term is defined in 42 U.S.C. § 1320a 5(b)), has been (a) excluded from participating in the Medicare program or any other applicable Government Program (b) subject to sanction pursuant to 42 U.S.C. § 1320a 7a or 1320a 8, (c) convicted of, a criminal offense under the Anti-Kickback Statute (42 U.S.C. § 1320a 7b) or (d) charged with, or to the Seller's Knowledge, investigated, for any violation of Laws related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of any investigation, or controlled substances.

(g) Related Party Transactions. Except as set forth on Schedule 5.16(g), no employee, officer, director, shareholder or Affiliate of any Component of the Business or any individual related by blood, marriage or adoption to any such individual, and no entity in which any such Person or individual owns any beneficial interest is a party to any agreement, contract, commitment or transaction with any Seller or any Component of the Business, or has any interest in any property, tangible or intangible, used by any Component of the Business. The agreements, contracts, commitments or transactions set forth on Schedule 5.16(g) were negotiated at arms-length by the Seller with the other party thereto.

(h) Absence of Certain Business Practices. Neither the Sellers, nor to the Seller's Knowledge, any employees of the Sellers, Hospitals or other Components of the Business have directly or indirectly (i) made any contribution or gift which contribution or gift is

in violation of any applicable Legal Requirements, (ii) made any bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or services (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, (C) to obtain special concessions or for special concessions already obtained for or in respect of any Seller, Hospital, or other Component of the Business or any Affiliate thereof, or (iii) established or maintained any fund or asset of any Seller that has not been recorded in the books and records of such Seller.

(i) Licensed Employees. All employees of the Hospitals and other Components of the Business are properly licensed and in good standing with the applicable Governmental Authority.

(j) Billings. All billings of the Sellers, Hospitals, and other Components of the Business with respect to applicable Government Payment Programs have been and are in compliance in all respects with applicable Legal Requirements, and no Seller, Hospital, or Other Component of the Business has billed or received payment or reimbursement in excess of amounts allowed by applicable Legal Requirements (other than refunds, claims, deficiencies, offsets or adjustments allowed by applicable Legal Requirements).

(k) Physicians.

(i) Schedule 5.16(k)(i) lists any Contractual Obligation to which (x) a Physician or (y) to the Seller's Knowledge, any entity in which or with respect to which a Physician holds directly or indirectly an investment interest, is a counterparty with the Seller, any Hospital or other Component of the Business whether or not such Contractual Obligation relates to medical services (each, a "Physician Contract").

(ii) No Physician who directly or indirectly holds an investment interest in or with respect to any Seller, Hospital or other Component of the Business (A) is on the medical staff of any Hospital operated by such Seller or (B) admits patients to any Hospital or orders services provided by any Hospital, in each case operated by such Seller except in the case where an exception to the Stark Law applies.

(iii) No Physician holds any direct or indirect ownership or investment interest in any entity that is a party to any Real Property Lease.

(l) Audits; Settlements. Schedule 5.16(l) sets forth a description of any audits of the Sellers performed within the last twelve (12) months by any Governmental Authority, RAC auditor or other contract auditor on behalf of a Governmental Authority, an identification of any settlement agreements and, to the Seller's Knowledge, any unresolved matters raised in writing with the Sellers by any such Governmental Authority, RAC auditor or other contract auditor on behalf of a Governmental Authority.

(m) Health Information Technology for Economic and Clinical Health Payments. All payments received and claims made with respect to the Health Information Technology for Economic and Clinical Health program by each element of the Business have

been or will be received (whether by Seller or Purchaser) in compliance in all respects with the applicable Legal Requirements with respect to meaningful use of electronic health records, and no Seller, Hospital, or other Element of the Business has received or claimed such payments in excess of amounts allowed by applicable Legal Requirements. Except as set forth on Schedule 5.16(m), all expenditures have been made, and all functionality has been achieved, to entitle Seller and each element of the Business to receive the payments it has received with respect to the Health Information Technology for Economic and Clinical Health program.

**Section 5.17. Restrictions on Business Activities.** There is no agreement, judgment, injunction, order or decree binding upon the Seller or the Transferred Assets or, to the Seller's Knowledge, threatened, that has or could reasonably be expected to have the effect of prohibiting or impairing the use of the Transferred Assets, the conduct of the business of any Seller as currently conducted or any business practice of any Seller, including the Business, the acquisition of property, the provision of services, the hiring of employees, and the solicitation of customers, in each case either individually or in the aggregate

**Section 5.18. Absence of Certain Changes.** Since July 1, 2013, except as set forth on Schedule 5.18, Seller has operated the Business in the ordinary course and has maintained its relationships with customers, vendors, suppliers, employees, agents and others consistent with past practice, and, to the Seller's Knowledge, there has not occurred any event, development or change that, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect. Without limiting the generality of the immediately preceding sentence and since that date, except as set forth on Schedule 5.25, in the ordinary course of business, no Seller has:

- (a) permitted any of its Purchased Assets to become subject to an Encumbrance other than a Permitted Exceptions;
- (b) increased the base rate of compensation of any of its employees not subject to a collective bargaining agreement by ten percent (10%) or more, including, without limitation, any increase or change pursuant to any bonus, pension, profit sharing, retirement or other plan or commitment;
- (c) adopted any new material Employee Pension Benefit Plan or, except as required by Legal Requirements, materially amended, any Employee Welfare Benefit Plan;
- (d) extended, terminated or modified any Material Contract, permitted any renewal notice period or option period to lapse with respect to any Material Contract or received any written notice of termination of any Material Contract, except for terminations of Material Contracts upon their expiration during such period in accordance with their terms;
- (e) entered into any cancellation, waiver, compromise or release of debts, rights or claims under a Material Contract, including any write-off or other compromise of any Account Receivable other than in the ordinary course of business;
- (f) entered into any commitment or transaction (including, without limitation, any borrowing, capital expenditure, or becoming liable in respect of any Debt or guarantee) other than in the ordinary course of business consistent with past practice;

(g) discharged or satisfied any Permitted Exception other than those then required to be discharged or satisfied during such period in accordance with their original terms;

(h) paid any obligation or liability (absolute, accrued, contingent or otherwise), whether due or to become due, except for any current liabilities, and the current portion of any long term liabilities, shown on the [Financial Statements] or incurred since the date of the [Balance Sheet] in the ordinary course of business consistent with past practice;

(i) sold, transferred, leased to others or otherwise disposed of any Transferred Assets or made a lien on any of the properties or Transferred Assets;

(j) granted credit to any director, employee, customer or vendor on terms or in amounts more favorable than those which have been extended to such director, employee, customer or vendor or similar customers or vendors in the past, or made any change in the terms of any credit heretofore extended, or any other change of the policies or practices of Seller with respect to the granting of credit;

(k) suffered any material damage or destruction to, loss of, or condemnation or eminent domain proceeding relating to any of its tangible properties or assets (whether or not covered by insurance);

(l) lost the employment services of any (A) chief executive officer or equivalent officer, (B) chief financial officer or equivalent officer, (C) head of clinical operations at any Hospital, or (D) any other employee or consultant regularly performing services whose annual compensation exceeded One Hundred Fifty Thousand Dollars (\$150,000);

(m) made any loan or advance to any Person, other than travel and other similar routine advances to employees, consultants and independent contractors in the ordinary course of business consistent with past practice;

(n) purchased or acquired any capital stock or other securities of any other corporation or any ownership interest in any other business enterprise, other than securities listed on a national securities exchange;

(o) made any capital expenditures or capital additions or betterments in amounts which exceeded Two Hundred Thousand Dollars (\$200,000), in the aggregate;

(p) changed its method of accounting or its accounting principles or practices, including any policies or practices with respect to revenue recognition or the establishment of reserves for accounts receivable, utilized in the preparation of the [Financial Statements], other than as required by GAAP;

(q) instituted or settled any litigation, or been subject to an Action by any Person or before any court or Governmental Authority alleging a violation of any Legal Requirement, contract, debt, Environmental Law, Tax or other violation by such Seller relating to it or any of its properties or Purchased Assets or the Business;

(r) entered into or terminated any Physician Contract; entered into any material agreements, commitments or contracts, except those made in the ordinary course of business consistent with past practice; or

(s) entered into any material agreement or commitment to do any of the foregoing.

**Section 5.19.** Representations with Respect to the Equity Interests in DePaul Ventures, Marrilac Insurance Company, St. Vincent Dialysis Center, De Paul Ventures San Jose ASC, LLC , and De Paul Ventures San Jose Dialysis, LLC. The following representations are made by the Seller or Sellers that hold and that shall transfer to Purchaser the equity interests (whether limited liability company, limited partnership, corporation, or other legal entity form) of, or with respect to, DePaul Ventures, Marrilac Insurance Company, St. Vincent Dialysis Center, De Paul Ventures San Jose ASC, LLC , and De Paul Ventures San Jose Dialysis, LLC:

(a) Except as indicated on Schedule 5.19(a) , Seller holds one hundred percent (100%) of the equity interests (of any kind or nature) of such entity

(b) Seller has good and marketable title to, and sole record and beneficial ownership of, such equity interests, all of which are listed on Schedule 5.19(b).

(c) Such equity interests shall be transferred to the Purchaser by the Seller pursuant hereto, free and clear of any encumbrance.

(d) There are no encumbrances on such equity interests.

(e) Seller has the full capacity, right, power and authority to enter into this Agreement and to transfer, convey and sell to the Purchaser at the Closing that number of equity interests of each such entity indicated on Schedule 5.19(b).

(f) Upon consummation of the Closing, the Purchaser will acquire from the Seller legal and beneficial ownership of and good and valid title to that number of equity interests indicated on Schedule 5.19(b), free and clear of any encumbrances.

(g) Sellers has not assigned any rights related to its equity interests in any of the abovementioned entities.

**Section 5.20.** Representations With Respect to Marrilac Insurance Company, Ltd. As used in this Section 5.20, “Insurer” means to Marillac Insurance Company, Ltd.

(a) The Insurer is an insurance company duly organized, validly existing and in good standing under the laws of the Cayman Islands and has all requisite company power and authority to own and lease its properties and to carry on its business as conducted by it,

(b) The Insurer has duly registered as a [\_\_\_\_\_] insurer under the Cayman Islands Insurance Law (the “Insurance Law”) and continues to be so registered, and by the nature of its registration under the Insurance Law is registered as the correct class of insurer

in order to enter into and perform its obligations under all insurance policies issued to or with respect to the Business (the “Policies”).

(c) The Insurer has taken all corporate action required to authorize the execution, delivery and performance of the Policies, and the performance of its obligations thereunder.

(d) The Insurer has the corporate power and authority to execute and deliver, and perform its obligations under the Policies.

(e) The Policies constitute a legal, valid and binding obligation of the Insurer, enforceable except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting creditors’ rights generally and subject to the application of equitable principles and the availability of equitable remedies.

(f) The execution and delivery by the Insurer the Policies, and the performance by the Insurer under the Policies, do not and will not require the Insurer to possess, obtain, make, provide or deliver any consent, waiver, approval, license, permit, order, designation or authorization of, notice to, or registration, filing, qualification or declaration with, any Governmental Entity or other Person, other than any of which have been unconditionally obtained or effected (as appropriate) and are in full force and effect.

(g) The Insurer is, and will use its best efforts to remain, in compliance at all times and in all material respects with all Applicable Laws, including, to the extent applicable, the Insurance Law and with the conditions attached to its license or with any directions to the Insurer issued by the Cayman Islands Monetary Authority (“CIMA”) under the Insurance Law. The Insurer has not made any unauthorized reductions of capital or paid any unauthorized dividends or distributions in the past two years.

(h) The Insurer is currently in compliance with all requirements applicable to the Insurer to provide statutory financial statements and audited financial statements in respect of its insurance business to the CIMA

(i) The Insurer is solvent, including by all applicable standards of solvency under Cayman Islands law. The Insurer has at all times kept the general business and long term business of Insurer separate in accordance with the applicable provisions of the Insurance Law including the maintenance of the long-term business fund,

(j) There are no pending or, to Seller’s Knowledge, threatened Actions by or against the Insurer that are material to its business, at law or in equity or otherwise before any court, tribunal, agency, official, arbitrator or other Governmental Authority and the Insurer has not been the subject of any Actions in the last two years.

## ARTICLE VI.

### REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as set forth in the Disclosure Schedules, Purchaser hereby represents and warrants to Seller that the statements contained in this ARTICLE VI are true and correct as of the date hereof, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof):

**Section 6.01.** Organization and Authorization of Purchaser. Purchaser is a corporation duly organized, validly existing and with active status under the laws of the State of Nevada and is duly authorized to transact business in the State of California. Purchaser has the requisite power and authority to enter into this Agreement and the other documents contemplated hereby and thereby, perform its obligations hereunder and thereunder.

**Section 6.02.** Corporate Authority; Absence of Conflicts with Other Agreements. Purchaser's execution, delivery and performance of this Agreement and the other documents contemplated hereby and thereby to which Purchaser is a party, and the consummation by Purchaser of the Transaction contemplated hereby: (a) are within the corporate power of Purchaser, are not in contravention of Legal Requirements or of the terms of any governing instruments of Purchaser, as appropriate, and have been duly authorized by all appropriate corporate action, as appropriate; (b) will not violate, conflict with or constitute on the part of Purchaser a breach or a default under any existing Legal Requirement or any agreement, indenture, mortgage or lease to which Purchaser may be subject; and (c) will not violate any order or judgment of any Governmental Authority to which Purchaser may be subject.

**Section 6.03.** Binding Obligations. This Agreement and any other agreements or instruments to which Purchaser or its Affiliates will become a party pursuant hereto constitute or will constitute the valid and legally binding obligation of Purchaser or such Affiliates and are or will be enforceable against Purchaser or such Affiliates in accordance with the terms hereof or thereof, except as enforceability against Purchaser or its Affiliates may be restricted or limited by any or all of the Enforceability Exceptions.

**Section 6.04.** Noncontravention. Neither the execution and delivery by Purchaser of this Agreement and the Ancillary Agreements, nor the consummation of the Contemplated Transactions nor compliance with any of the provisions hereof by Purchaser will violate, will constitute a violation of, or be in conflict with, or constitute or create a default or accelerate or adversely affect any obligations under (a) the articles of incorporation, bylaws or other organizational documents of Purchaser or (b) any Legal Requirement.

**Section 6.05.** No Broker's Fees. Purchaser has not employed any investment banker, broker, finder, agent or other intermediary in connection with the negotiation or consummation of this Agreement or the Transaction.

**Section 6.06.** Legal Proceedings. There are no claims, proceedings or investigations pending or, to the Knowledge of Purchaser, threatened, which would either have a Material Adverse Effect on Purchaser's ability to consummate the Transaction. Purchaser is not subject to any order of any Governmental Entity that would have a Material Adverse Effect on P

Purchaser's ability to consummate the Transaction. Purchaser is in substantial compliance with respect to any order of any Governmental Authority the noncompliance with which could reasonably be expected to have a Material Adverse Effect on Purchaser's ability to consummate the Transaction.

**Section 6.07.** Ability to Perform. Purchaser shall have immediately available funds in cash plus borrowing availability under credit lines, on the Effective Date, as of the Closing Date and all times in-between, which are sufficient to pay (i) the amounts required under Section 4.01, plus (ii) any other amounts payable at Closing pursuant to this Agreement and each ancillary agreement, less (iii) the amount of the Good Faith Deposit funded to Seller, and as of the Closing Date less (iv) the amount of unrestricted cash of Seller, which amount shall be necessary to consummate the Transaction.

**Section 6.08.** Required Consents. No approval by any Governmental Authority is necessary or required for the execution and delivery of this Agreement by Purchaser or for the consummation by Purchaser of the Transaction, except for such approvals as set forth in Schedules 6.08, or as may be required under the HSR Act, and any other applicable antitrust Laws.

**Section 6.09.** Purchaser's Experience and Investigation. Purchaser has extensive knowledge and experience in financial, regulatory and business matters relating to owning and operating general acute care hospitals. Purchaser has reviewed all information it deems necessary to its satisfaction with respect to the Business. Purchaser has relied solely upon its own investigation of the business, assets, risks and prospects of the Business (which, except as herein provided, it has completed prior to entering into this Agreement) and those express representations and warranties of Seller made in this Agreement or in any instrument or document delivered by Seller pursuant to this Agreement. Purchaser acknowledges that neither Seller nor any of its officers, directors, employees, representatives, Affiliates or agents assumes any responsibility for the accuracy or adequacy of any information heretofore or hereafter furnished to the Purchaser by or on behalf of Seller with respect to the Business, except as expressly provided in this Agreement and the Disclosure Schedules. Without limiting the generality of the foregoing, Purchaser understands that any cost estimates, projections or other forward-looking information provided to Purchaser by or on behalf of Seller are not and shall not be deemed to be representations and warranties of Seller, except to the extent reflected in the express representations and warranties of Seller made in this Agreement or in any instrument or document delivered by Seller pursuant to this Agreement. Except with respect to the express representations and warranties of Seller made in this Agreement or in any instrument or document delivered by Seller pursuant to this Agreement, Purchaser acknowledges that (a) there are uncertainties inherent in attempting to make such estimates, projections and other predictions; (b) Purchaser is familiar with such uncertainties; and (c) Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections or other predictions so furnished to it.

**Section 6.10.** Solvency. Purchaser is solvent and will not be rendered insolvent as a result of any of the Transaction contemplated by this Agreement. For purposes hereof, the term "solvency" means that: (a) the fair salable value of Purchaser's tangible assets is in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or

not reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (b) Purchaser is able to pay its debts or obligations in the ordinary course as they mature; and (c) Purchaser has capital sufficient to carry on its businesses and all businesses which it is about to engage, including, without limitation, adequate working capital to operate the Business following the Closing.

**Section 6.11. Commitment Letter.** Attached as Exhibit F hereto is a true, complete and accurate copy of the fully executed commitment letter(s) from [ ] to Purchaser and from [ ] to Purchaser (the “Commitment Letters”) pursuant to which [ ] has agreed, subject to the express terms and conditions set forth therein, to provide the [senior debt financing] [acquisition capital/consideration] to Purchaser in the amount specified therein (“Debt Financing”). Other than the Commitment Letter and customary fee letters, joinder documentation and non-disclosure agreement, there are no other agreements between Purchaser, on the one hand, and any of the counterparties to the Commitment Letter, on the other hand, with respect to any of the financing arrangements contemplated thereby and/or with respect to the transactions contemplated hereby. The Commitment Letter is, subject to the terms and conditions included therein, the legal, valid and binding obligation of Purchaser and, to the knowledge of the Purchaser, each of the counterparties thereto and has not been modified, amended, supplemented, withdrawn and/or terminated prior to the date hereof in any respect and no provision thereof has been waived prior to the date hereof. There are no other agreements to which Purchaser or any Affiliate of Purchaser is a party that would reasonably be expected to adversely affect or impair the availability of the Debt Financing contemplated by the Commitment Letter. Purchaser has no knowledge of any event that, with or without notice or lapse of time or both, would constitute a default or breach by Purchaser under the Commitment Letter or that would reasonably be expected to result in any of the conditions set forth in the Commitment Letter not being satisfied or any financing contemplated by the Commitment Letter not being provided to Purchaser on the Closing Date.

**Section 6.12. Health Care Compliance.**

(a) Except as set forth on Schedule 6.12(a), since January 1, 2012, neither Purchaser nor any of its Affiliates has received any subpoenas, demands or other notices from any Governmental Authority investigating, inquiring into or otherwise relating to any material violation of any Legal Requirement, including any Health Care Law; and, to the Knowledge of Purchaser, neither Purchaser nor any of its Affiliates, is under investigation by any governmental authority for a violation of any Law, including any Health Care Law.

(b) Since January 1, 2012, there have been (i) no material statements of deficiencies filed against Purchaser or its Affiliates by the Centers for Medicare & Medicaid Services or any state agency acting on behalf of the Centers for Medicare & Medicaid Services, and (ii) no penalties asserted against Purchaser or its Affiliates issued under California Health and Safety Code Section 1280.1, except as set forth and described (including status and resolution of any such statements of deficiencies) on Schedule 6.12(b)

(c) Neither Purchaser nor its Affiliates has ever been denied approval (or asked to withdraw an application) to acquire control or licensure of a hospital or long-term care facility by a Governmental Authority, except as set forth on Schedule 6.12(c).

(d) No hospital owned and operated by Purchaser has been excluded from participation in the Medicare or Medicaid program nor is any such exclusion threatened. To the Knowledge of Purchaser, no employee or independent contractor of Purchaser or its Affiliates (whether an individual or entity) has been excluded from participating in any federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)). To the Knowledge of Purchaser, none of the officers, directors or managing employees (as such term is defined in the Medicare Program Integrity Manual) of Purchaser has been excluded from participation in the Medicare or Medicaid programs or been subject to sanction pursuant to 42 U.S.C. § 1320a-7a or 1320a-8 or been convicted of a crime described at 42 U.S.C. § 1320a-7b.

(e) Neither Purchaser, nor any Affiliate nor any officer, director or employee of Purchaser or any Affiliate has now or in the past, been subject to or bound by a corporate integrity agreement with the United States Department of Health and Human Services Office of the Inspector General or other similar agreement (*e.g.*, deferred prosecution agreement) with any Governmental Authority.

## ARTICLE VII.

### COVENANTS OF SELLER

#### **Section 7.01.** Required Approvals; Change in Ownership Applications.

(a) Seller shall (i) use diligent efforts, as reasonably requested by Purchaser, to assist Purchaser in the securing of, as promptly as practicable and before the Closing Date, all Governmental Approvals (except with regard to the AG Approval, as set forth in Section 7.01(b)), which shall include making available to Purchaser personnel at the Hospitals and other components of the Business to assist Purchaser in the preparation of license and certification applications and entering into such commercially reasonable leaseback and management agreements to the extent required to facilitate the Closing (which the Parties anticipate shall not be required with respect to any Hospital or other component of the Business that is acquired through a "Corporation Conversion Structure"), and (ii) will provide such other information and communications to Governmental Authorities and accrediting and certifying bodies as Purchaser or such authorities and bodies may reasonably request.

(b) As soon as practicable after the Effective Date, Seller shall file with the U.S. Federal Trade Commission and the U.S. Department of Justice Antitrust Division the required Notification and Report Form for Certain Mergers and Acquisitions under the HSR Act, and such other filings as Purchaser and Seller may mutually determine are necessary or desirable in connection with the Contemplated Transactions under applicable Antitrust Laws (collectively, the "Antitrust Filings") with the appropriate Governmental Authority designated by law to receive such filings. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, Seller shall use reasonable

efforts to comply with such request. Seller shall promptly inform Purchaser of any material communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Seller shall give Purchaser reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, the U.S. Department of Justice or the U.S. Federal Trade Commission or the California Attorney General relating to the Antitrust Filings. Seller shall deliver to Purchaser within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by Seller. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Authority in connection with the Antitrust Filings shall be paid solely by Purchaser at the time of filing.

(c) As soon as practicable after the Effective Date, Seller shall file with the California Attorney General such filings as Seller may determine are necessary or desirable in connection with receiving AG Approval. As promptly as is practicable after receiving any request from the California Attorney General for information, documents, or other materials in connection with the review of the request for AG Approval, Seller shall use reasonable efforts to comply with such request. Seller shall promptly inform Purchaser of any material communication with, and any proposed understanding, agreement or undertaking with, the California Attorney General relating to the AG Approval. Seller shall give Purchaser reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, the California Attorney General relating to the AG Approval. Seller shall deliver to Purchaser within five (5) Business Days following the filing thereof, a complete and accurate copy of any materials filed with the California Attorney General by Seller in connection with the AG Approval. Purchaser shall pay or refund to Seller all fees required to be paid to the California Attorney General.

(d) Seller shall reasonably assist Purchaser to complete change of ownership applications and notices with respect to Licenses, billing numbers, provider applications and other permits relating to the Hospital for each of the functions at Hospital which require approval of the change of ownership by a Governmental Authority or by a third party payor (an “Application”). Seller shall provide Purchaser in a timely manner with such information about the Hospital as may be needed for the completion and filing of each Application.

**Section 7.02.** Consents to Assignment. Seller shall use commercially reasonable efforts to obtain prior to the Closing, any and all consents to assign any Contracts and Leased Real Property. As soon as commercially reasonable, Seller shall send consent requests with respect to each Contract. Seller shall cooperate with Purchaser as reasonably requested to obtain any such consents.

**Section 7.03.** Conduct of the Business Generally. From the Effective Date until the Closing, or the earlier termination of this Agreement in accordance with ARTICLE XI, without the prior written consent of Purchaser (which Purchaser shall not unreasonably withhold, condition or delay), and except to the extent described on Schedule 7.03, Seller shall, with respect to the operation of the Hospital:

(a) carry on Seller's operation of the Hospital consistently with applicable Legal Requirements;

(b) maintain in effect the insurance and equipment replacement coverage described on Schedule 7.03(b);

(c) make such capital expenditures as may be necessary to maintain operation of the Transferred Assets in working condition, subject to ordinary wear and tear;

(d) pay any stay bonus agreed to prior to the Effective Date and provide reasonable compensation in the form of a stay bonus, which collectively in the aggregate shall not exceed Three Million Five Hundred Thousand Dollars (\$3,500,000) to certain key employees in order to retain such employees as Seller deems necessary in order to effectively operate the Hospitals, DCHS or any Affiliate of DCHS (included within Section 4.01(b)); and

(e) use reasonable efforts to preserve intact Seller's business organization and relationships with third parties (including lessors, lessees licensors, suppliers, distributors, Unions and patients) and Hospital Employees.

**Section 7.04. Conduct of Business.** From the Effective Date until the Closing, or the earlier termination of this Agreement in accordance with ARTICLE XI, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed, and except to the extent described on Schedule 7.04, Seller shall not take any of the following actions:

(a) amend the Articles of Incorporation of Seller;

(b) merge or consolidate Seller with any other Person;

(c) increase any benefits under any Seller Plan or increase the compensation payable or paid, whether conditionally or otherwise, to any employee of Seller in an amount over three percent (3%) of base compensation other than any such increase in benefits or compensation required by Legal Requirements or required pursuant to the terms of an existing Seller Plan or an existing employment, consulting, indemnification, change of control, severance, retention or similar agreement with any current or former director, officer, employee or consultant of the Hospital;

(d) except in the Ordinary Course of Business, sell, lease, license or otherwise dispose of any of the material Transferred Assets of Seller; or.

(e) Except in the Ordinary Course of Business make any payments to any Person, including without limitation, utilization any of the funds described in Section 4.01.

(f) Notwithstanding any provision to the contrary contained in this Agreement, neither Section 7.03 nor this Section 7.04 shall be construed to prohibit Seller from engaging in any act which Seller reasonably believes is necessary to preserve and protect the continued condition and operation of the Hospital or to perform the contractual obligations of Seller.

(g) Additional Financial Information. Within thirty (30) days following the end of each calendar month prior to Closing or forty-five (45) days in the case of the end of the fiscal year, Seller shall deliver to Purchaser complete copies of the unaudited balance sheets and related unaudited statements of income of Seller with respect to the operation of the Hospital for each month then ended, together with corresponding year-to-date amounts (the “Interim Financial Statements”), the presentation of which shall be consistent with the provisions of Section 5.04.

**Section 7.05.** Notice to Purchaser. From the Effective Date until the Closing; or the earlier termination of this Agreement in accordance with ARTICLE XI, Seller shall (i) notify Purchaser in writing (with any such writing to include a written update to the Disclosure Schedules to the extent applicable) of any Material Adverse Effect of which Seller has knowledge, (ii) promptly upon becoming aware of any material breach by Seller of this Agreement, give written notice to Purchaser thereof, and (iii) update all schedules as necessary to make Seller’s representations and warranties true and complete. For the avoidance of doubt, the conditions to Purchaser’s obligations at the Closing set forth in Section 10.01 and Section 10.02 shall be read to give effect to any commercially reasonable update to the schedules or other written notices delivered pursuant to this Section 7.05.

**Section 7.06.** Collective Bargaining Agreements. From the Effective Date until the Closing Date, Seller shall not, without Purchaser’s prior written consent, amend the material conditions of employment or extend the term of any Collective Bargaining Agreement, except to maintain labor stability in furtherance of consummation of the Contemplated Transactions.

**Section 7.07.** Confidentiality. Seller agrees that the Confidentiality Agreement will survive the execution and delivery of this Agreement and that the information, documents and instruments delivered to Purchaser by or on behalf of Seller are “Confidential Information” (as defined in the Confidentiality Agreement) and shall continue to be protected under the terms of the Confidentiality Agreement. Seller agrees that prior to the Closing, it will maintain the confidentiality of all such Confidential Information delivered to it by or on behalf of Purchaser in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants of the Confidentiality Agreement. This Section 7.07 shall not prohibit the disclosure by Seller or Purchaser of any information, instruments or documents that are required to be filed with Governmental Authorities by Seller or Purchaser under applicable securities related Legal Requirements or in connection with the regulatory filings, applications and notifications necessary or appropriate in connection with the Contemplated Transactions, so long as Purchaser or Seller, as applicable, receives reasonable advance written notice from the other, or as is otherwise consistent with the due diligence or other transition matters associated with the Contemplated Transactions. In addition, any Party may disclose Confidential Information received from the other party in an Action brought by a Party hereto in pursuit of its rights or in exercise of its remedies hereunder.

**Section 7.08.** Termination of Hospital Employees. On the Closing Date, (a) the Hospital Employees shall cease to be employees of Seller, and shall be removed from Seller’s payrolls and (b) Seller shall terminate the participation of all Hospital Employees in any Seller Plan.

**Section 7.09.** Access to Physicians, Hospital Management Teams and Other Persons. Following the Effective Date, Seller shall permit and allow reasonable access by Purchaser and its representatives to establish relationships with physicians on each Hospital medical staff and other Persons who have business relationships with the Business and to meet regularly with the management team of each Hospital.

**Section 7.10.** Directors and Officers Tail Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “D&O Insurance”) for claims made on or after the Closing from Seller’s current director and officer liability insurance carrier or another carrier with the same or better credit rating, for the persons who, as of the Effective Date, are covered by Seller’s existing D&O Insurance with terms at least as favorable as Seller’s existing D&O Insurance with respect to matters existing or occurring at or prior to the Closing.

**Section 7.11.** Fiduciary Liability Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “Fiduciary Liability Insurance”) for claims made on or after the Closing Date with respect to matters existing or occurring prior to the Closing Date from DCHS’ current fiduciary liability insurance carrier or another carrier with the same or better credit rating, for the persons who, as of the Effective Date, are covered by DCHS’ existing Fiduciary Liability Insurance with terms at least as favorable as DCHS’ existing Fiduciary Liability Insurance with respect to matters existing or occurring at or prior to the Closing Date.

**Section 7.12.** Properties. Seller shall reasonably cooperate with Purchaser in Purchaser’s efforts prior to the Closing to obtain bids for sale/leaseback or other financing transactions with respect to the Real Property, which transactions would close concurrent with the Closing. For purposes of this Section 7.11, “reasonably cooperate” means permitting Purchaser to show properties to prospective purchasers/financiers, conducting tours of such properties for such prospective purchasers/financiers, and providing such information about the properties normally made available to such purchasers/financiers.

**Section 7.13.** Interim Consulting Agreement. In an effort to effectuate a smooth transition between Seller and Purchaser, Seller hereby engages Purchaser at no cost for consulting services from the time of execution of this Agreement until Closing to allow and aid in improving cost effectiveness and patient care quality metrics consistent with Purchaser’s existing policies and protocols. Seller will use diligent efforts to cooperate with Purchaser, and Seller will consider in good faith Purchaser’s reasonable recommendations, subject at all times to DCHS’ ultimate authority and control over the Business and the Hospitals. Diligent efforts to cooperate with Purchaser and consideration in good faith (as referenced above) shall include statements from Seller’s President and CEO that management will: (i) adapt reasonable productivity standards that reflect the performance of mutually agreed peer group hospitals; (ii) review and revise and standardize the productivity reporting processes and support the Hospitals’ efforts to achieve these targets; and (iii) provide access to information needed to support an intensive evaluation of supply costs and vendors, purchased service costs, professional service costs, and medical record documentation, coding and billing. Notwithstanding the foregoing, Seller shall have no obligation to follow the consulting advice of Purchaser as discussed in this Section 7.13 prior to Closing.

## ARTICLE VIII.

### COVENANTS OF PURCHASER

**Section 8.01.** Required Governmental Approvals and Accrediting Approvals; Change of Ownership Applications.

(a) Subject to the terms and conditions of this Agreement, from the Effective Date to the Closing, or the earlier termination of this Agreement pursuant to ARTICLE XI, Purchaser shall use reasonable efforts to cause to be received by the Parties all Governmental Approvals, and to do or cause to be done all other things necessary, proper or advisable, in order to consummate and make effective the Contemplated Transactions as soon as practicable following the Effective Date including satisfaction, but not waiver, of the conditions set forth in ARTICLE IX and ARTICLE X, including, without limitation, the following:

(i) Purchaser shall use reasonable efforts to secure as promptly as practicable before the Closing Date, and, as reasonably requested by Seller, aid Seller with respect to assisting Purchaser in securing, all Governmental Approvals including the AG Approval; and

(ii) Purchaser shall provide such other information and communications to Governmental Authorities and accrediting and certifying bodies as Seller or such authorities or bodies may reasonably request.

(b) Purchaser shall act diligently and reasonably to complete change of ownership applications and notices with respect to all Applications. Purchaser shall complete and file all Applications that are required by a Governmental Authority or by a third party payor to be filed by the transferor. Promptly after the filing of each Application, Purchaser shall provide one full copy of such Application to Seller. Purchaser shall pay the entirety of any fees charged by a Governmental Authority in connection with the filing of any Application including, without limitation, fees charged in connection with Applications that must be filed by the transferor.

(c) As soon as practicable after the Effective Date, Purchaser shall file with the U.S. Federal Trade Commission and the U.S. Department of Justice Antitrust Division the Antitrust Filings with the appropriate Governmental Authority designated by law to receive such filings. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, Purchaser shall use reasonable efforts to comply with such request. Purchaser shall cooperate with Seller in connection with resolving any inquiry or investigation by the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Purchaser shall promptly inform Seller of any communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Purchaser shall give Seller reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any meeting or conference (whether by telecommunications or in person) with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to

the Antitrust Filings. Purchaser shall deliver to Seller within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by Purchaser. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Authority in connection with the Antitrust Filings shall be paid solely by Purchaser at the time of filing.

**Section 8.02. Employees.**

(a) Purchaser shall, prior to the Closing Date, offer to employ on terms and conditions (including base salary, wage levels and bonus opportunities, and job duties, titles and responsibilities) substantially similar to those in effect immediately prior to the Closing Date, whether such employees are full-time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to DCHS' and its Affiliates' policies as set forth on Schedule 8.02(a), the Family and Medical Leave Act of 1993 or other similar Legal Requirements, substantially all (i) unrepresented employees of the Hospitals, the DCHS Medical Foundation, CBS and the system office employees (excluding the Senior Leaders), and (ii) all employees working under a Collective Bargaining Agreement, or otherwise represented by a union for purposes of collective bargaining with DCHS, each of whom are employed by DCHS as of the Closing Date (those of the foregoing who accept an offer for employment from Purchaser, collectively the "Continuing Employees").

(b) Prior to the Closing Date, Purchaser shall make employment offers to substantially all of the Senior Leaders, which includes the DCHS Executives, the Hospital CEOs, the DCHS Medical Foundation President and Chief Medical Officer, and the CBS Senior Directors, all of whom are listed on Schedule 8.02(b) and who are employed by DCHS as of the Closing Date (those Senior Leaders who accept employment offers from Purchaser, collectively "Continuing Senior Leaders").

(c) Purchaser agrees to adhere to and abide by the severance obligations set forth in the DCHS employment agreements of the Continuing Senior Leaders and Continuing Employees and for those Continuing Employees or Continuing Senior Leaders who do not have a written employment agreement, Purchaser agrees to abide by DCHS' and its Affiliates' severance obligations as set forth on the policies attached to Schedule 8.02(c) for a period of eighteen (18) months following the Closing Date; provided, however, if a Continuing Senior Leader or Continuing Employee executes a written employment agreement with Purchaser the severance obligations in such agreements with Purchaser shall govern and consequently such Continuing Senior Leader or Continuing Employee will no longer be entitled to the severance benefits set forth in their DCHS employment agreement; provided however, that Purchaser shall not be obligated to make any severance or similar payment unless the relevant employee executes a full release of claims.

(d) For the avoidance of doubt, Purchaser shall provide employee benefits to such Continuing Employees and Continuing Senior Leaders that are consistent with the benefits to which such Continuing Employees and Continuing Senior Leaders are entitled immediately prior to the Closing Date, in each case, consistent with each Continuing Employees' and Continuing Senior Leaders' terms of employment immediately prior to the Closing Date and, if applicable, subject to any requirements as may be provided under a Collective Bargaining

Agreement, including any expired Collective Bargaining Agreement in which a duty to bargain still exists; provided, however, that if a Continuing Employee or Continuing Senior Leader enters into an employment agreement with Purchaser after the Closing Date, Purchaser shall provide employee benefits to such Continuing Employee and Continuing Senior Leader that are consistent with such employment agreement. The employment offers to any Hospital Employee shall be on such terms, conditions and benefits that neither the federal Worker Adjustment and Retraining Notification Act (29 U.S.C. §§ 2101 et seq.), the California Worker Adjustment and Retraining Notification Act (Assembly Bill 2957, Chapter 4, Part 4, Sections 1400-1408, California Labor Code et seq.), nor any other federal, state, or local legal requirement regarding mass employment separations (together, the “WARN Act”) shall be violated as a result, in whole or in part, of the Contemplated Transactions or the separation of the Hospital Employees from Seller’s employment related thereto. Notwithstanding the foregoing, Purchaser’s obligation to hire any Hospital Employee shall be conditioned upon satisfactory completion of a background check, drug testing and other customary screenings performed with respect to prospective employees of Purchaser; provided, however, that should Purchaser not hire any Hospital Employee(s) because they do not satisfactorily complete the foregoing conditions, it shall not in whole or in part result in a violation of the WARN Act. Notwithstanding anything in the foregoing, or in any other provision of this Agreement, Seller shall give all WARN Act notices required under federal and California law. xxx

(e) Purchaser shall cause each Continuing Employee and Continuing Senior Leader to receive service credit for all of his or her years of service with Seller and Seller’s predecessors in interest for purposes of determining eligibility, vesting and the amount of holiday, vacation or sick pay to which each such Continuing Employee and Continuing Senior Leader is entitled under the applicable benefit plans, programs and arrangements of Purchaser.

(f) Purchaser will indemnify, defend and hold Seller harmless from and against any loss, damage, liability, claim, cost or expense (including, without limitation, reasonable attorneys' fees) that may be incurred by, or asserted against, Seller under the WARN Act or any similar state or local law to the extent it involves a past or present employee of Seller and concerns acts or omissions occurring, in whole or in part, on or after the Closing Date, or as a result of the Contemplated Transactions. Purchaser shall not cause a violation of the WARN Act, in whole or in part, as of the Closing Date.

(g) Purchaser shall assume, effective at Closing, each Collective Bargaining Agreement.

(h) Purchaser shall cause all pre-existing conditions that any Continuing Employee and Continuing Senior Leader or his or her covered dependents has as of the Closing Date, and all proof of insurability provisions to which such employee or dependent would be otherwise subject, to be waived or satisfied for all conditions covered by any plan maintained by Purchaser or its Affiliates in which any such employee participates, in each case to the same extent waived or satisfied under the corresponding Seller’s Plan. Purchaser shall cause all waiting periods applicable to newly-Continuing Employees and Continuing Senior Leaders under each plan maintained by Purchaser or its Affiliates to be waived with respect to Continuing Employees and Continuing Senior Leaders and their covered dependents to the

extent that any such waiting periods were waived or satisfied under the corresponding Seller's Plan.

(i) Purchaser shall cause any eligible expenses incurred by a Continuing Employee and Continuing Senior Leader and his or her covered dependents during the portion of the plan year prior to the Closing Date to be accounted for in the corresponding new or existing employee benefit plan of Purchaser or their Affiliates for purposes of satisfying all deductibles, coinsurance and maximum out-of-pocket requirements applicable to such employee and/or his or her covered dependents for the plan year in which the Closing Date occurs if such amounts had been paid for the corresponding benefit in accordance with such new or existing employee benefit plan.

(j) Purchaser will make available group health plan continuation coverage required under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to employees and former employees of Seller who are eligible for such coverage.

**Section 8.03. Consents to Assignment.** Purchaser shall cooperate with Seller as reasonably requested to obtain any consents to assign the Assigned Contracts and Leased Real Property. Without Seller's prior written consent, Purchaser shall not seek consent from a party to assignment of any specific Assigned Contract.

**Section 8.04. Contact with Unions.** Purchaser shall not directly or indirectly contact or otherwise communicate with any Union in connection with the Contemplated Transactions without the prior written consent of Seller until after the Closing Date except as arranged and attended by Seller or Seller's representatives; provided however that Seller shall approve Purchaser's contact with Unions to facilitate Purchaser's discussions with Unions with respect to renewals, extensions or renegotiations of Collective Bargaining Agreements and to permit Purchaser to introduce itself to Unions to facilitate efficient transition of the operations of the Business to Purchaser's control. Prior to agreeing to any changes to the Collective Bargaining Agreements between the Effective Date and the Closing Date, Seller shall (i) provide Purchaser with the opportunity to evaluate and comment on any such changes, and (ii) shall use reasonable efforts to cooperate with Purchaser, and shall reasonably take into account Purchaser's comments, in connection with the terms agreed to with the unions prior to Closing. Subject to the foregoing, any terms of the Collective Bargaining Agreements agreed to during negotiations with the unions prior to Closing shall be subject to Seller's final approval; provided that the term of any such Collective Bargaining Agreement shall not extend beyond the Closing Date.

**Section 8.05. Performance.** Purchaser shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

**Section 8.06. Confidentiality.** Purchaser agrees that, notwithstanding the termination of the Confidentiality Agreement, the Parties' rights and obligations under the Confidentiality Agreement will survive the execution and delivery of this Agreement and that the information, documents and instruments delivered to Purchaser by or on behalf of Seller are "Confidential Information" (as defined in the Confidentiality Agreement) and shall continue to be protected under the terms of such Confidentiality Agreement. Purchaser agrees that prior to the Closing, it

will maintain the confidentiality of all such Confidential Information delivered to it by or on behalf of Seller in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants of the Confidentiality Agreement. This Section 8.06 shall not prohibit the disclosure by Purchaser or Seller of any information, instruments or documents that are required to be filed with Governmental Authorities by Purchaser or Seller under applicable securities related Legal Requirements or in connection with the regulatory filings, applications and notifications necessary or appropriate in connection with the Contemplated Transactions, so long as Purchaser or Seller, as applicable, receives reasonable advance written notice from the other, or as is otherwise consistent with the due diligence or other transition matters associated with the Contemplated Transactions. In addition, any Party may disclose Confidential Information received from the other party in an Action brought by a Party hereto in pursuit of its rights or in exercise of its remedies hereunder.

**Section 8.07. Waiver of Bulk Sales Law Compliance.** Purchaser hereby waives compliance by Seller with the requirements of Article 6 of the Uniform Commercial Code as in force in any state in which the Transferred Assets are located and all other similar Legal Requirements applicable to “bulk sales” and “bulk transfers”.

**Section 8.08. Charity Care; Other Related Matters.**

(a) Purchaser agrees to treat indigent patients and to provide charity care in the service area of the Hospitals and will comply with all applicable Laws governing such matters. For a period of not less than five (5) years following the Effective Date, Purchaser shall maintain policies for the treatment of indigent patients at the Hospitals similar to those currently in effect at such Hospitals (or replacement policies that are intended to provide a similar or greater benefit to the community), *provided* that for purposes of determining the amount of charity and indigent care Purchaser provides at the Hospitals, Purchaser must adhere to the definitions and methodology for calculating charity care costs established by the California Office of Statewide Health Planning and Development as set forth in the Accounting and Reporting Manual for California Hospitals and applicable Hospital Technical Letters issued in connection therewith.

(b) To ensure adequate access to Medicare and Medi-Cal patients, for a period of not less than five (5) years following the Effective Date, Purchaser will continue to operate the Hospitals as general acute care hospitals under California Health and Safety Code Section 1250 and shall continue to offer an open emergency room, subject to the availability of physicians on the respective Hospital’s medical staff qualified to support such services and subject further to such changes as may be necessary or appropriate based on community needs, market demand and the financial viability of such services. Purchaser shall operate the Hospitals in accordance with all Laws, including adopting a policy to provide for an appropriate medical screening examination to any patient presented to the emergency room who has a medical emergency, or who, in the judgment of the staff physician, has an immediate emergency need. No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay.

(c) For a period of not less than five (5) years following the Effective Date, Purchaser will maintain the existing chapels at the Hospitals to be used for the celebration of

Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

**Section 8.09. Capital Commitment.** Purchaser covenants and agrees that it will spend within five (5) years from Closing a minimum of Three Hundred Million Dollars (\$300,000,000) in capital expenditures at the Hospitals.

**Section 8.10. Subsequent Sale.** If Purchaser decides to sell or otherwise transfer the Hospital, or consolidate or merge the Hospital with any other Person, during a period when Purchaser is performing any covenants pursuant to this ARTICLE VIII, Purchaser shall ensure that such subsequent owner of the Hospital agrees to fulfill Purchaser's obligations under this ARTICLE VIII.

## ARTICLE IX.

### CONDITIONS TO SELLER'S OBLIGATIONS AT CLOSING

Seller's obligations to sell the Transferred Assets and to close the Contemplated Transactions are subject to the fulfillment of, or, to the extent permitted by applicable Legal Requirements, waiver by Seller of each of the following conditions:

**Section 9.01. Representations and Warranties.** The representations and warranties of Purchaser contained in this Agreement that are qualified by materiality, Material Adverse Effect or a similar material qualifier will be true and correct in all material respects at the Closing with the same force and effect as if made as of the Closing Date, in each case, other than such representations and warranties that expressly speak only as of a specific date or time, which will be true and correct in all material respects as of such specified date or time, and all other representations and warranties of Purchaser contained in this Agreement are true and correct except for such inaccuracies as would, in the aggregate, result in a Material Adverse Effect; *provided, however*, that this Section 9.01 shall not apply to such inaccuracies that arise as a result of (a) occurrences specifically contemplated by this Agreement or (b) actions permitted by this Agreement.

**Section 9.02. Performance.** Purchaser will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Purchaser at or prior to the Closing.

**Section 9.03. Signing and Delivery of Instruments.** Purchaser shall have executed, as applicable, and delivered all items required to be executed and delivered pursuant to Section 4.10 of this Agreement, including the amount set forth in Section 4.10(a) by wire transfer to an account provided by Seller.

**Section 9.04. Absence of Litigation.** No Action will be pending which seeks a Government Order, nor will there be any Government Order in effect, (a) which would prevent consummation of any of the Contemplated Transactions or (b) which would require any of the Contemplated Transactions to be rescinded following their consummation.

**Section 9.05. Governmental Approvals.** Seller shall have obtained the Governmental Approvals set forth on Schedule 9.05.

**Section 9.06. Antitrust Approvals.** The waiting period required pursuant to the HSR Act shall have expired or been terminated and any approvals required in connection with the HSR Act shall have been obtained. All approvals, authorizations or clearances required under any other applicable Antitrust Laws with respect to the Antitrust Filings shall have been obtained and all requirements thereunder shall have been satisfied.

**Section 9.07. Collective Bargaining Agreements.** Purchaser shall have agreed to assume, effective at Closing, each Collective Bargaining Agreement.

**Section 9.08. Ancillary Agreements.** The agreements set forth on Schedule 9.08 to which Seller is party will have been executed and delivered to Seller by each of the other parties thereto.

## ARTICLE X.

### CONDITIONS TO PURCHASER'S OBLIGATIONS AT CLOSING

Purchaser's obligations to purchase the Transferred Assets and to close the Contemplated Transactions are subject to the fulfillment of, or, to the extent permitted by applicable Legal Requirements, waiver by Purchaser of each of the following conditions:

**Section 10.01. Representations and Warranties.** The representations and warranties of Seller contained in this Agreement that are qualified by materiality, Material Adverse Effect, substantial compliance or a similar materiality qualifier will be true and correct in all material respects at the Closing with the same force and effect as if made as of the Closing Date, other than such representations and warranties that expressly speak only as of a specific date or time, which will be true and correct in all material respects as of such specified date or time, and all other representations and warranties of Seller contained in this Agreement are true and correct except for such inaccuracies as would, in the aggregate, result in a Material Adverse Effect; provided, however, that this Section 10.01 shall not apply to inaccuracies that arise as a result of (a) occurrences specifically contemplated by this Agreement, (b) actions permitted by this Agreement or (c) any breach or inaccuracy of a representation or warranty that is the result of any insurable damage to, loss or destruction of a Transferred Asset (whether by fire, theft, or other cause of casualty event).

**Section 10.02. Performance.** Seller will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Seller at or prior to the Closing.

**Section 10.03. Signing and Delivery of Instruments.** Seller shall have executed, as applicable, and delivered all items required to be executed and delivered pursuant to Section 4.09.

**Section 10.04. Absence of Litigation.** No Action will be pending which seeks a Government Order, nor will there be any Government Order in effect, (a) which would prevent

consummation of any of the Contemplated Transactions or (b) which would require any of the Contemplated Transactions to be rescinded following their consummation.

**Section 10.05. Governmental Approvals.** Purchaser shall have received documentation or reasonable assurance the Governmental Approvals set forth on Schedule 10.05(a) have been obtained. Purchaser acknowledges and agrees that, so long as the terms and conditions of the AG Approval do not deviate substantially from those terms and conditions set forth on Schedule 10.05(b) the requirements of this Section 10.05 shall be deemed to have been satisfied with respect to AG Approval, and Seller acknowledges and agrees that, if the terms and conditions of the AG Approval deviate substantially from those terms and conditions set forth on Schedule 10.05(b) the requirements of this Section 10.05 shall be deemed not to have been satisfied and Purchaser's rights Section 11.01(g) shall arise.

**Section 10.06. Antitrust Approvals.** The waiting period required pursuant to the HSR Act shall have expired or been terminated and any approvals required in connection with the HSR Act shall have been obtained. All approvals, authorizations or clearances required under any other applicable Antitrust Laws with respect to the Antitrust Filings shall have been obtained and all requirements thereunder shall have been satisfied.

**Section 10.07. Ancillary Agreements.** The agreements set forth on Schedule 10.07 to which Purchaser is a party will have been executed and delivered to Purchaser by each of the other parties thereto.

**Section 10.08. Bonds Paid Off.** The Bonds shall have been fully paid off and all claims of liability under the Bonds shall have been released.

**Section 10.09. No Liens on Real Estate.** No charge, claim, community or other marital property interest, condition, equitable interest, lien, license, lease option, pledge, security interest, mortgage, deed of trust, right of way, easement, encroachment, servitude, right of first offer or first refusal, buy/sell agreement and any other restriction or covenant with respect to, or condition governing the use, construction, of any other attribute of ownership that has not been approved by Purchaser shall exist with respect to any Owned Real Property.

**Section 10.10. Title Insurance.** The Title Company shall have irrevocably committed to issue the Title Policies meeting the criteria of Purchaser set forth in Schedule 10.13.

**Section 10.11. Financial Statements.** Purchaser shall have received Seller's audited financial statements for the fiscal year ending June 30, 2014 and unaudited financial statements for all periods thereafter.

## ARTICLE XI.

### TERMINATION

**Section 11.01. Termination.** This Agreement may be terminated at any time prior to Closing:

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

(b) by Seller in the event of a failure of any condition set forth in ARTICLE IX if failure has not been (i) waived in writing by Seller or (b) cured by Purchaser within thirty (30) calendar days after service by Seller upon Purchaser of a written notice which describes the nature of such breach; *provided, however*, that Seller shall not be permitted to terminate the Agreement pursuant to this Section 11.01(b) if such failure was caused by Seller or if Seller is in material breach of this Agreement;

(c) by Purchaser in the event of a failure condition set forth in ARTICLE X if such failure has not been (i) waived in writing by Purchaser or (ii) cured by Seller within thirty (30) calendar days after service by Purchaser upon Seller of a written notice which describes the nature of such breach; *provided, however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 11.01(c) if such failure was caused by Purchaser or if Purchaser is in material breach of this Agreement;

(d) by Purchaser or Seller if the Closing has not occurred on or before the date (the “Outside Date”) which is two hundred twenty five (225) calendar days following the Effective Date; *provided, however*, that no Party may terminate this Agreement under this Section 11.01(d) if on the Outside Date all conditions to the obligations of Purchaser or Seller at Closing set forth in ARTICLE IX and ARTICLE X, as applicable, have been satisfied. If the Closing has not occurred on or before the Outside Date because a Governmental Approval that must be received prior to the consummation of the Contemplated Transactions has not been received before or on the Outside Date, then such Outside Date shall be extended until such Governmental Approval is obtained; *provided, however*, that the either Party may terminate this Agreement in writing if such date is more than ninety (90) calendar days after the date that would otherwise be the Outside Date. Notwithstanding any of the foregoing of this Section 11.01(d), the right to terminate this Agreement under this Section 11.01(d) shall not be available to any Party whose material breach of this Agreement has been the cause of the failure of the Contemplated Transactions to have been consummated on or before the Outside Date without the mutual written consent of the other Parties; or

(e) by Purchaser or Seller if a Governmental Authority of competent jurisdiction shall have issued a judgment or taken any other action, in each case, which has become final and non-appealable and which enjoins or otherwise prohibits the Contemplated Transactions, subject to Section 11.01(d) above.

(f) by Purchaser if the Attorney General notifies the Seller that it rejects the transaction contemplated in this Agreement.

(g) by Purchaser if the terms and conditions of the AG Approval deviate substantially from those terms and conditions set forth on Schedule 10.05(b).

(h) by Purchaser if the Business has experienced a Material Adverse Effect.

**Section 11.02. Termination Consequences.** If this Agreement is terminated pursuant to Section 11.01,

(a) all further obligations of the Parties under this Agreement shall terminate, except that the obligations set forth in Section 7.07, Section 8.06, Section 16.07, Section 16.09 shall survive the termination of this Agreement pursuant to Section 11.01;

(b) the Refundable Good Faith Deposit shall be returned to Purchaser if any of the following occurs:

(i) the Attorney General notifies the Seller that it rejects the transaction contemplated in this Agreement.

(ii) if the terms and conditions of the AG Approval deviate substantially from those terms and conditions set forth on Schedule 10.05(b).

(iii) The Closing does not occur because the conditions of Section 10.01 have not been satisfied.

(iv) Seller materially breaches this Agreement and Purchaser rightly terminates this Agreement.

(v) Seller fails to obtain approval of the Roman Catholic Church of the transactions contemplated by this Agreement.

(c) nothing in this Agreement shall relieve any Party of any liability for a breach of, or for any misrepresentation under, this Agreement, or be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation.

**Section 11.03. Survival.** All representations, warranties, covenants and agreements of Purchaser and Seller, respectively, contained in this Agreement or any Ancillary Agreement shall cease to be effective and enforceable following the Closing Date, except that the obligations set forth in Section 4.01, Section 4.02, Section 4.03, Section 4.04, Section 4.07, Section 4.09, Section 4.10, Section 4.11, Section 4.12, Section 4.13, ARTICLE VIII, ARTICLE XII, and ARTICLE XIII.

## ARTICLE XII.

### TAX AND COST REPORT MATTERS

#### **Section 12.01. Tax Matters; Allocation of Purchase Price.**

(a) Cooperation on Tax Matters. The Parties shall cooperate fully with each other, as and to the extent reasonably requested by the other Party, in connection with any Tax matter related to the Transferred Assets or the operation of the Hospital (including by the provision of reasonably relevant Records or information subject to the other terms and conditions of this Agreement applicable to such Records, including without limitation, Section 2.02(e), and Section 13.02). In the event that Purchaser requests such cooperation from Seller, Purchaser will pay the reasonable out-of-pocket expenses incurred by Seller pursuant to such request. In the event that Seller requests such cooperation from Purchaser, Seller will pay the reasonable out-of-pocket expenses incurred by Purchaser pursuant to such request.

(b) As soon as reasonably practicable after the Closing Date, the Parties shall agree on the allocation of the purchase price (as determined for Tax purposes) among the Assets, which allocation shall be in accordance with Section 1060 of the Code. Seller and Purchaser hereby agree to be bound by such allocation, to account for and report the purchase and sale of the Transferred Assets contemplated hereby for Tax purposes consistent with such allocation, and not to take any action that is inconsistent with such allocation without the prior written consent of the other Party, provided that this shall not limit the Parties' ability to settle audits or other proceedings.

#### **Section 12.02. Filing Cost Reports; Amounts Due To or From Third Party Payors; Cost Report Audits and Contests.**

(a) Filing Procedures. After the Closing, Seller shall prepare and timely file, in a manner that complies with applicable Legal Requirements, all Seller Cost Reports (including, without limitation, terminating cost reports) and all other filings which are required to be filed with Medicare, any other payors or any Governmental Authority with respect to the operations of the Hospital for any and all periods ending on or prior to the Closing Date. Prior to filing any such Seller Cost Reports and other filings, Seller shall deliver a copy of each to Purchaser. Upon the reasonable request and instruction of Seller, and at the reasonable cost of Purchaser, Purchaser shall assist Seller in the preparation of such Seller Cost Reports and other filings by providing the reasonable support of Purchaser's employees in obtaining financial information or data deemed by Seller to be reasonably necessary for the preparation of such Seller Cost Reports and other filings. Within a reasonable period of time after filing each such Seller Cost Report and other filings (but in no event later than fifteen (15) Business Days following each such filing), Seller shall provide Purchaser with a copy of such filed Seller Cost Reports and other filings.

(b) Retained Rights and Obligations. Seller shall retain all rights to any amounts receivable from Government Payment Programs with respect to Seller Cost Reports or other filings filed for the periods ending on or before the Closing Date (as reflected thereon or as finally determined by the audit, administrative or judicial appeal, contest or other adjustment of

such reports or filings) and the Parties hereby acknowledge and agree that Purchaser is not hereby being assigned any of the same. Purchaser shall remit to Seller or its designee any receipts relating to the Seller Cost Reports or the Agency Settlements, within five (5) Business Days after actual receipt of such receipts by Purchaser (except those receipts retained by Purchaser pursuant to Section 12.03).

(c) Cost Report and Other Audits and Contests. After the Closing and for the period of time necessary to conclude any pending or potential audit, administrative or judicial appeal, or contest of any Seller Cost Reports or reimbursement or payments made with respect to the Hospital concerning periods ending on or before the Closing Date, Purchaser shall within five (5) Business Days of Purchaser's receipt of the same, forward to Seller all information received from payors relating to periods prior to and as of the Closing Date, including, without limitation, any and all correspondence relating to the Seller Cost Reports or rights to settlements and retroactive adjustments on Seller Cost Reports ("Agency Settlements"), notices of program reimbursement, proposed audit adjustments and the like. To the extent Seller reasonably requires any information or data to respond to such correspondence and information, Purchaser shall provide, at Purchaser's cost, the reasonable and timely support of Purchaser's employees in obtaining such information or data. Upon the reasonable request of Seller, and at Purchaser's cost, Purchaser shall assist Seller in obtaining information deemed by Seller to be necessary or convenient in connection with any audit, and administrative or judicial appeal or any contest of such matters.

**Section 12.03. Straddle Patients.** To compensate Seller for services rendered and medicine, drugs and supplies provided through the Closing Date with respect to patients who have received care from the Hospital for a period beginning on or before the Closing Date and ending after the Closing Date ("Straddle Patients"), only to the extent that such amounts are not already accrued and included in the patient accounts receivable, the following shall apply:

(a) Medicare, TRICARE and Other DRG Straddle Payments. Seller shall prepare a schedule itemizing services performed by Seller on or before the Closing Date for Straddle Patients whose care is reimbursed by Medicare, Medi-Cal, TRICARE or another Government Payment Program, or another third party payor program, on a diagnostic related group basis, case rate or similar basis (a "DRG Straddle Patient"). Purchaser shall pay to Seller in the manner described in Section 13.01 an amount equal to (i) the DRG and outlier payments, the case rate payments or other similar payments received by Purchaser on behalf of each DRG Straddle Patient multiplied by a fraction, the numerator of which shall be the total charges for services provided to such DRG Straddle Patient by Seller on and before the Closing Date, and the denominator of which shall be the sum of total charges for all services provided to the DRG Straddle Patient both before and after the Closing Date, less Purchaser's business office expense, minus (ii) any deposits or co-payments made by such DRG Straddle Patient to Seller.

(b) Other Patients. Seller shall prepare cut-off billings for all Straddle Patients not covered by Section 12.03(a) as soon as practicable after the Closing Date for services performed for such Straddle Patients on and before the Closing Date. All payments which are received by Purchaser with respect to Straddle Patients not covered by Section 12.03(a) and which relate to such cut-off billings shall constitute a Retained Asset and shall be paid to Seller in the manner described in Section 13.01. If the payor of any Straddle Patient not covered

by Section 12.03(a) cannot for any reason accept cut-off billings, then Purchaser shall submit a statement to such payor with respect to such Straddle Patient and shall pay to Seller the share of any payments received by Purchaser determined pro rata based upon the ratio between the number of days of service rendered on or before the Closing Date and the number of days of service rendered during the period to which the payment applies.

(c) Within five (5) Business Days of the date Purchaser receives payment for a DRG Straddle Patient or a Straddle Patient, Purchaser shall pay to Seller Seller's pro rata share of such payment in accordance with this Section 12.03, with such payment to be made in the manner described in ARTICLE XIII.

## **ARTICLE XIII.**

### **POST-CLOSING MATTERS**

#### **Section 13.01. Retained Assets and Excluded Liabilities.**

(a) Subject to Section 12.02 and Section 12.03, any asset, liability, remittance, mail and other communication that is a Retained Asset or an Excluded Liability (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the Parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into the possession, custody or control of Purchaser, shall within thirty (30) days following receipt of such be transferred, assigned or conveyed by Purchaser to Seller at Purchaser's cost. Purchaser shall not have any right, title or interest in or obligation or responsibility with respect to such Retained Assets or Excluded Liabilities except that Purchaser shall hold such Retained Assets and Excluded Liabilities in trust for the benefit of Seller. Purchaser shall have neither the right to offset amounts payable to Seller under this ARTICLE XIII against, nor the right to contest Purchaser's obligation to transfer, assign and convey to Seller because of, outstanding claims, liabilities or obligations asserted by Purchaser against Seller. If Purchaser does not remit Retained Assets or Excluded Liabilities to Seller in accordance with the first sentence of this Section 13.01(a), such Retained Assets and Excluded Liabilities shall bear interest at the prime rate as published in the *Wall Street Journal*, Eastern print edition in effect on the calendar day upon which such payment was required to be made to Seller (the "Retained Asset Due Date") plus five percent (5%) (or the maximum rate allowed by law, whichever is more), such interest accruing on each calendar day after the Retained Asset Due Date until payment of the Retained Assets and the Excluded Liabilities and all interest thereon is made to Seller. With respect to payment received by Purchaser on account of DRG Straddle Patients and Straddle Patients, this ARTICLE XIII shall be subject to the provisions of Section 12.03.

(b) Subject to Section 12.02 hereof, any asset, liability, remittance, mail and other communication that is a Transferred Asset or an Assumed Liability (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the Parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into or remains in the possession, custody or control of Seller shall within five (5) Business Days following receipt of such be transferred, assigned or conveyed by Seller to Purchaser at Purchaser's cost. Seller shall not have any right, title or interest in or obligation or

responsibility with respect to such Transferred Assets or Assumed Liabilities except that Seller shall hold such Transferred Assets and Assumed Liabilities in trust for the benefit of Purchaser. Seller shall have neither the right to offset amounts payable to Purchaser under this ARTICLE XIII against, nor the right to contest their obligation to transfer, assign and convey to Purchaser because of, outstanding claims, liabilities or obligations asserted by Seller against Purchaser. If Seller does not remit Transferred Assets or Assumed Liabilities to Purchaser in accordance with the first sentence of this Section 13.01(b), such Transferred Assets and Assumed Liabilities shall bear interest at the prime rate as published in the *Wall Street Journal*, Eastern print edition in effect on the calendar day upon which such payment was required to be made to Purchaser (the “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 Asset Due Date until delivery of the Transferred Assets and Assumed Liabilities and all interest thereon is made to Purchaser. With respect to payment received by Seller on account of DRG Straddle Patients and Straddle Patients, this ARTICLE XIII shall be subject to the provisions of Section 12.03.

**Section 13.02. Preservation and Access to Records After the Closing.**

(a) From the Closing Date until seven (7) years after the Closing Date or such longer period as required by applicable Legal Requirements, Purchaser shall keep and preserve all Transferred Records. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, Purchaser will gain access to patient records and other information which are subject to Legal Requirements concerning confidentiality (“Privacy Laws”), which Privacy Laws include but are not limited to the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), as amended by the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009 and as otherwise may be amended from time to time, as well as all implementing regulations and guidance issued by the Secretary of the Department of Health and Human Services, as such regulations and guidance may be amended from time to time. Purchaser shall comply with and shall maintain the Transferred Records in accordance with Privacy Law, all other applicable Legal Requirements, and the requirements of all relevant insurance carriers.

(b) Purchaser shall give full cooperation to Seller and Seller’s insurance carriers in respect of the defense of claims by third parties against Seller, including by making the full-time Hired Employees, who are actually employed by Purchaser at the time of such occurrences, available for interviews, depositions, hearings and trials and making all of Purchaser’s employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses.

(c) After the Closing, each Party shall grant to each other Party access to and permit each other Party to make copies of any of the Transferred Records and Retained Records in its possession as may be reasonably necessary for the receiving Party (i) to provide patient care, or (ii) comply with any Legal Requirement, or (iii) in connection with any Action to which the receiving Party is a party or (iv) as provided in Section 4.04, or (v) for any lawful purpose including, without limitation, actions by the receiving Party in performance of its respective obligations, or the exercise of its respective rights, under this Agreement. Any Transferred Records or Retained Records delivered to or made available to any Party (i) shall not be used to the detriment of the transferring Party and (ii) shall be returned to the transferring Party when

such use therefor has terminated. The receiving Party shall comply with and maintain such Records in accordance with Privacy Law, all other applicable Legal Requirements, and the requirements of all relevant insurance carriers. The transferring Party shall instruct its employees to cooperate in providing access to the requested Transferred Records or Retained Records, as applicable, to the receiving Party.

(d) After the Closing, Seller shall be entitled to remove from the Hospital originals of the Transferred Records to the extent required by any Legal Requirement, or as may be required in connection with any Action to which Seller is a party; provided that Seller first provides a complete copy of such removed records to Purchaser, at Seller's expense. Any Transferred Records removed from the Hospital pursuant to this Section 13.02(d) shall be promptly returned to Purchaser following Seller's use of such Records.

(e) Access to Transferred Records and Retained Records pursuant to Section 13.02(c) and Section 13.02(d), as the case may be, shall be, whenever reasonably possible, during normal business hours and with reasonable prior written notice of the time when such access shall be needed. The receiving Party's employees, representatives and agents shall conduct themselves in such a manner so that the normal business activities of the transferring Party shall not be unduly or unnecessarily disrupted.

(f) Purchaser shall cooperate with Seller, on a timely basis and as reasonably requested by Seller, in connection with the provision of Hospital data and other information required for Seller to report to The Joint Commission, the California Department of Public Health and the California Office of Statewide Healthcare Planning and Development as Seller may be required or desire to do.

(g) Seller shall cooperate with Purchaser, on a timely basis and as reasonably requested by Purchaser, in connection with the provision of all Hospital data and other information required by Purchaser for Purchaser to report to The Joint Commission, the California Department of Public Health and the California Office of Statewide Healthcare Planning and Development as Purchaser may be required or desire to do.

(h) To the maximum extent permitted by any Legal Requirement, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Retained Assets, promptly after receiving the request for such documents and prior to any disclosure of such documents, Purchaser shall notify Seller and shall provide Seller with the opportunity to object to, such request or demand.

(i) To the maximum extent permitted by any Legal Requirement, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Transferred Assets or Assumed Liabilities, promptly after receiving the request for such documents and prior to any disclosure of such documents, Seller shall notify Purchaser and shall provide Purchaser with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

**Section 13.03. Consents; Provision of Benefits of Certain Contracts.** Seller and Purchaser shall each use reasonable efforts and cooperate in good faith (i) to obtain any

additional consents, approvals, authorizations, accreditations, certifications, clearances and Licenses required to carry out the Contemplated Transactions (including, Governmental Approvals) or which Seller and Purchaser agree to be necessary or appropriate and which have not been obtained as of the Closing Date; (ii) in the preparation of any document or other material which may be required by any Governmental Authority or accrediting or certifying bodies as a predicate to or result of the Contemplated Transactions; and (iii) to effectuate the assignment or provision of benefit of any additional Contracts or Leased Real Property to Purchaser that have not already been assigned as of the Closing Date in accordance with Section 7.02.

**Section 13.04. Closing of Financials.** In addition to Purchaser's obligations under Section 4.02, Section 4.03 and Section 4.04, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Closing Date (the "Post-Closing CFO") to complete the standardized closing of Seller's financial records through the Closing Date including the closing of general ledger account reconciliations (collectively, the "Closing of Financials"). Purchaser shall cause the Post-Closing CFO to use his or her best efforts to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date. The Post-Closing CFO and other appropriate personnel shall be available to Seller for a period of one hundred-fifty (150) calendar days after the Closing Date to assist Seller in the completion of any post-Closing audit by Seller.

**ARTICLE XIV. RESERVED**

**ARTICLE XV. [RESERVED]**

**ARTICLE XVI.**

**MISCELLANEOUS**

**Section 16.01. Notices.** Any notice, request, demand, claim or other communication required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered personally, delivered by nationally recognized overnight courier service, sent by certified or registered mail, postage prepaid, or (if a facsimile number is provided below) sent by facsimile (subject to electronic confirmation of good facsimile transmission). Any such notice, request, demand, claim or other communication shall be deemed to have been delivered and given (a) when delivered, if delivered personally; (b) the Business Day after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service; (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Pacific time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Pacific time) on any Business Day or on any day other than a Business Day; or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the following address or, if applicable, facsimile number, or to such other address or addresses or facsimile number or numbers as such Party may subsequently designate to the other Parties by notice given hereunder:

If to Seller, to:

Daughters of Charity Health System  
26000 Altamont Road, Los Altos Hills, CA 94022-4317  
Telephone number: 650-917-4528  
Facsimile number: \_\_\_\_\_  
Attention: Michael Stuart, Chief Financial Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP  
3 Embarcadero Center, Suite 300  
San Francisco, CA 94111  
Telephone number: 415-315-6394  
Facsimile number: 415-315-4801  
Attention: John O. Chesley, Partner

Daughters of Charity Health System  
26000 Altamont Road, Los Altos Hills, CA 94022-4317  
Telephone number: 650-917-4522  
Facsimile number: 650-941-6309  
Attention: Pascale Roy, General Counsel

If to Purchaser, to:

Integrity Healthcare, Inc.  
450 North Brand Blvd, Suite 625  
Glendale, CA 91203  
Telephone number: 877-581-7787  
Facsimile number: 818-484-2700  
Attention: Mark Meyers, President

with a copy (which shall not constitute notice) to:

Francis J. LaPallo  
Manatt, Phelps & Phillips, LLP  
1841 Page Mill Road, Suite 200  
Palo Alto, CA 94304  
650-812-1300  
Facsimile number: 650-213-0257

Each of the Parties to this Agreement may specify a different address or addresses or facsimile number or facsimile numbers by giving notice in accordance with this Section 16.01 to each of the other Parties.

**Section 16.02. Succession and Assignment; No Third-Party Beneficiaries.** Subject to the immediately following sentence, this Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, each of which such successors and permitted assigns will be deemed to be a Party for all purposes hereof. Neither Party may

assign, delegate or otherwise transfer either this Agreement or any of the Party's rights, interests or obligations hereunder without the prior written approval of the other Party, and any attempt to do so will be null and void *ab initio*. Except as expressly provided herein, this Agreement is for the sole benefit of the Parties and their successors and permitted assignees and nothing herein expressed or implied will give or be construed to give any Person, including, without limitation, any employee or former employee of Seller or the Business, other than the Parties and such successors and permitted assignees, any other right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**Section 16.03. Exhibits, Schedules and Disclosure Schedules.** The Disclosure Schedules and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein.

**Section 16.04. Amendments and Waivers.** No amendment or waiver of any provision of this Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by Purchaser and Seller, or in the case of a waiver, by the Party against whom the waiver is to be effective. No waiver by a Party of any breach or violation of, default under or inaccuracy in any representation, warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent breach or violation of, default under, or inaccuracy in, any such representation, warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No delay or omission on the part of a Party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

**Section 16.05. Entire Agreement.** This Agreement, together with the Ancillary Agreements, constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect thereto, except for the Confidentiality Agreement. There are no restrictions, promises, warranties, covenants, or undertakings, other than those expressly provided for in this Agreement and in the Ancillary Agreements.

**Section 16.06. Counterparts; Facsimile Signature.** This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute but one and the same instrument. This Agreement will become effective when duly executed and delivered by each Party. Counterpart signature pages to this Agreement may be delivered by facsimile or electronic delivery (*i.e.*, by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

**Section 16.07. Attorneys' Fees; Certain Expenses.** Except as otherwise provided in this Agreement, each Party will pay its own respective financial advisory, legal, accounting and other expenses incurred by it or for its benefit in connection with the preparation and execution of this Agreement and the Ancillary Agreements, the compliance herewith and therewith and the Contemplated Transactions.

**Section 16.08. Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of

the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable Legal Requirements, be invalid or unenforceable in any respect, each Party intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable Legal Requirements.

**Section 16.09. Governing Law.** This Agreement, the rights of the Parties hereunder and all Actions arising in whole or in part under or in connection herewith, will be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

**Section 16.10. Publicity.** No public announcement or disclosure (including, without limitation, any general announcement to employees, customers or suppliers or Seller or Purchaser) will be made by any Party concerning this Agreement, the Ancillary Agreements, the Contemplated Transactions or the subject matter thereof without the prior written consent of each other Party; *provided*, that the provisions of this Section 16.10 shall not prohibit any disclosure (i) required by any Legal Requirements (in which case the disclosing Party will provide the other Parties with the opportunity to review and comment in advance of such disclosure) or (ii) made in connection with the enforcement of any right or remedy relating to this Agreement, the Ancillary Agreements or the Contemplated Transactions pursuant to Section 16.09.

**Section 16.11. Specific Performance.** Each of the Parties acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the Parties agrees that, without posting a bond or other undertaking, the other Parties will be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which the other Parties may be entitled, at law or in equity. Each Party further agrees that, in the event of any Action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate.

**Section 16.12. Service of Process.** Each Party hereby (i) consents to service of process in any Action among any of the Parties relating to or arising in whole or in part under or in connection with this Agreement, any Ancillary Agreement or the Contemplated Transactions in any manner permitted by California law; (ii) agrees that service of process made in accordance with clause (i) or made by registered or certified mail, return receipt requested, at its address specified pursuant to Section 16.01, will constitute good and valid service of process in any such Action; and (iii) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Action any claim that service of process made in accordance with clause (i) or (ii) does not constitute good and valid service of process.

**[Signature Pages Follow]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their officers, all as of the date and year first above written.

**SELLER:**

**[SELLER]**

By:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PURCHASER:**

**[PURCHASER]**

By:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A

The “Business” and the “Components of the Business”

[list subject to confirmation of completeness]

The Hospitals (each, a Component of the Business):

[each hospital to be listed]

The Medical Office Buildings (each, a Component of the Business):

[each MOB to be listed]

Caritas Business Services (“CBS”), including, all rights of occupancy of the space occupied by the CBS (a Component of the Business)

[identify]

The Medical Foundation (a Component of the Business)

[identify]

DePaul Ventures (a Component of the Business)

[identify]

Marrilac Insurance Company (a Component of the Business)

[identify]

St. Vincent Dialysis Center (a Component of the Business)

[identify]

De Paul Ventures San Jose ASC, LLC (a Component of the Business)

[identify; all DOC equity interests to be acquired]

De Paul Ventures San Jose Dialysis (a Component of the Business)

[identify]

EXHIBIT F

Commitment Letter

[to be attached]

**Schedule 2.01(a)**

**OWNED REAL PROPERTY<sup>8</sup> [Hospital Related Properties]**

**[list subject to confirmation]**

**St. Francis Medical Center**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Hospital Patient Tower	3630 E. Imperial Highway Lynwood, CA 90262	LA County 6173-021-008
Health Services Pavilion	3630 E. Imperial Highway Lynwood, CA 90262	[Included in Hospital APN]
Progressive Care Unit	3630 E. Imperial Highway Lynwood, CA 90262	[Included in Hospital APN]
Family Life Center (Freestanding)	3630 E. Imperial Highway Lynwood, CA 90262	[Included in Hospital APN]
Power Plant	3630 E. Imperial Highway Lynwood, CA 90262	[Included in Hospital APN]
Parking Structure #1	3630 E. Imperial Highway Lynwood, CA 90262	[Included in Hospital APN]

**St. Vincent Medical Center**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Hospital	2131 W 3rd Street Los Angeles, CA 90057	LA County 5154-018-018
Central Plant	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Stauffer Wing Conference Rooms (Included as part of "Hospital" above)	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Doheny Building (Included as part of "Hospital" above)	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Cath Village (Included as part of "Hospital" above)	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Annex / Boiler (Included as part of "Central Plant" and "Hospital" above)	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Parking Structure	2131 W 3rd Street Los Angeles, CA 90057	[Included in Hospital APN]
Mark Taper a/k/a MTTC Building (Connected to Hospital via Sky Bridge)	2200 W 3rd Street Los Angeles, CA 90057	LA County 5154-034-006
Seton Hall Convent / Guest Lodge  [Note, multiple addresses listed]	262 S Lake Street Los Angeles, CA 90057  272 S Lake Street Los Angeles, CA 90057	LA County 5145-018-021

<sup>8</sup> This chart to be revised depending on the applicable LHM(s).

	2120 Valley Los Angeles, CA 90057	
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**O'Connor Hospital**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Acute Care Hospital (1953)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-081
Acute Care Hospital With 2005 ED Addition (1969)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-082
Acute Care Hospital With 2005 ED Addition (1981)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-085
Central Plant Building (Newer and Older Sections)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-081
Acute Care Hospital w 2005 ED Addition (2005)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-081
Parking Garage and Two Lots (Surrounds Building)	2105 Forest Ave San Jose, CA 95128	Santa Clara County 274-40-081

**Saint Louise Regional Hospital**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Hospital (Including Helipad)	9400 No Name Uno Gilroy, CA 95020	Santa Clara County 835-05-032
<b>TO INCLUDE OLD HOSPITAL BUILDING</b>		
Single Dwelling (Vacant House)	705 Las Animas Road Gilroy, CA 95020	[Included in Hospital APN]

**Seton Medical Center**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Hospital / CT / Linear Accelerator	1900 Sullivan Ave Daly City, CA 94015	San Mateo County 008-084-370
Employee Open Air Parking Lot	Adjacent to Parking Lot F Triangle of Hospital	[Included in Hospital APN]
Green Space / Hill	Between Parking Lot F and Hospital Daly City, CA	[Included in Hospital APN]

**Seton Medical Center Coastside**

<b>Description</b>	<b>Address</b>	<b>APN</b>
Hospital & Nursing Home (with Two Trailers)	600 Marine Blvd Moss Beach, CA 94038	San Mateo County 037-160-090

**Schedule 2.02(j)  
Retained Assets**

Religious artifacts as follows: [Seller to list]

The following real property only:

**Seton Medical Center**

Description	Address	APN
Vincentian Values Corp, CHAN Auditor & Business Development	25 San Fernando Daly City, CA 94015	San Mateo County: 008-084-500

**St. Vincent Medical Center**

Description	Address	APN
Vacant Land	253 S. Lake St Los Angeles, CA 90057	L.A. County: 5154-012-026

**Schedule 10.05(b)**  
**AG Approval Terms and Conditions**

(1) continued operation of each acute care hospital for 5 years; but Purchaser shall not be obligated to perform any seismic retrofit or replacement of structurally non-conforming buildings to maintain acute care services beyond December 31, 2019.

(2) continued operation of the emergency room at each acute care hospital for 5 years

(3) continued charity care<sup>9</sup> for 5 years at the current levels plus cost of living increases, recognizing.

(4) continued community benefit spending for 5 years at current levels plus cost of living increases, excluding programs that have funding from Hospital-affiliated charitable foundations.

(5) continued participation of the hospitals in the Medicare and Medi-Cal programs and continuation of relationships with existing Medi-Cal managed care entities on the same terms and conditions as other similarly situated hospitals offering substantially the same services (e.g., not less than Medi-Cal fee-for-service rates applicable to non-contracted hospitals), without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

(6) continuation of arrangements with local governments for care of the indigent on the same terms and conditions as other similarly situated hospitals offering substantially the same services (e.g., not less than Medi-Cal fee-for-service rates applicable to non-contracted hospitals), without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

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<sup>9</sup> Plus additional conditions that Purchaser and Seller agree to prior to signing