



1101 Crenshaw Blvd
Los Angeles, CA 90019

REDACTED

March 21, 2014

PRIVATE AND CONFIDENTIAL

Mr. Geoffrey Ligibel and Scott Jackson
Directors
Houlihan Lokey
123 N. Wacker Drive 4th Floor
Chicago, IL 60606

Dear Geoffrey / Scott:

Thank you for assisting us with our due diligence on Daughters of Charity Health System (“DCHS” or the “Company”). After a review of the Confidential Information Memorandum (the “Memorandum”) and brief conversations with you, Le Summit Healthcare, LLC (“Le Summit”), affiliate of JPH Consulting Inc. (“JPH”), is pleased to submit our preliminary proposal for the purchase of the two hospitals, St. Vincent Medical Center and St. Francis Medical Center (“Target Hospitals”).

Le Summit is a healthcare company that was specifically created for the sole purpose of investing exclusively in hospital acquisitions. Le Summit Healthcare has actively partnered with investors to invest in healthcare opportunities in the U.S. Accordingly, we have done extensive research on the hospital industry in Southern California. Although our senior management team has spent decades in the skilled nursing industry, we have put together a transition team that includes individuals with many years of experience in the hospital space. We believe that with our industry knowledge and management team, we can successfully grow and expand these hospitals to their fullest potential.

We are prepared to commence due diligence immediately in order to close a transaction that is mutually beneficial to DCHS.

The following are the principal terms and conditions of our proposal:

<u>Purchaser:</u>	Le Summit Healthcare, LLC., affiliate of JPH Consulting, Inc.
<u>Assets to be Acquired:</u>	St. Francis Medical Center and St. Vincent Medical Center Hospital Businesses (including office buildings and properties).
<u>Treatment of Medical Foundation:</u>	We initially anticipate retaining most of the existing employees and related physicians within the hospitals. We will re-evaluate the staffing needs over a 3 to 6 month period and make appropriate adjustments to staffing levels as needed.
<u>Purchase Price:</u>	<p>\$100,000,098 (\$45,000,098 for St. Francis; \$55,000,000 for St. Vincent) assuming a cash-free, debt-free balance sheet (excluding pension and debt liabilities). All consideration will be paid in cash at closing. The purchase price assumes that the Company will be delivered with a normalized level of working capital.</p> <p>In addition, we intend to capitalize the Target Hospitals with an additional \$30,000,000 to \$50,000,000 at closing in order to fund near-term cash needs as the Company pursues its growth goals.</p>
<u>Financing / Source of Capital:</u>	<p>We plan to employ a leverage structure that will provide the Company with ample flexibility for future growth initiatives. We would expect to raise approximately \$65,000,000 million in debt financing. Remaining consideration will be funded by Le Summit and its affiliated financing sources.</p> <p>It is our intention to procure the related debt financing on a fully committed basis at the time we submit our formal offer.</p>
<u>Due Diligence:</u>	<p>We are prepared to commence a full due diligence review at your earliest convenience and look forward to meeting with management as soon as practicable. Our due diligence would include, but is not limited to: detailed discussions with management, customary legal, accounting, tax, IT, and regulatory due diligence, and a review of financial and operating metrics. Other key diligence items include:</p> <p>We expect that our diligence will be completed by the time we execute the necessary legal documentation to implement the acquisition of the Target Hospitals.</p>
<u>CBA / Non-Union Employee Retention:</u>	An overall assessment and due diligence review of existing agreements will be required prior to assessment of intentions but it is our intention to maximize the retention of existing employees and agreements.

Post-Retirement Obligations:

Treatment to be determined after due diligence review of existing benefit plans.

Process and Timing:

We are available for a management presentation at your earliest convenience. We would expect to be in a position to sign a definitive agreement within 30 to 60 days of that meeting.

Treatment of Other Agreements:

Treatment to be determined after due diligence review of existing agreements.

Anticipated Operating Plan:

Business plan is to operate the hospitals as a “for-profit” organization with the intentions to incorporate efficiencies and eliminate unnecessary operating redundancies.

Contingencies to Close:

Closing would be subject to:

- (i) No material adverse change in the business, assets or prospects of the business prior to closing;
- (ii) No dividends, fees or other distributions from the Hospitals prior to closing;
- (iii) Regulatory and required license approvals to operate the hospitals;
- (iv) Acceptable legal documentation (including employment agreements with management);
- (v) Satisfactory completion of our due diligence; and
- (vi) Arrangement of financing.

Items (iv) to (vi) would be satisfied by the time the definitive agreements are signed.

Contacts:

Please address all communications surrounding our proposal to:

Ki Yom Cynthia Duque Kyle Watanabe
CFO Hospital Operations Business Development Director

JPH Consulting, Inc. / Le Summit Healthcare, LLC

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The foregoing terms represent an expression of our strong interest in an investment in these hospitals. They do not constitute a formal offer or agreement to invest in the Company, or create any binding obligation between the parties in the absence of a negotiated agreement supported by appropriate legal documentation.

We kindly request that the potential interest of Le Summit Healthcare, LLC in this transaction be kept confidential. This letter is delivered on this condition, and is received by Houlihan Lokey with the express understanding that its contents not be disclosed to anyone other than those persons necessary for the evaluation of our proposal.

We would be pleased to provide any additional information you may require. We look forward to having the opportunity to partner with the senior management team as they continue to position the Company for future growth.

We look forward to hearing from you.

Warm Regards,



Joan Lee
CEO & President
Le Summit Healthcare, LLC