

DAUGHTERS OF CHARITY HEALTH SYSTEM
Summary of SGM Proposal for Select Issues - 9/30/14

	<u>SGM Proposal</u>	<u>DCHS Comments (to come)</u>
Sources of Capital	<ul style="list-style-type: none"> • [REDACTED] • Sub-debt up to \$120 million (TBD Lender) • MOB sale proceeds \$60 million • [REDACTED] 	
Deposit	<ul style="list-style-type: none"> • \$30 million funded at signing of APA 	
Preliminary Closing	<ul style="list-style-type: none"> • Within 30 to 45 days of signing, sale of the MOB assets to SGM for \$60 million in proceeds (SGMs FMV of the MOBs) • DCHS may use up to \$50 million of the MOB proceeds for operating purposes to avoid utilizing the 2014 Bridge financing 	
Transaction Closing	<ul style="list-style-type: none"> • Upon closing \$40 million of MOB proceeds / deposit to be established as a reserve for future Church Plan funding (“Church Plan Reserve”) • Future contributions as necessary to keep the Church Plan fully funded drawn first from the Church Plan Reserve and then if necessary from SGM. SGM’s post-Closing obligation regarding the Church Plan will be guaranteed [REDACTED] • Initial questions – Is SGM’s post-Closing obligation to contribute limited to \$60 million (the IHHI guarantee)? What is the mechanism to call funds from SGM / [REDACTED]? Are there pre-determined actuarial assumptions for determining calls? Is there an annual maximum 	

	<p>contribution maximum? Who controls disbursements from the Church Plan Reserve account?</p> <ul style="list-style-type: none">• Balance of the transaction as currently contemplated by the APA closes	
Other	<ul style="list-style-type: none">• • SGM to provide comments on consulting agreement• SGM raised the HMO contracts – need to understand expectations, if any in this regard	