



**DAUGHTERS OF CHARITY HEALTH SYSTEM
BOARD OF DIRECTORS MEETING
EXECUTIVE SESSION**

Friday, October 3, 2014, 8:00a.m.

DCHS System Office Board Room

AGENDA

Description	Action Requested	Person Responsible / Presenter
1. Call to Order (8:00a.m.)		Sister Marjory Ann Baez, DC
2. Discernment Process Part 1		Fr. Gerald Coleman Sister Marjory Ann Baez Sister Marion Bill, DC
3. Summary of Legal Guidelines, Board Fiduciary Duties	<i>Information</i>	John Chesley, Ropes & Gray Cecily Dumas, Dumas & Clark
4. Comparisons of the Proposals and Recommendation(s) of Transaction Advisors	<i>Information</i>	Andrew Turnbull, HL Scott Jackson, HL
5. Bidders Transaction Summaries	<i>Information</i>	Andrew Turnbull Scott Jackson John Chesley Steve Balalian
6. Bidders Operational Quality Summary	<i>Information</i>	Kathy Brown
7. Bidders Regulatory Profile Summary	<i>Information</i>	John Chesley
8. DCHS Financial & Cash Flow Status Report	<i>Information</i>	Annie Melikian
9. Discussion of Legal Environment Now and Post Selection and Announcement of Winning Bidder	<i>Information</i>	Cecily Dumas John Chesley
10. Discussion, Questions, Five Minutes Reflection Time, Break	<i>Information</i>	Fr. Gerald Coleman Robert Issai Annie Melikian Andrew Turnbull Scott Jackson Cecily Dumas John Chesley Steve Balalian
11. Communication Process Summary	<i>Information</i>	Beth Nikels Sam Singer
12. Closed Session, Discernment Process Part 2 A. Board Resolution For Selection of a Buyer	Approval	Sister Marjory Ann Baez

Description	Action Requested	Person Responsible / Presenter
13. All Participants Reconvene for Summary of Closed Session	<i>Information</i>	Sister Marjory Ann Baez
14. Consent Agenda: A. DCHS Board Meeting Minutes of August 29, 2014	Approval	Sister Marjory Ann Baez
Other Business		
<i>Adjourn</i>		
Next Meeting: <i>October 24, 2014</i>		

**VINCENTIAN DISCERNMENT PROCESS
DCHS BOARD MEETING
OCTOBER 3, 2014**

Overall View of the Process
Facilitator: Fr. Coleman

Background

**The discernment process to seek a buyer for DCHS began in June 2012.
(Sr. Marjory Ann)**

Discernment

- 1. Show artistic depiction of the election of St. Matthias and read Acts 1: 15-16, 20b, 21-26**
- 2. Read/Reflect: “Discernment is a process of searching for the will of God in a particular situation, a process that is carried out in a context of prayer and through sharing. People become aware of God’s presence as they examine different insights and realize what has to be done, as well as the way in which it is to be done. Discernment is an encounter with God leading to a decision about what has to be done.” (From *Ethical Decision-Making in the Framework of Vincentian Discernment*, pg. 1)**
- 3. Each person present shares with the group insights he/she has gained throughout the process of seeking a buyer for the DCHS. In particular, how has God entered into my considerations throughout this process? An individual may choose to pass if he/she does not want to enter into this part of the process. This sharing begins with Sr. Marjory Ann, then Sr. Marion, and then Robert Issai, and then continues around the table.**
- 4. What point has struck me most in listening to this sharing?**
- 5. Prayer: Fr. Coleman**

Presentation and Discussion

- 1. Andrew and Associates: presentation/review with the Board the potential buyers who submitted final bids with data that critiques major bid factors.**
- 2. How has each potential buyer met each of the essential criteria?**
- 3. Discussion, Questions, Complicating Factors.**

Five Minutes of Private Prayer in Silence

This time for silent prayer allows each member present to reflect and pray over the presentations and discussions.

Break: Fifteen Minutes

DCHS BOARD Reconvenes

1. The DCHS Board reconvenes to discuss the presentations and discussions, especially enlightened by the time of prayerful silence. If necessary, legal counsel or members of the presenting team can be called into this meeting for points of clarity, etc.
2. In light of the Vincentian Discernment Process, the DCHS Board will address:

In Making Our Decision:

- (1) What option promotes the most good?
- (2) Have we carefully attended to Gospel values, the DCHS Mission (to be read aloud), Core Vincentian Values (to be read aloud)? Which parts of the Mission, which specific Core Vincentian Values are evidenced in our decision?
- (3) Do we feel ready to make a final decision?
3. Discernment Prayer to be led by Sr. Marjory Ann.
4. Vote.
5. Board Members shares with the group:
 - (1) How do we feel about the decision we have made? Do we feel at peace?
 - (2) Do we feel that this decision promotes the common good?
 - (3) How does our decision affect the communities DCHS now serves?
 - (4) How does our decision reflect: Gospel values; our Mission and Core Vincentian Values; our stakeholders; those living in poverty and the vulnerable; the local churches where DCHS hospitals now exist?

All Participants Reconvene

Sr. Marjory Ann and Robert share with the group an overall summary of what occurred at the DCHS BOARD discussion.

Lunch Break

1. **Presentation of the Communication Plan:**
 - a. How/when will we communicate our decision? (Beth Nickels)
 - b. What are the next steps in our communication plan?
 - c. How do we educate our publics about our decision?
 - d. How do we communicate our decision with local Ordinaries?
 - e. Have we considered all necessary factors in implementing the decision?

2. How do we feel about the discernment process we experienced today?

Final Reflection/Prayer

Sister Marion, D.C.

Memorandum to the Board of Directors of Daughters of Charity Health System Regarding Board Duties in the Context of Approval of a Change-of-Control Transaction

As the Board of Directors of DCHS meets to review the final proposals from companies offering to acquire control and continue operations of the Health System, the following comments have been prepared by the General Counsel and DCHS's outside counsel for your information and guidance.

The starting point of the board's deliberations is the decision, made many months ago, that continuation of the Health System under the control of DCHS and sponsorship of the Daughters of Charity was not tenable for financial reasons. The operating trends, losses, depletion of cash and magnitude of changes needed to reverse rising costs and declining revenues led to that decision. At the same time, the Board concluded that the communities served by the Health System continue to need the hospital and other health care services provided by the Health System and accordingly it was in the best interests of DCHS and the Health System to seek one or more other operators that would be willing to assume that responsibility of care from DCHS and the Daughters of Charity.

With the Board's approval, DCHS engaged Houlihan Lokey, a mergers and acquisitions firm with substantial experience with managing the process of transactions involving financially-distressed companies, to conduct a competitive process to obtain fully developed, final proposals for the consideration of this Board and to manage the process of bringing this Board's selection to a closing. The Board determined that the full board, rather than a committee, should oversee the process, and so the Board as a whole has received detailed reports at each of its regularly scheduled meetings for the past year. In those meetings, the Board has informed itself about the process of soliciting and evaluating interest, the timetable, the financial condition of the Health System, the regulatory process, the developing transactional options and other relevant matters.

The Board also set two objectives and several evaluation criteria for its advisors and itself to use in developing and choosing a proposal. Those objectives are to choose a proposal that both preserves health services in the communities historically served by the Health System, including the underserved and uninsured, and to do so in a way that offers the greatest potential for fulfilling the moral and legal obligations of the Health System to the communities served by its hospitals, their present and retired associates, bondholders and other creditors. The criteria¹ for screening all earlier-stage proposals and for evaluating final proposals were developed from those objectives. The reports made by Houlihan Lokey and

¹ (1) The prospective buyer's commitment to continuing health services post-closing; (2) the valuation of the Health System; (3) the risk of not being able to close a transaction because of conditions or other contingencies including regulatory approvals; (4) treatment of collective bargaining agreements; (5) treatment of retirement plans, especially provision for addressing underfunding; (6) the prospective buyer's desire to close the transaction in or outside of bankruptcy; (7) operating and transactional experience of the prospective buyer; (8) the financial strength of the prospective buyer; (9) quality of services provided by the potential buyer at its other hospitals, if any; (10) capital commitment of the prospective buyer; and (11) transactional timeline.

management to the Board have kept the Board informed about the merits of the developing proposals in light of those criteria so that the Board can exercise its oversight of the process.

The accompanying materials describe the current state of several substantially final proposals. The following guidelines touch generally on the legal criteria for a legally sound decision by the Board on behalf of DCHS and the Health System.

The Duty of Loyalty: it is the duty of a board member to act in good faith in the best interests of DCHS.

Acting in good faith means pursuing the corporation's best interests and not acting in one's own interest or those of another person or entity. DCHS has a conflict-of-interest policy that can aid in identifying personal interests, such as any personal or family relationships with a prospective buyer, especially financial in nature, which should be disclosed to the Chair.

The larger question arises under the duty of loyalty whether the DCHS Board may consider the interests of others, including the Daughters of Charity, communities served, associates, medical staff, pensioners and creditors.

Consideration of the interests of the Daughters of Charity is appropriate given the fundamental role of DCHS and the other components of the Health System in carrying out the ministry and mission of the Daughters of Charity through the Health System's use of long-term assets such as lands and buildings through which the Daughters of Charity have historically carried out sponsored works. Indeed, playing that fundamental role on behalf of the Daughters of Charity is the first and foremost in each corporate purpose statement of DCHS and its affiliates. Accordingly, the Board may properly include protecting other assets of the Daughters of Charity from the liabilities of the Health System in its scope of considerations.

Consideration of the interests of others impacted by DCHS's decision is also appropriate under these circumstances. First among these other interests are the local health ministries themselves. This Board has received ample information demonstrating that the common liabilities of the Health System tie all members together with DCHS. The process of soliciting proposals yielded solutions that fall short of covering the common liabilities. The Board may now consider which proposals address the greatest amount of those liabilities of DCHS's affiliates.

The continuation of the Health System hospitals as providers of health care is also a valid interest within the Board's purview. In many nonprofit health care transactions, a board's duty lies in achieving the interest of furthering the organization's charitable mission even though that may mean delivering control to another entity. In the absence of any prospective successor that offers a permanent nonprofit platform for the Health System, the Board may properly consider the commitment and ability of bidders to maintain access to health services through the Health System. Healthy operations also will be the most important source of assurance that commitments to pensioners, represented and unrepresented associates and medical staff may be kept.

Duty of Care: Each Director must act in this decision-making process with such care, including reasonable inquiry, as is appropriate under the circumstances

The present circumstances set the stage for the Board of DCHS to exercise heightened attention and scrutiny, information gathering and reliance on the expertise of competent advisors in this final stage. The Board is encouraged to take sufficient time for consideration, to gather and review all relevant data and to ask questions. To establish a basis of comparison across transaction options to help defend the fairness of the chosen transaction's terms and conditions, the Board's advisors and management have provided detailed comparisons of emerging proposals at past meetings and now stand ready to provide final comparisons and to answer the Board's questions.

Responsibility for the Final Decision

Responsibility for making the final decision rests with the Board. The law recognizes under a principle called the "business judgment" rule that a board's decision is entitled to deference when made in good faith and with reasonable care. The law also recognizes that a board's knowledge and experience may not hold all answers to relevant questions, and so a board is permitted to rely on others for appropriately for advice and information.

-- Reliance on Experts and Management

In performing your duties as directors, you are expressly permitted by law to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented, counsel or other persons as to matters which the director believes to be within that person's professional or expert competence. The retention of Houlihan Lokey, counsel and other advisors has laid the groundwork for the Board to supplement its own deep knowledge of DCHS and the Health System with information and advice on matters outside the experience or expertise of the Board.

-- Health & Safety Code Section 1260

A unique statute applies to two aspects of actions by board members in the context of a sale or other change of control of a nonprofit hospital. First, the statute, Health & Safety Code Section 1260, prohibits a director who negotiates terms of a covered transaction from accepting compensation from the buyer for two years after the closing. The second aspect applies here more directly. Directors may only rely on information and advice provided by a member of management if that information or advice has been reviewed and evaluated by an independent expert advising the board. Two exceptions apply: the board may rely on factual information provided by management pertaining to the seller, its community, its financial status and similar data without further review or evaluation; and the board may rely on a member of management's information or advice without limitation if the individual has signed a statement agreeing not to work for or accept any form of remuneration from the

buyer.² This somewhat confusing statute has a principle at its core: to ensure that the board has access to advice and information in making its decision that are confirmed by sources without a potential conflict of interest.

Pascale Roy, John Chesley and Cecily Dumas

September 29, 2014

²The following summarizes the sources of information and advice that the DCHS board of directors may substantially rely on under H&S Code 1260:

Scope of information or advice provided by management that the board may rely on	Conditions
All information and advice	If the information or advice is reviewed and evaluated by an independent expert contracted with by the board
All information and advice	If the employee has signed an affirmative declaration that he or she will not work for or receive any form of remuneration from the buyer in the future
Factual information pertaining to the seller, its community, its financial status and similar data only	No conditions

Daughters of Charity Health System

System Board Presentation – Summary of Final Bids Received

September 29, 2014

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HOULIHAN LOKEY

To: DCCHS Board of Directors
From: DCCHS Transaction Team
Date: September 29, 2014
Subject: DCCHS Sale Process

In anticipation of the DCCHS board meeting on October 3, 2014, we have assembled this presentation to provide you the latest status on the sale process. As set forth herein, we requested and received final proposals from six bidders on September 12, 2014. Despite clear directions, not all six bidders submitted complete bids and the transaction team has since worked to encourage the bidders to improve the strength of their proposals. Given this dynamic situation, below is the current summary of the status of each bidder:

Blue Wolf Capital Partners

- Membership termination and board replacement transaction (DCCHS remains a not-for-profit, subject to potential future conversion to for-profit ownership) / management agreement / sale of the MOB portfolio
- Blue Wolf has meaningfully reduced the degree of financial support it is seeking from the Daughters of Charity
- Documentation has material business and legal issues that make proposal non-comparable to requested and submitted offers
- Various transaction infirmities (e.g., ability to retain tax-exempt status, bondholder objection, undercapitalized successor)

Integrity Healthcare

- Asset purchase transaction structure
- Delays in securing transaction financing – likely needs a minimum of four additional weeks
- No longer actively pursuing the transaction

Paladin Healthcare

- Asset purchase transaction structure
- Concluded that they cannot support a transaction valuation that satisfies all of the DCCHS liabilities
- No longer actively pursuing the transaction

Prime Healthcare

- Membership substitution / not-for-profit status of SVMC and LHM Charitable Foundations maintained
- For-profit conversion of all other LHMs
- Documentation effectively complete
- Has cash and available credit lines to fund the transaction
- Challenging relationship continues with the SEIU with corresponding political pressure and regulatory risk

Prospect Medical Holdings

- Asset purchase transaction structure / for-profit conversion
- Recently identified concerns with the assumption of the Church Plan in light of litigation regarding church plan exemptions for other systems
- Attempting to structure an acceptable proposal on the Church Plan – potential to include plan retention by DCHS with Prospect funding the plan at closing (amount TBD)
- Prospect is seeking a financing commitment

Strategic Global Management

- Asset purchase transaction structure / for-profit conversion
- Concerned about funding requirements of the Church Plan upon conversion to an ERISA plan (including PBGC premiums)
- Has financing for a portion of the transaction, but attempting to raise subordinated debt of ~\$100 million and equity of ~\$100 million

The transaction team anticipates that both Blue Wolf and Prime will remain active participants in the process. The continued participation of Prospect and SGM is largely dependent on reaching acceptable solutions to address the Church Plan, as well as each organization's ability to secure necessary funding for the transaction.

Given the uncertainty associated with these otherwise viable proposals, the transaction team is not currently putting forth a transaction recommendation pending further insight into the resolution of the pension and funding sources of Prospect and SGM.

Sale Process Background

Transaction Objectives – December 2013

Primary Objectives



Additional Objectives

- Seek a consensual solution
- Pursue a path with a high likelihood of closure on the available timeframe

Interested Parties

■ The sale process commenced in early February 2014

Summary of Parties Executing Confidentiality Agreements

	Parties Contacted	CAs Executed			
Catholic	8	2	Dignity Health Providence / Molina		
Not-For-Profit / Government	19	11	Cedars-Sinai CHOMP El Camino Good Samaritan Hospital	Kaiser Permanente RCB Equities #1 San Mateo County Santa Clara County	Scripps Health Stanford Medicine UCLA Health
For Profit Strategic	34	18	AHMC Healthcare Alecto Healthcare Services Cardiovascular Care Group Central Valley Specialty Hospital CHA Hollywood Presbyterian HCA Healthcare	Iasis Healthcare JPH Consulting LHP Hospital Group LifePoint Hospitals MEDPrime LLC Paladin / Avanti Hospitals	Prime Healthcare Services Prospect Medical Holdings RollinsNelson Select HealthCare Solutions Strategic Global Management Universal Health Services
Private Equity / Management Team	21	12	Aeoro Blue Wolf Capital Partners Bridgewater/Ares/Westridge Cerberus Capital Management	Integrity Healthcare KKR LEPL Projects, Ltd. Lightstone Group	Madison Dearborn Pinnacle Healthcare Platinum Equity PS Two / Pejman Salimpour
SNF / REIT / MOB / Other	51	29	American Healthcare Investors American Realty Capital Arba Group Ardmore Medical Group AVIV REIT Beverly Cardiology Group Brius Healthcare Covenant Care CrossHarbor Capital Partners Dr. Khoury	Eduro Healthcare EmpRes Ensign G&L Realty G.H. Palmer Associates Health Care REIT Kindred Life Generations / Generations Marquis Senior Care Meridian	Meridian / JCH Consulting NorthStar Realty Finance Physicians Realty Trust Plum Healthcare Prestige Care, Inc. Rockpoint Group / Watt Companies Seavest Healthcare Properties SnF Management Ventas
	133	72			

Bids Received

- Bids were solicited on individual hospitals, the portfolio of medical office buildings (“MOBs”) and the system as a whole

		Full System	LHMs / Regions	MOBs
First Round <i>March 2014</i> <i>29 Bids</i>	Catholic	-	2	-
	Not-For-Profit / Government	1	4	-
	For Profit Strategic	5	5	-
	Private Equity / Mgmt. Team	5	1	-
	SNF / REIT / MOB / Other	-	2	4
	TOTAL	11	14	4
Second Round <i>May 2014</i> <i>15 Bids</i>	Catholic	-	2	-
	Not-For-Profit / Government	-	2	-
	For Profit Strategic	4	2	-
	Private Equity / Mgmt. Team	4	1	-
	SNF / REIT / MOB / Other	-	-	-
	TOTAL	8	7	-
Final Round <i>September 2014</i> <i>6 Bids</i>	Catholic	-	-	-
	Not-For-Profit / Government	-	-	-
	For Profit Strategic	4	-	-
	Private Equity / Mgmt. Team	2	-	-
	SNF / REIT / MOB / Other	-	-	-
	TOTAL	6	-	-

2nd Round – Illustrative System Bid

- As buyers refined their bids, system bid alternatives became the most viable
- The following four slides set forth the economics of a system bid versus a hypothetical bid of three separate LHM transactions

Sources of Distributable Value		Buyer 1
(\$ millions)		<i>All LHMs</i>
Cash	Base Cash Consideration	\$ 443
	Less: Employee Liability Deduction	-
	Less: Holdback / Indemnity Escrow	(42)
	Total Cash Consideration	402
Assumed Liabilities	Mortgages / Capital Leases	5
	Pension - RPHE	49
	Pension - Church	220
	Other Current Liabilities	115
	Total Assumed Liabilities	390
Estimated Bid Value		792
Retained Assets	Cash & Equivalents	-
	Accounts Receivable	-
	Provider Fee Receivable, net	-
	Total Retained Asset Value	-
Estimated Distributable Value		792
Less: Assumed Liabilities		(390)
Est. Distributable Cash Value		\$ 402

2nd Round – Illustrative System Bid (cont.)

Distribution of Value		
(\$ millions)		
	Est. Distributable Cash Value	\$ 402
		Recovery
		<u> \$ % </u>
Secured Claims	Senior Bridge Loan	\$ 86 100%
	Series 2005 Bonds, net	267 100%
	Mortgages / Capital Leases	<i>Assumed</i> 100%
	Total	<u>354</u>
Priority Claims	Employee Related	<i>Assumed</i> 100%
	Illust. Transaction Fees / Other	<u>25 100%</u>
	Total	<u>25</u>
Unsecured Claims	Pension - RPHE (Withdrawal)	<i>Assumed</i> 100%
	Pension - 401(a)(17)	3 100%
	OPEB	<i>Assumed</i> 100%
	General Unsecured	<i>Assumed</i> 100%
	Reserve for Possible Reimbursement and Other Liabilities	<u>TBD</u>
	Total (Pre-Church Plan)	<u>3</u>
	Pension - Church Plan	<i>Assumed</i> 100%
	Residual Value	<u><u>\$ 20</u></u>

2nd Round – Illustrative Aggregate LHM Bid

Sources of Distributable Value

(\$ millions)

		<u>Retained</u>	<u>Buyer 2</u>	<u>Buyer 3</u>	<u>Buyer 4</u>	<u>Total</u>
			<i>SVMC, SMC/C</i>	<i>SFMC</i>	<i>OCH, SLRH</i>	
Cash	Base Cash Consideration		\$ 130	\$ 135	\$ 150	\$ 415
	Less: Employee Liability Deduction		(21)	(17)	-	(38)
	Less: Holdback / Indemnity Escrow		-	-	<i>TBD</i>	<i>TBD</i>
	Total Cash Consideration		<u>109</u>	<u>118</u>	<u>150</u>	377
Assumed Liabilities	Mortgages / Capital Leases		-	-	-	-
	Pension - RPHE		-	-	-	-
	Pension - Church		-	-	-	-
	Other Current Liabilities		<u>21</u>	<u>17</u>	-	38
	Total Assumed Liabilities		21	17	-	38
Estimated Bid Value			130	135	150	415
Retained Assets	Cash & Equivalents	55	-	-	-	55
	Accounts Receivable	9	48	56	40	154
	Provider Fee Receivable, net	-	-	95	14	109
	Total Retained Asset Value	<u>64</u>	<u>48</u>	<u>151</u>	<u>55</u>	318
Estimated Distributable Value		\$ 64	\$ 178	\$ 286	\$ 205	\$ 733
Less: Assumed Liabilities						(38)
Est. Distributable Cash Value						\$ 695

2nd Round – Illustrative Aggregate LHM Bid (cont.)

Distribution of Value		
(\$ millions)		
Est. Distributable Cash Value		\$ 695
		Recovery
		<u> \$ </u> <u> % </u>
Secured Claims	Senior Bridge Loan	\$ 86 100%
	Series 2005 Bonds, net	267 100%
	Mortgages / Capital Leases	5 100%
	Total	359
Priority Claims	Employee Related	21 100%
	Illust. Transaction Fees / Other	30 100%
	Total	51
Unsecured Claims	Pension - RPHE (Withdrawal)	200 99%
	Pension - 401(a)(17)	3 99%
	OPEB	4 99%
	General Unsecured	77 99%
	Reserve for Possible Reimbursement and Other Liabilities	TBD
	Total (Pre-Church Plan)	284
	Pension - Church Plan	- 0%
Residual Value		\$ -

Sale Process Update – Final Bids

Final Bids – Summary of Key Terms

		Blue Wolf Capital Partners	Integrity Healthcare	Paladin Healthcare
STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> Disaffiliation / Member Substitution For-profit acquires MOBs, enters into management agreement & receives purchase option OpCo remains not-for-profit DOC to fund working capital shortfall 	<ul style="list-style-type: none"> Asset Purchase 	<ul style="list-style-type: none"> Definitive Agreements not Received (letter of intent only) OpCo (ESOP) PropCo (For-profit) Valuation likely less than DCHS liabilities
	Deposit <i>Amount:</i>	None	\$27.2mm	Not Addressed
	<i>Termination Fee:</i>	Not Applicable	None	Not Addressed
	Buyer Indemnification	None	None	\$30mm cap; residual to pay AP / current liabilities
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i>	Paid at Closing	Paid at Closing (\$100mm cap)	Paid at Closing
	<i>2005:</i>	Assume*	Paid at Closing	Paid at Closing
	Pension <i>Church:</i>	Merge w/ RPHE or Assume* (TBD)	Assume	Assume
	<i>RPHE:</i>	Assume*	Assume	Assume
	Employee Liabilities	Cash / Assume*	Cash / Assume	TBD
	Contracts / Leases	Assume*	Assume	Assume
	Other Liabilities	Assume*	Assume	Partially – Unsecured Note
	CBA's	MOUs with SEIU & UNAC; Assume* CNA	Assume, but attempt to renegotiate	Assume
	Severance Holdback	None	None; Agrees to observe policies for 18 months	Not Addressed
OTHER	Capital Sources	Financing (committed), Equity, DOC	Financing (uncommitted)	TBD
	Release	Mutual against DOCMSC and DCHS	D&O, DCHS and Affiliates	Not Addressed
	CapEx Commitment	\$300mm over 5 years	\$300mm over 5 years	Not Addressed
	Charity / Pastoral Care	Similar policies / Fund pastoral care for 5 years	Similar policies / Fund pastoral care for 5 years	Not Addressed
	Pre-Close Participation	Consulting	Consulting	Not Addressed

Note: Retained assets generally consist of religious artifacts, DCHS and related names, LHM Foundations (ex. Blue Wolf and Prime) and miscellaneous real and personal property assets.

* "Assume" under Blue Wolf structure means that these obligations remain liabilities of DCHS under new control post-Closing

Final Bids – Summary of Key Terms (cont.)

		Prime Healthcare	Prospect Medical Holdings	Strategic Global Management
STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> For-profit conversion SVMC, Medical Foundation and LHM Foundations substitution by Prime Healthcare Foundation (NFP) 	<ul style="list-style-type: none"> Asset Purchase 	<ul style="list-style-type: none"> Asset Purchase Transition of DCHS MF to new NFP Plus \$50mm (\$20mm cash; \$30mm into indemnity holdback)
	Deposit <i>Amount:</i>	\$40mm	\$50mm	\$25mm (at signing) \$25mm (60 days post signing)*
	<i>Termination Fee:</i>	\$20mm	2.5%	None
	Buyer Indemnification	None	None	\$30mm cap for SRDP / other damages of >\$5mm / > \$1mm
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i>	Paid at Closing	Paid at Closing	Paid at Closing
	<i>2005:</i>	Paid at Closing	Paid at Closing	Paid at Closing
	Pension <i>Church:</i>	Assume	Fund / Unlikely to Assume*	Assume
	<i>RPHE:</i>	Assume	Assume	Assume
	Employee Liabilities	Cash / Assume	Cash / Assume	Cash / Assume
	Contracts / Leases	Assume	Assume	Assume
	Other Liabilities	Assume	Assume	Assume
CBAs	Assume, but attempt to renegotiate	Assume	Assume, but attempt to renegotiate	
Severance Holdback	\$11.5mm funded	None*	\$11.5mm funded	
OTHER	Capital Sources	Cash (balance sheet)	Financing (uncommitted)*	Financing (uncommitted), Equity*
	Release	DCHS and Affiliates; Fraud Carveout	D&O, DCHS and Affiliates	D&O, DCHS and Affiliates; Fraud Carveout
	CapEx Commitment	\$150mm over 3 years	\$300mm over 5 years	\$200mm over 5 years
	Charity / Pastoral Care	Similar policies / Fund pastoral care for 5 years	Similar policies / Fund pastoral care for 5 years	Similar policies / Fund pastoral care for 5 years
	Pre-Close Participation	Consulting	Consulting (Fee)	Consulting

Note: Retained assets generally consist of religious artifacts, DCHS and related names, LHM Foundations (ex. Prime) and miscellaneous real and personal property assets.

* Based on discussions, improvement in terms pending

Final Bids Received – Illustrative Recovery Analysis

Sources of Distributable Value (\$ millions)

	Blue Wolf	Prime	Prospect	SGM	
Cash	Cash Consideration ⁽¹⁾	\$ 86	\$ 382	\$ 382	\$ 443
	Plus: DOC Contribution	TBD	-	-	-
	Less: Severance / Indemnity Holdback	-	-	-	(42)
	Net Cash Consideration	86	382	382	402
Primary Assumed Liabilities	2014 Bonds (Bridge Loan)	-	-	-	-
	Series 2005 Bonds, net ⁽²⁾	267	-	-	-
	Mortgages / Capital Leases	5	5	5	5
	Pension - RPHE ⁽³⁾	49	49	49	49
	Pension - Church ⁽³⁾	220	220	220	220
	Employee Related Liabilities ⁽³⁾⁽⁴⁾	59	59	59	59
	Other Current Liabilities ⁽³⁾⁽⁵⁾	115	115	115	115
	Total Assumed Liabilities	717	449	449	449
Estimated Distributable Value	803	831	831	851	
Less: Assumed Liabilities	(717)	(449)	(449)	(449)	
Est. Distributable Cash Value	\$ 86	\$ 382	\$ 382	\$ 402	

(1) Excludes any amounts necessary to fund the Church Plan, pay transfer taxes, employee liabilities (accrued PTO) or related items that may be paid in cash at closing. Excludes post-closing availability under credit lines.

(2) Current principal balance of \$284.5 million (applicable until July 1, 2015), net of \$26.0 million of debt service reserve funds; includes projected accrued interest of \$8.7 million

(3) Amount per March 31, 2014 on / off-balance sheet analysis

(4) Represents accrued payroll / PTO; for purposes of presentation, presented as 100% assumed (any amounts due at closing will be paid in cash)

(5) Includes current liabilities, less employee-related items

Final Bids Received – Illust. Recovery Analysis (cont.)

Distribution of Value (\$ millions)

			Blue Wolf	Prime	Prospect	SGM				
Est. Distributable Cash Value (prior slide)			\$ 86	\$ 382	\$ 382	\$ 402				
			Recovery		Recovery		Recovery		Recovery	
Est. Claim			\$	%	\$	%	\$	%	\$	%
Secured Claims	2014 Bonds (Bridge Loan)	\$ 86	\$ 86	100%	\$ 86	100%	\$ 86	100%	\$ 86	100%
	2005 Bonds, net ⁽²⁾	267	<i>Assumed</i>	100%	267	100%	267	100%	267	100%
	Mortgages / Capital Leases	5	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%
	Total	359	86		354		354		354	
Priority Claims	Employee Related ⁽³⁾⁽⁴⁾	59	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%
	Illust. Transaction Fees / Other	25	25	100%	25	100%	25	100%	25	100%
	Total	84	25		25		25		25	
Unsecured Claims	Pension - RPHE (Withdrawal)	201	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%
	Pension - 401(a)(17)	3	3	100%	3	100%	3	100%	3	100%
	OPEB ⁽⁴⁾	4	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%
	Other Current Liabilities ⁽³⁾⁽⁵⁾	115	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%	<i>Assumed</i>	100%
	Total (Pre-Church Plan)	324	3		3		3		3	
Pension - Church Plan			<i>Assumed</i>		<i>Assumed</i>		<i>Assumed</i> ⁽⁶⁾		<i>Assumed</i>	
Residual Value			<u>\$ (28)⁽⁷⁾</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 20</u>	

(1) Excludes any amounts necessary to pay transfer taxes, employee liabilities (accrued PTO) or related items that may be paid in cash at closing

(2) Current principal balance of \$284.5 million (applicable until July 1, 2015), net of \$26.0 million of debt service reserve funds; includes projected accrued interest of \$8.7 million

(3) Amount per March 31, 2014 on / off-balance sheet analysis

(4) Represents accrued payroll / PTO; for purposes of presentation, presented as 100% assumed (any amounts due at closing will be paid in cash)

(5) Includes current liabilities, less employee-related items

(6) Assumes Prospect assumes the Church Plan until economics of funding are determined

(7) Assumes shortfall is funded through the existing cash on DCHS' balance sheet and / or DOC

Final Bids – Qualitative Comparison

■ In evaluating the bids, the chart below contemplates three critical components of the bids:

Creditor Treatment

- Total bid value
- Form of Consideration (cash, assumed liabilities)

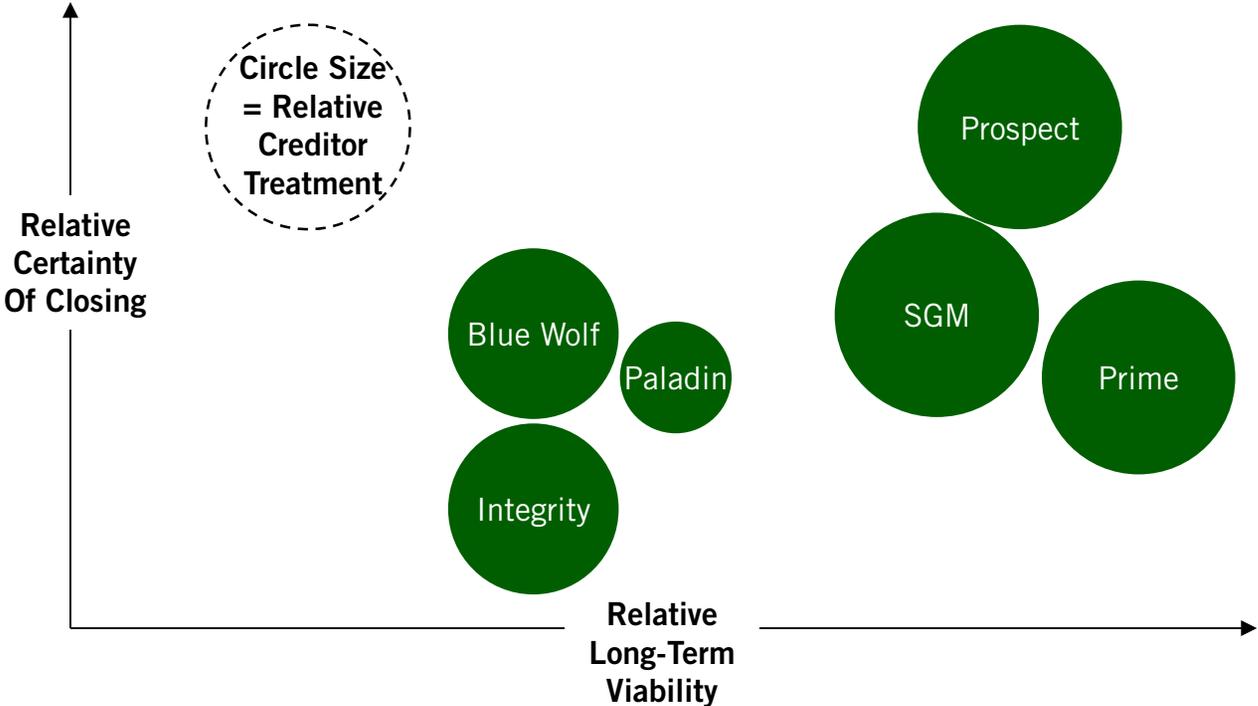
Long-Term Viability

- Strength / Support of on-going relationships
- Long-term financial support / wherewithal

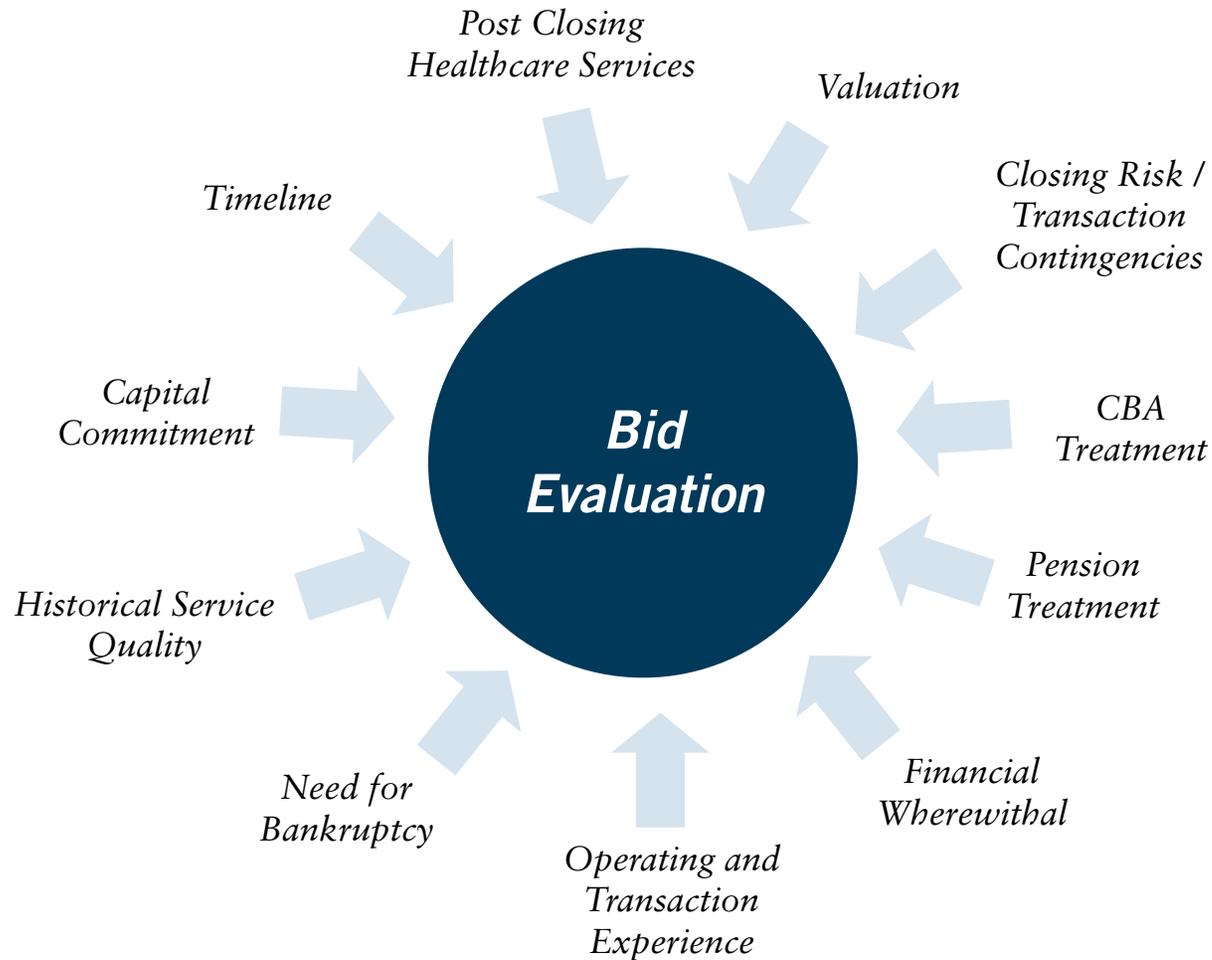
Certainty of Closing

- Committed capital
- Propensity to re-negotiate terms
- Likelihood of regulatory approval

Qualitative Bid Comparison



- The DCCHS Board has identified the following factors for evaluating the DCCHS bids



Current Transaction Strengths / Weaknesses

	Strengths	Weaknesses
Blue Wolf Capital Partners	<ul style="list-style-type: none"> • Support of SEIU and UNAC • Committed financing from GE Capital • Anticipated support from the California AG 	<ul style="list-style-type: none"> • Ability to maintain 501(c)(3) status is unclear (sponsor, purchase option) • Minimal capital invested into operations • Post-Closing DCHS is left thinly capitalized / increased leverage • May still require DOC funding • 2005/2014 Bondholders have indicated they will oppose assumption of the 2005 debt • Absence of a deposit
Prime Healthcare	<ul style="list-style-type: none"> • Experienced California hospital operator • DCHS transaction is strategic for Prime: <ul style="list-style-type: none"> - Opportunity to transact in California - Material step toward an IPO of Prime Healthcare • Proven track record of improving distressed hospitals • Access to cash and credit facilities to fund closing payments and post-closing recapitalization • Significant acquisition experience 	<ul style="list-style-type: none"> • Resistance from SEIU and UNAC • Potential transaction resistance from the California AG and politicians • Litigious history and potential for renegotiations
Prospect Medical Holdings	<ul style="list-style-type: none"> • Experienced California hospital operator • Backed by large investment fund capable of providing necessary resources • Remained out of sight / not attracted resistance as a buyer • Significant transaction sophistication 	<ul style="list-style-type: none"> • Need to find a solution to the Church Plan exposure which could include continuation of DCHS sponsorship (with Prospect funding the plan at Closing) • Must obtain capital commitment
Strategic Global Management	<ul style="list-style-type: none"> • Experienced California hospital operator • Has recently received California AG consent to acquire hospitals • Remained out of sight / not attracted resistance as a buyer • Transaction consideration in excess of liabilities 	<ul style="list-style-type: none"> • Demonstrated limited experience with transactions of this scale • Need to find a solution to the Church Plan funding needs post-ERISA conversion • Must obtain capital commitment

Next Steps

Process Event	Description
Near Term	<ul style="list-style-type: none"> ■ Seek solution for Prospect and SGM concerns with Church Plan (different concerns) ■ Seek financing and equity commitments from Prospect and SGM ■ Determine willingness of Daughters of Charity to financially support a transaction ■ Finalize transaction documentation
Regulatory Approvals	<ul style="list-style-type: none"> ■ Upon execution of definitive documents, the pursuit of all necessary approvals on a concurrent basis: <ul style="list-style-type: none"> ● Vatican Approval of Alienation ● California Attorney General ● Federal Trade Commission (Hart-Scott-Rodino / Antitrust) ● California Department of Public Health
2014 Bond Sale Transaction Milestones (Outside Dates)	<ul style="list-style-type: none"> ■ <u>October 31, 2014</u> – Executed APA sufficient to satisfy requirements of the 2014 Bonds ■ <u>15 days post-execution of the APA</u> – All necessary regulatory filings made by DCHS and buyers ■ <u>March 31, 2015</u> – All necessary regulatory approvals received (other than DPH) ■ <u>45 days post-regulatory approval</u> – Consummation of transaction

Buyer Detail

Blue Wolf Capital Partners

Business Description

- Blue Wolf Capital Partners (“Blue Wolf”) is a private equity firm specializing in control investments in companies with significant government and organized labor relationships, as well as financial or operational distress
 - The firm’s staff includes investment professionals with extensive experience in private equity investing, senior government service and working with and for organized labor
- Blue Wolf was founded in 2005 and is headquartered in New York



Select Healthcare M&A Transactions

- **Sep. 2011:** Acquired controlling stake in the largest independent pharmacy benefits consulting firm Pharmaceutical Strategies Group
- **Nov. 2008:** Acquired assets of Hospital Laundry Services and Northern Illinois Hospital Services to form Healthcare Laundry Systems, the largest healthcare laundry provider in North America

Current Portfolio

- American Builders Supply Inc.
- Channel Technologies Group, LLC
- Finch Paper Holdings, LLC
- Gloucester Engineering Co. Inc.
- Pharmaceutical Strategies Group, LLC
- Snappy Air Distribution Products
- Suwannee Lumber Co.
- Twin Rivers Paper Company



Sources: Company website, Capital IQ

Select Management

Blue Wolf M&A

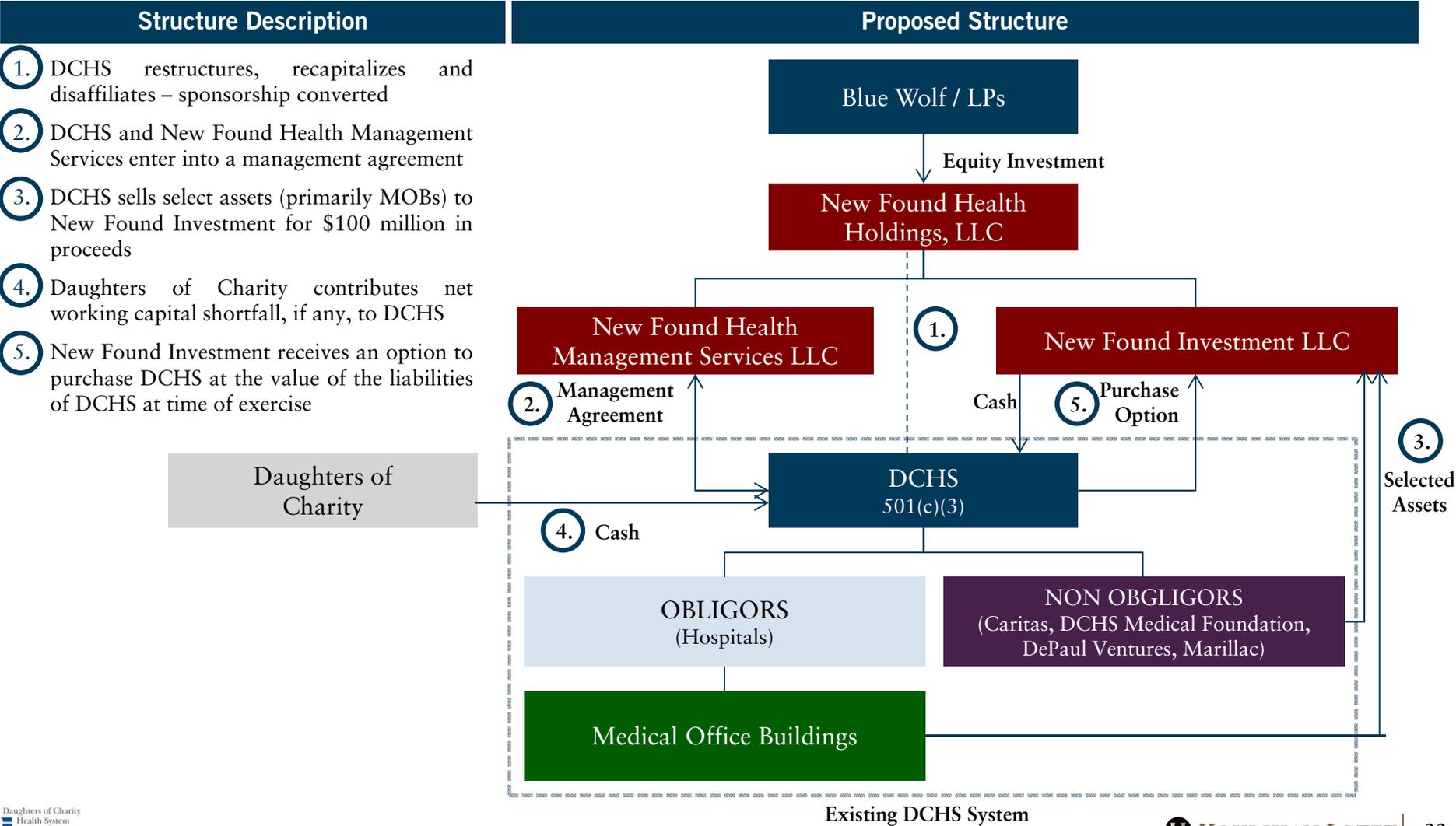
- **Adam Blumenthal** (Co-Founder and Managing Partner)
 - Adam’s experience includes serving as First Deputy Comptroller and CFO for New York City Comptroller William C. Thompson, Jr.
 - He currently serves as Chairman of the investment committee of the UAW VEBA, a \$55 billion fund that pays retiree health benefits for UAW employees of Ford, Chrysler and GM

Proposed DCHS Leadership

- **Dr. Richard Becker**
 - Dr. Becker is a board certified physician in anesthesiology and critical care medicine
 - He led the turnaround effort of The George Washington University Hospital in Washington D.C., and The Brooklyn Hospital Center in Brooklyn, New York
 - He also served on several charitable boards and was recently elected to several healthcare executive committees in New York
- **Richard C. Wright**
 - Richard has more than 40 years of healthcare experience, the majority of which he spent at Universal Health Services
 - His experience in California includes the acquisition of Lancaster Community Hospital and Corona Regional Medical Center, the development of Palmdale Regional Medical Center and creating a strategic plan for the Southwest Healthcare System
 - He also founded Allergy Services of America and Wright Transaction Advisors

Transaction Structure

- Blue Wolf has created the following structure, allowing for the investment of fresh capital into a not-for-profit 501(c)(3) entity, the assumption of existing tax-free bonds and an incentivized management company to drive operations improvements



Key Terms of Final Round Bid

STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> • Corporate structure of health system remains unchanged; DOC sponsorship ends; DCHS board is replaced; Catholic sponsorship continues temporarily • For-profit Blue Wolf entities (i) purchase MOBs, (ii) enter into management services agreement and (iii) receive option to acquire DCHS assets • DCHS remains as non-profit operating company; converts to non-profit public benefit corporations at Closing • Any net working capital shortfall at Closing to be funded by Daughters of Charity (Blue Wolf has meaningfully reduced its expectation for a DOC capital contribution as recently as 9/28/2014)
	Excluded Assets / Operations	<ul style="list-style-type: none"> • DCHS names / marks, retained records, religious artifacts, Los Altos lease, land at SVMC and SMC, funds to discharge payables in favor of DOCMSC, among other Retained Assets
	Deposit <i>Amount:</i>	<ul style="list-style-type: none"> • None
	<i>Termination Fee:</i>	<ul style="list-style-type: none"> • None
	Buyer Indemnity	<ul style="list-style-type: none"> • None
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i> <i>2005:</i>	<ul style="list-style-type: none"> • Paid at Closing • Remains outstanding as ongoing obligation of DCHS
	Pensions / Retirement <i>Church:</i> <i>RPHE:</i> <i>401(a)(17):</i>	<ul style="list-style-type: none"> • Convert into single-employer ERISA plan (possible merger with RPHE) • Fund consistent with collective bargaining agreements • Any amounts due at closing to be included as a liability in calculation of net working capital
	Employee Liabilities	<ul style="list-style-type: none"> • Cash (any amounts due at Closing to be included in calculation of target net working capital) / Assumed
	Contracts / Leases	<ul style="list-style-type: none"> • Remains as ongoing obligation of DCHS
	Other Liabilities	<ul style="list-style-type: none"> • Remains as ongoing obligation of DCHS

Key Terms of Final Round Bid (cont.)

CLAIM TREAT. AT CLOSE	Employees / CBAs	<ul style="list-style-type: none"> • Treatment of non-union employees and Senior Leaders not addressed • Have memorandums of understanding with SEIU and UNAC • Assume CNA (current CBA must not have been extended beyond closing date)
	Severance	<ul style="list-style-type: none"> • No holdback; any amounts due at closing to be included as a liability in calculation of net working capital • Maintain existing severance obligations for 18 months
	Transaction Costs / Taxes	<ul style="list-style-type: none"> • Paid by DCHS at Closing; any amounts outstanding to be included as a liability in calculation of net working capital
OTHER	Source of Financing	<ul style="list-style-type: none"> • DOC contribution, cash investment, potential transaction financing from GE
	Terms of Release	<ul style="list-style-type: none"> • Will not assert any claims against DOCMSC or any former DCHS directors or officers
	CapEx Commitment	<ul style="list-style-type: none"> • \$300 million over 5 years
	Charity / Pastoral	<ul style="list-style-type: none"> • Maintain similar charity care policies, operate as acute care hospitals and maintain chapels / fund pastoral care for 5 years
	Pre-Close Participation	<ul style="list-style-type: none"> • Cooperate and assist Blue Wolf with arrangement of financing for working capital or other financing needs • Provide Blue Wolf access to interact with DCHS senior leadership, medical staff and other employees
	Timing	<p><i>Close:</i></p> <ul style="list-style-type: none"> • Last business day of month after satisfaction of required conditions <p><i>Outside Date:</i></p> <ul style="list-style-type: none"> • Later of 150 days and 30 days post-approvals; capped at 180 days

Sources of Capital / Financial Wherewithal

Existing Liquidity / Capital

- Blue Wolf does not have existing operating company platforms into which DCHS or NewFound Health will be integrated
- Estimated sources and uses of the transaction contemplates that at Closing:
 - DCHS was initially targeted to have ~\$300 million of liquidity (cash + Provider Fee receivable) – (NOTE, liquidity target may have been reduced as a result of Blue Wolf’s reduced net working capital target / anticipated funding from DOC)
 - NewFound Health Management Services will have ~\$11 million of liquidity

Financial Sponsorship

- In July 2013, Blue Wolf announced that it closed on \$300 million of limited partner equity commitments for Blue Wolf Capital Fund III (the fund associated with the bid for DCHS)
 - Blue Wolf has indicated DCHS would be the largest investment in this fund
- As of July 2013, Blue Wolf managed approximately \$460 million in capital and equity commitments

Potential Transaction Financing

DCHS (Not For Profit)



- GE Capital provided a commitment letter for a \$100 million revolving credit facility, with \$85 million expected to be drawn to fund the repayment of the 2014 Bonds

NewFound Health (For Profit)



- GE Capital provided commitment letter for \$67.5 million first lien mortgage loan to help fund acquisition of MOBs from DCHS
 - Comprised of \$50 million initial funding, \$7.5 million holdback for TIs and LCs and \$10 million earnout

Transaction Deposit

- None

Buyer Detail
Prime Healthcare

Overview

Business Description

- Prime Healthcare (“Prime”), headquartered in Ontario, CA, owns and operates 29 acute care hospitals with approximately 4,700 beds in CA, IN, KS, MI, NJ, NV, PA, RI and TX
- Prime is the largest for-profit operator of hospitals in California with an established track record of turning around distressed hospitals
- Offers various medical services including emergency room, heart care, maternity care, behavioral health, surgical, imaging, senior care, intensive care, clinical laboratory, pharmacy facilities and wound treatment among others in addition to a variety of community services
- Over the past two years, Prime purchased four hospitals with Catholic affiliations, has maintained the religious and cultural identity of the institutions
- Prime Healthcare Services Foundation, a not-for-profit, owns and operates five hospitals



National Presence



Note: Includes Prime Healthcare Foundation hospitals

Select Management

- Prem Reddy – Chairman, President & CEO
- Mike Sarian – President of Hospital Operations
- Mike Heather – CFO

Financial Snapshot as of December 2013

- Revenue: \$2.0 billion
- EBITDA: \$280 million
- Debt / EBITDA: 2.2x

Select M&A Transactions

- **Aug. 2014:** Acquired St. Mary’s Hospital (NJ)
- **Jul. 2014:** Pending acquisition of St. Joseph Medical Center and St. Mary’s Medical Center (MO)
- **Jul. 2014:** Acquired Garden City Hospital (MI)
- **May 2014:** Acquired East Valley Hospital Medical Center (CA)
- **Dec. 2013:** Acquired Landmark Medical Center and the Rehabilitation Hospital (RI)
- **Nov. 2013:** Acquired St. Mary Health Corporation (NV)
- **Aug. 2012:** Acquired Lower Bucks Hospital (PA)

Key Terms of Final Round Bid

STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> • Membership substitution / ownership transfer • SVMC, Medical Foundation and LHM Foundations convert to non-profit public benefit corporations under Prime Healthcare Services Foundation (“PHSF”) • All other hospital / entities convert to for-profit corporations under Prime Healthcare Services (“PHS”)
	Excluded Assets / Operations	<ul style="list-style-type: none"> • DCHS names / marks, retained records, Los Altos lease and FF&E, non-DCHS affiliate receivables, religious artifacts, land at SVMC and SMC
	Deposit <i>Amount:</i> <i>Termination Fee:</i>	<ul style="list-style-type: none"> • \$40 million irrevocable letter of credit, payable to DCHS if termination other than from mutual termination, DCHS breach or failure to obtain Church approval; provided, only \$5 million payable to DCHS if terminates due to failure to obtain government approval (AG or otherwise) • \$20 million, payable to Prime if DCHS breaches and terminates
	Buyer Indemnity	<ul style="list-style-type: none"> • None
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i> <i>2005:</i>	<ul style="list-style-type: none"> • Paid at Closing • Paid at Closing
	Pensions / Retirement <i>Church:</i> <i>RPHE:</i> <i>401(a)(17):</i>	<ul style="list-style-type: none"> • Assumed and funded consistent with ERISA / Internal Revenue Code • Assumed and funded consistent with collective bargaining agreements • Paid at Closing
	Employee Liabilities	<ul style="list-style-type: none"> • Cash (if required to fund at close) / Assumed
	Contracts / Leases	<ul style="list-style-type: none"> • Assumed
	Other Liabilities	<ul style="list-style-type: none"> • Assumed

Key Terms of Final Round Bid (cont.)

CLAIM TREAT. AT CLOSE	Employees / CBAs	<ul style="list-style-type: none"> • Offer employment to Senior Leaders and retain substantially all others on similar terms • Assume CBAs; begin negotiations following entry into agreement • Prime to reimburse any costs from resulting work stoppages / strikes
	Severance	<ul style="list-style-type: none"> • \$11.5 million holdback; unused amounts revert to Prime • Maintain existing severance obligations for 12 months post-closing
	Transaction Costs / Taxes	<ul style="list-style-type: none"> • Paid at Closing
OTHER	Source of Financing	<ul style="list-style-type: none"> • Cash on Prime / PHSF balance sheets, existing borrowing capacity of Prime, potential transaction financing from Medical Properties Trust and / or Wells Fargo • Prime Healthcare committing to DCHS pension funding
	Terms of Release	<ul style="list-style-type: none"> • Prime and affiliates release and indemnify DCHS affiliates / various other parties, except for actual fraud
	CapEx Commitment	<ul style="list-style-type: none"> • \$150 million over 3 years
	Charity / Pastoral	<ul style="list-style-type: none"> • Maintain similar charity care policies, operate as acute care hospitals and maintain chapels / fund pastoral care for 5 years
	Pre-Close Participation	<ul style="list-style-type: none"> • Engage Prime at no cost for consulting services
	Timing	<p><i>Close:</i> • 7 business days after satisfaction of required conditions</p> <p><i>Outside Date:</i> • Later of 150 days and 30 days post-approvals; capped at 350 days</p>

Sources of Capital / Financial Wherewithal

Existing Liquidity / Capital

- As of July 31, 2014: PHS⁽¹⁾ and PHSF⁽¹⁾ have:
 - \$142 million availability under PHS revolver w/ HFG
 - Book value of equity / net assets totaling \$666 million / \$861 million, respectively

(\$ millions)	July 31, 2014		
	PHS	PHSF	Total
Hospital Operating Cash	\$ 45	\$ 47	\$ 92
Escrow Cash	118	-	118
Investments	-	132	132
Total Cash and Equiv.	\$ 164	\$ 179	\$ 342

Potential Transaction Financing

- Medical Properties Trust (“MPT”) 
 - \$500 million lending commitment for financing secured by DCHS real estate, subject to further diligence and review
- Healthcare Finance Group (“HFG”) 
 - \$225 million revolving capital line with \$142 million available (as of 7/31/2014)
- Wells Fargo 
 - Provided letter (dated 9/12/2014) indicating it believes up to \$400 million of funded debt financing is available to Prime through the capital markets to fund the DCHS transaction

Financial Sponsorship

- Not applicable
- The transaction documents commit Prime Healthcare to funding the DCHS pension plans
 - Note, SVMC will be acquired by Prime’s not-for-profit foundation while the other hospitals will be acquired by Prime’s for-profit entity

Transaction Deposit

- \$40 million letters of credit from Wells Fargo and City National Bank 

(1) Prime Healthcare Services (“PHS”) and Prime Healthcare Services Foundation (“PHSF”), respectively

Buyer Detail
Prospect Medical Holdings

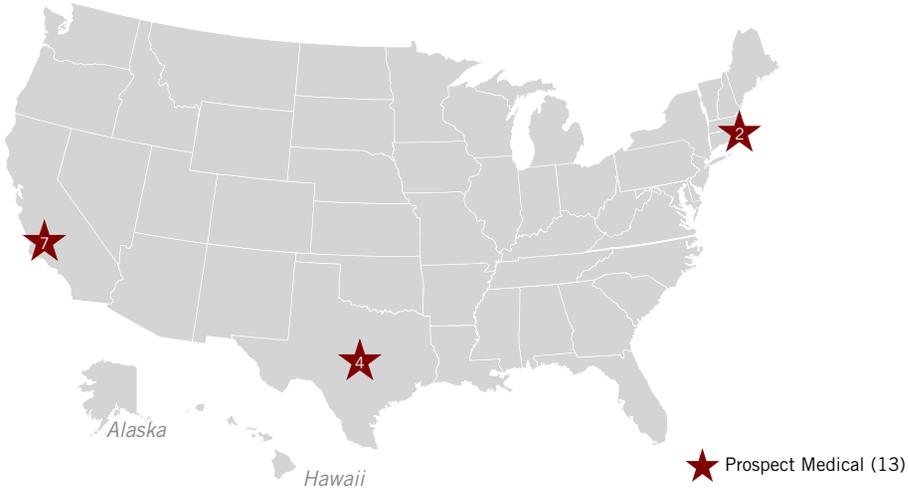
Overview

Business Description

- Prospect Medical Holdings (“Prospect”) provides healthcare and physician services in California, Texas and Rhode Island
- Provides coordinated healthcare through its network of hospitals, clinics, and physicians (both primary care and specialists)
- Owns and operates thirteen acute and behavioral hospitals, with 2,258 licensed beds, and a network of 32 specialty/primary care clinics
- Provides physician services to approximately 233,000 enrollees of HMOs through a network of approximately 9,133 primary care and specialty physicians
- Owned by Leonard Green & Partners, a Los Angeles based private equity firm, with over \$15 billion of private equity capital raised since its inception



National Presence



Source: Company website

California Hospitals

- Southern California Hospital at Van Nuys
- Southern California Hospital at Hollywood
- Southern California Hospital at Culver City (f/k/a Brotman Medical Center)
- Los Angeles Community Hospital at Los Angeles
- Los Angeles Community Hospital at Bellflower
- Los Angeles Community Hospital at Norwalk
- Newport Specialty Hospital

Financial Snapshot (per Moody’s Aug 2014 Report)

- Revenue: \$1 billion (pro-forma adjusted for acquisitions)
- Debt / EBITDA: 4.6x (pro-forma adjusted for acquisitions)
- Hospital segment accounts for 70% of revenue

Select M&A Transactions

- **Jun. 2014:** Partnered with CharterCARE Health Partners’ Roger Williams Medical Center and Our Lady of Fatima Hospital (RI)
- **May 2014:** Acquired two hospitals in Southern California
- **Feb. 2014:** Announced agreement to acquire Newport Specialty Hospital of Tustin (CA) from Pacific Health Corporation
- **Apr. 2013:** Acquired Community General Hospital (TX)
- **Feb. 2012:** Purchased Accord Medical Management, LP, a hospital and healthcare system operator in Texas, for ~\$190 million

Management

- Sam Lee – Chairman, CEO
- Steve Aleman – CFO
- Von Crockett – SVP of Corporate Development
- Frank Saidara – VP of Corporate Development



Sources: CapIQ; Moody’s August 8, 2014 Credit Rating Report; Company website

Key Terms of Final Round Bid

STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> • Asset Purchase / Liability Assumption
	Excluded Assets / Operations	<ul style="list-style-type: none"> • DCHS names / marks, retained records, Los Altos lease and FF&E, non-DCHS affiliate receivables, religious artifacts, land at SVMC and SMC, philanthropic foundations
	Deposit <i>Amount:</i>	<ul style="list-style-type: none"> • \$50 million, payable to DCHS if terminated due to Prospect breach
	<i>Termination Fee:</i>	<ul style="list-style-type: none"> • 2.5% break-up fee
	Buyer Indemnity	<ul style="list-style-type: none"> • None
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i> <i>2005:</i>	<ul style="list-style-type: none"> • Paid at Closing • Paid at Closing
	Pensions / Retirement <i>Church:</i> <i>RPHE:</i> <i>401(a)(17):</i>	<ul style="list-style-type: none"> • Previously planned to assume an ERISA compliant plan (post-Closing if necessary), but currently contemplating funding the plan in full at Closing and leaving the plan with the DOC • Assumed and funded consistent with CBAs • Paid at Closing
	Employee Liabilities	<ul style="list-style-type: none"> • Assumed
	Contracts / Leases	<ul style="list-style-type: none"> • Assumed
	Other Liabilities	<ul style="list-style-type: none"> • Assumed

Prospect Medical Holdings

Key Terms of Final Round Bid (cont.)

CLAIM TREAT. AT CLOSE	Employees / CBAs	<ul style="list-style-type: none"> • Offer employment to Senior Leaders and retain substantially all others on similar terms • Assume CBAs
	Severance	<ul style="list-style-type: none"> • No holdback; maintain existing severance obligations for 18 months
	Transaction Costs / Taxes	<ul style="list-style-type: none"> • Paid in cash at Closing
OTHER	Source of Financing	<ul style="list-style-type: none"> • Transaction financing commitment letter to be provided
	Terms of Release	<ul style="list-style-type: none"> • Release and indemnify directors, officers, employees and other DCHS affiliates / parties, except for any losses arising from termination of 401(a)(17) plans
	CapEx Commitment	<ul style="list-style-type: none"> • \$300 million over 5 years
	Charity / Pastoral	<ul style="list-style-type: none"> • Maintain similar charity care policies, operate as acute care hospitals and maintain chapels / fund pastoral care for no less than 5 years
	Pre-Close Participation	<ul style="list-style-type: none"> • Engage Prospect for a to-be-negotiated fee for consulting services
	Timing	<ul style="list-style-type: none"> • <i>Close:</i> 7 business days after satisfaction of conditions • <i>Outside Date:</i> Later of 150 days and 30 days post-approvals; capped at 350 days

Sources of Capital / Financial Wherewithal

Existing Liquidity / Capital

- Prospect has access to a \$60 million revolving credit facility expiring in 2017
 - It is expected that the revolver will be used to fund acquisitions (not relied upon for operations)
- Additional background and financial information pending – NDA executed

Financial Sponsorship

- Owned by Leonard Green & Partners
- In May 2012 LGP, announced the closing of its sixth equity fund, Green Equity Investors VI, L.P., with \$6 billion in limited partner commitments along with \$250 million from affiliates of LGP.
- It is anticipated that DCHS will be integrated into and share a common balance sheet with Prospect’s existing network of 13 hospitals (located in California, Texas and Rhode Island)



Potential Transaction Financing

- Morgan Stanley 
 - Commitment letter from Morgan Stanley to be finalized and provided

Transaction Deposit

- \$50 million cash deposit

Buyer Detail
Strategic Global Management

Overview

Business Description (per LOI)

Strategic Global Management (“SGM”) and its affiliates have an ownership interest and operate numerous healthcare and other enterprises in the United States and abroad, including:



STRATEGIC GLOBAL MANAGEMENT, INC.

6800 Indiana Avenue, Suite 130, Riverside, California 92506
Telephone: (951) 782-8812 Facsimile: (951) 782-8850

- 7 hospitals in Riverside, San Bernardino and Orange County



Victor Valley Global Medical Center



- Other medical groups, independent physician associations and ancillary healthcare businesses

Over the past four years, SGM has closed transactions in excess of \$350 million

Management

- Dr. Kali Chaudhuri – Chairman of SGM
- Bill Thomas – EVP and General Counsel of SGM
- Suzanne Richards – COO of SGM
- Kali Chaudhuri – CFO of SGM

California Hospitals

- Victor Valley Global Medical Center
- Physicians for Health Hospitals:
 - Hemet Valley Medical Center
 - Menifee Valley Medical Center
- Integrated Healthcare Holdings, Inc.:
 - Western Medical Center – Santa Ana
 - Western Medical Center – Anaheim
 - Coastal Community Hospital
 - Chapman Medical Center



Sources: LOI

Southern California Presence



★ SGM Hospitals (7)

Select M&A Transactions

- **Jul. 2012:** Victor Valley Global Medical Center, a safety net healthcare provider, was acquired out of bankruptcy
- **Oct. 2010:** Physicians for Healthy Hospitals (including Hemet Valley Medical Center and Menifee Valley Medical Center) was acquired out of bankruptcy

Key Terms of Final Round Bid

STRUCTURE	Transaction Description / Unique Structure Considerations	<ul style="list-style-type: none"> • Asset Purchase / Liability Assumption • DCHS to cooperate in transition to develop and submit new tax-exempt application for Medical Foundation at Closing (Purchaser does not expect to require DCHS to continue sponsorship post-Closing) • Additional consideration: \$20mm cash, \$30mm indemnity holdback and potential pre-close reduction-in-force incentive payment (\$20mm cap)
	Excluded Assets / Operations	<ul style="list-style-type: none"> • DCHS names / marks, retained records, Los Altos lease, non-DCHS affiliate receivables, religious artifacts, land at SVMC and SMC, philanthropic foundations
	Deposit <i>Amount:</i>	<ul style="list-style-type: none"> • \$25 million at signing; additional \$25 million after 60 days, payable to DCHS if terminated other than mutually, from a DCHS breach or from failure to obtain church approval; provided only \$5 million payable to DCHS from failure to obtain government approval or reaching the outside date
	<i>Termination Fee:</i>	<ul style="list-style-type: none"> • None
	Buyer Indemnity	<ul style="list-style-type: none"> • \$30 million cap for damages arising from any DCHS breach or Excluded Liabilities • Applies to self-disclosure damages above \$5 million (capped at \$10 million) and all other damages after claims of \$1 million
CLAIM TREATMENT AT CLOSE	Bonds <i>2014:</i>	<ul style="list-style-type: none"> • Paid at Closing
	<i>2005:</i>	<ul style="list-style-type: none"> • Paid at Closing
	Pensions / Retirement <i>Church:</i>	<ul style="list-style-type: none"> • Assumed and funded consistent with ERISA / Internal Revenue Code
	<i>RPHE:</i>	<ul style="list-style-type: none"> • Assumed and funded consistent with collective bargaining agreements
	<i>401(a)(17):</i>	<ul style="list-style-type: none"> • Paid at Closing
	Employee Liabilities	<ul style="list-style-type: none"> • Paid in cash (if required at Close) / Assumed
	Contracts / Leases	<ul style="list-style-type: none"> • Assumed
	Other Liabilities	<ul style="list-style-type: none"> • Assumed

Key Terms of Final Round Bid (cont.)

CLAIM TREAT. AT CLOSE	Employees / CBAs	<ul style="list-style-type: none"> • Offer employment to a substantial portion of all employees • Maintain existing severance obligations for 18 months post-Closing • Assume CBAs, but attempt to renegotiate
	Severance	<ul style="list-style-type: none"> • \$11.5 million funded holdback
	Transaction Costs / Taxes	<ul style="list-style-type: none"> • Paid in cash at Closing
OTHER	Source of Financing	<ul style="list-style-type: none"> • Cash investment, potential transaction financing from MidCap, uncommitted sale of MOBs to Rendina
	Terms of Release	<ul style="list-style-type: none"> • Release directors, officers, employees and other DCHS affiliates / parties, except for terms of indemnification for intentional fraud or violation of legal requirements
	CapEx Commitment	<ul style="list-style-type: none"> • \$200 million over 5 years
	Charity / Pastoral	<ul style="list-style-type: none"> • Maintain charity care policies as required by law; operate as acute care hospitals and maintain chapels / fund pastoral care for 5 years
	Pre-Close Participation	<ul style="list-style-type: none"> • Engage SGM at no cost for consulting services; work toward development of “workforce realignment plan”
	Timing	<ul style="list-style-type: none"> • <i>Close:</i> 7 business days after satisfaction of conditions • <i>Outside Date:</i> Later of 150 days or 30 days post-approvals; capped at 350 days

Sources of Capital / Financial Wherewithal

Overview

- SGM has not provided any internal or external financial statements
- SGM's proposed sources and uses indicate that it will fund a \$100 million equity investment
 - Based on Rendina's proposed MOB purchase, amount could reduce the required equity investment and/or amount of third party subordinated financing

Potential Transaction Financing

- MidCap Financial 
 - Provided commitment letter for \$225 million total financing, subject to final legal diligence
 - Facility has 3-year term; term loan amortizing on 5-year straight line basis
- TBD Subordinated Lender
 - TBD third party lender to provide ~\$120 million in subordinated debt financing to fund transaction
- Rendina Healthcare Real Estate 
 - Proposal letter to purchase MOB's for \$91.5 million

Financial Sponsorship

- The KPC Group is a private company founded and controlled by Dr. Kali P. Chaudhuri based in Riverside, CA
- KPC invests in a variety of industries, including healthcare, pharmaceuticals, education, engineering and IT
- In addition to its healthcare investments, KPC owns and operates IT-related services, pharmaceutical research services, engineering services, real estate development and travel services
- It is unclear if DCHS will be integrated into a common balance sheet with any of SGM's hospitals



Transaction Deposit

- \$25 million cash deposit within one business day of executing APA
- Additional \$25 million cash deposit funded within 60 days of executing APA

Glossary of Terms

Glossary of Terms

AG	• (California) Attorney General	LOI	• Letter of intent
AP	• Accounts payable	MF	• Medical Foundation
APA	• Asset purchase agreement	MOB	• Medical office building
CA	• Confidentiality agreement	MOU	• Memorandum of understanding
CapEx	• Capital expenditures	NDA	• Non-disclosure agreement
CBA	• Collective bargaining agreement	NFP	• Not-for-profit
CEO	• Chief Executive Officer	NWC	• Net working capital
CFO	• Chief Financial Officer	OCH	• O'Connor Hospital (San Jose)
Church Plan	• The DCHS Retirement Plan, a single-employer defined benefit pension plan	OpCo	• Operating company (entity that operates the hospitals and provides patient care)
CNA	• California Nurses Association	OPEB	• Other postemployment benefits
COO	• Chief Operating Officer	PropCo	• Property company (entity that owns the underlying property / real estate on which the hospitals operate)
D&O	• Directors and officers	PTO	• Paid time off
DCHS	• Daughters of Charity Health System	REIT	• Real Estate Investment Trust
DOC	• Daughters of Charity	RPHE	• Retirement Plan for Hospital Employees
DOCMSC	• Daughters of Charity Ministry Services Corporation	SEIU	• Service Employees International Union
DPH	• (California) Department of Public Health	SFMC	• St. Francis Medical Center (Lynwood)
EBITDA	• Earnings before interest, taxes, depreciation and amortization	SLRH	• Saint Louise Regional Hospital (Gilroy)
ERISA	• Employee Retirement Income Security Act	SMC	• Seton Medical Center (Daly City)
ESOP	• Employee stock ownership plan	SMCC	• Seton Medical Center Coastsides (Moss Beach)
EVP	• Executive Vice President	SNF	• Skilled nursing facility
FF&E	• Furniture, fixtures and equipment	SRDP	• Self-Referral Disclosure Protocol
FP	• For-profit	SVMC	• St. Vincent Medical Center (Los Angeles)
IPO	• Initial public offering (of equity)	TBD	• To be determined
IT	• Information technology	TI	• Tenant improvements
LC	• Letter of credit	UNAC	• United Nurses Associations of California
LHM	• Local health ministries	VEBA	• Voluntary employees' beneficiary association

DHCS Quality Scores Comparison



	Licensed Beds	Patient Safety ²	Evidence Based Care ³	Readmission Rate ⁴	Mortality Rate ⁵	Highly Satisfied ⁶	Recommend to Others ⁷	% hospitals 1+ scores above natl avg
Desired Direction		↓	↑	↓	↓	↑	↑	
CA State Average		n/a	98.1%	19.9%	12.0%	68.0%	70.0%	
Nat'l Average		0.62	98.3%	19.9%	12.3%	71.0%	71.0%	
DCHS Hospitals								83%
O'Connor	358	0.82	98.8%	19.7%	14.1%	67.0%	72.0%	
St Francis	384	0.82	95.4%	19.4%	9.8%	69.0%	66.0%	
St Louise	93	0.68	n/a	19.2%	11.7%	62.0%	66.0%	
St Vincent	366	0.65	98.9%	19.4%	8.0%	69.0%	73.0%	
Seton	357	0.82	95.5%	21.4%	12.8%	65.0%	72.0%	
Seton Coastside	121	1.00	95.5%	21.4%	12.8%	65.0%	72.0%	
Prime California Hospitals								80%
Alvarado	306	0.86	96.0%	18.5%	11.7%	61.0%	62.0%	
Desert Valley	148	0.42	99.4%	20.2%	9.1%	63.0%	64.0%	
Encino (psych)	150	0.90	n/a	21.3%	10.5%	58.0%	61.0%	
Garden Grove	167	0.57	n/a	19.0%	10.4%	61.0%	62.0%	
La Palma	141	0.64	99.7%	20.0%	11.1%	53.0%	63.0%	
Montclair	102	n/a	n/a	20.9%	11.3%	66.0%	67.0%	
Paradise Valley	291	0.59	99.5%	20.8%	8.9%	65.0%	61.0%	
Shasta	246	0.44	99.4%	19.9%	11.2%	66.0%	72.0%	
Sherman Oaks	153	0.69	98.9%	21.2%	10.7%	54.0%	45.0%	
West Anaheim	219	0.44	n/a	n/a	n/a	n/a	n/a	
Glendora	128	n/a	n/a	n/a	n/a	n/a	n/a	
Centinela	369	0.38	99.8%	23.1%	7.8%	60.0%	59.0%	
Chino Valley	126	0.47	98.5%	21.3%	11.0%	69.0%	68.0%	
Huntington Beach	131	0.59	n/a	20.8%	9.7%	49.0%	53.0%	
San Dimas	101	0.63	97.7%	20.4%	12.3%	65.0%	66.0%	
Strategic Global Management								43%
Victor Valley (KPC 2012)	101	0.68	n/a	21.1%	13.3%	56.0%	54.0%	
Hemet Valley	417	0.50	90.8%	20.0%	14.3%	42.0%	41.0%	
Menifee Valley	84	0.62	93.1%	20.9%	13.4%	59.0%	60.0%	
Western - Santa Ana	282	1.16	94.0%	19.9%	13.7%	68.0%	65.0%	
Western - Anaheim	188	0.96	n/a	17.9%	14.4%	68.0%	64.0%	
Coastal	178	0.70	97.4%	19.2%	11.4%	68.0%	64.0%	
Chapman	114	0.97	n/a	21.0%	11.9%	61.0%	66.0%	
Prospect Holdings California								43%
SoCal - Culver City (Brotman)	420	0.64	n/a	n/a	10.6%	n/a	n/a	
SoCal - Hollywood	159	0.94	97.8%	18.6%	9.5%	51.0%	49.0%	
SoCal - Van Nuys	159	0.93	n/a	n/a	n/a	n/a	n/a	
LA Comm - LA	180	0.75	92.4%	21.7%	9.3%	44.0%	42.0%	
Time Period		various	Q4/12-Q3/13	Q3/09-Q2/12	Q3/09-Q2/12	Q4/12-Q3/13	Q4/12-Q3/13	
Color Scale ¹		0	2	4	6	8	10	
		least favorable		midpoint			most favorable	

Source data: 2014 Kaufman, Hall & Assoc, Commonwealth Fund "WhyNotTheBest.org", California Department Public Health

Footnotes:

- 1 Color scale indicates comparison between hospitals not comparison to national averages
- 2 Patient Safety Indicator ratio for common patient safety problems
- 3 Weighted average of "Core Measure" (recommended treatment) scores for heart attack, heart failure, pneumonia, surgical care improvement
- 4 Average Medicare 30 day readmission rates for heart attack, heart failure, pneumonia, surgical care improvement patients
- 5 Average Medicare 30 day mortality rates for heart attack, heart failure, pneumonia, surgical care improvement patients
- 6 Percent of patients highly satisfied with the hospital
- 7 Percent of patients willing to recommend the hospital to family and friends

n/a = number of cases is too small to indicate reliable performance or not available

Information Regarding Government Actions against Blue Wolf Capital Partners, LLC (“Blue Wolf”), Prime Healthcare Services, Inc. (“Prime”), Prospect Medical Holdings, Inc. (“Prospect”) and Strategic Global Management, Inc. (“SGM”) and their Affiliates

Executive Summary

For Blue Wolf and its related parties, we could the following government actions.

- At the federal level:
 - No Corporate Integrity Agreements (CIAs) in force have been identified.
 - No entities or individuals identified as members of management or governing boards were found on the OIG exclusion list.
 - When Richard Becker was President and CEO of Brooklyn Hospital Center (“BHC”), BHC was subject to an OIG Medicare Compliance audit. The Compliance Review, published in June of 2013, reported that BHC received \$544,783 in overpayments for incorrectly billed inpatient and outpatient claims during the audit period of 2010 to 2011. Total Medicare reimbursement to BHC during the audit period was \$116.3 million.
 - No ongoing investigations or government litigation have been identified.
- At the state level:
 - In 2001, Brooklyn Hospital Center (“BHC”) was required to repay \$11,054.95, to the state as part of an Attorney General Medicaid Fraud Control Unit statewide audit which revealed that BHC, along with 77 other hospitals, had double billed Medicaid for care to hospice patients.
 - No sanctions against any of the parties were identified in a search of the New York or District of Columbia Department of Health websites.

For Prime and its affiliates, we found the following government actions.

- At the federal level:
 - No Corporate Integrity Agreements (CIAs) in force have been identified.
 - Several Prime affiliates were parties to CIAs or Certification of Compliance Agreements that have since expired; these appear to have been inherited from prior owners, such as Tenet and Vanguard.
 - Several Prime affiliates are parties to settlement agreements that resolved alleged improper billing claims and violations of the patient dumping statute. Prime was not responsible for the conduct in question, which occurred prior to Prime’s acquisition of such affiliates.
 - In 2013, 16 Prime affiliates signed a settlement agreement with the federal Office for Civil Rights, which enforces the HIPAA statute. The settlement agreement resolved alleged privacy breach violations with a payment of \$275,000 and a one-year corrective action plan.
 - No entities or individuals identified as members of management or governing boards were found on the OIG exclusion list.
 - There is an ongoing False Claims Act whistleblower suit in US District Court against Prime and a number of the California-based affiliates. This suit was filed in 2011 and has been amended twice, most recently in April 2014. As noted previously, the US government has elected not to join the suit but news reports suggest a corresponding USAO and FBI investigation into possible false claims. Most of this case, including the amended complaint, is under seal; thus, details are limited.
- At the state level:
 - No sanctions against any of the entities were identified in a search of applicable state attorneys general websites.
 - State health regulatory agencies have issued statements of deficiencies against Prime affiliates, some of which have led to monetary penalties ranging from \$50,000 to \$75,000.

- Three affiliates were parties to settlements of more than \$1 million with the Cal Dept of Health Care Services as a result of Medi-Cal Cost Report Audits.
- In 2010, Prime and 3 affiliates settled a suit with the Cal Dept of Managed Health Care. This settlement resolved alleged improper balance billing with a promise to end and correct past balance billing practice and donate \$1.2 million to community health clinics.

For Prospect and its affiliates, we found the following government actions.

- At the federal level:
 - One Corporate Integrity Agreements (CIAs) in force has been identified. This CIA was inherited from the previous owner, Pacific Health Corp., which owned at least one Prospect affiliate in 2012 and is alleged to have participated in a kickback scheme to recruit homeless patients for unnecessary treatment. The affiliate in question was sold to Prospect in 2013.
 - One Prospect affiliate was a party to an expired CIA and settlement agreements with HHS in force from 2002 to 2005 and is alleged to have submitted upcoded claims. Prospect acquired this affiliate in 2014.
 - One Prospect affiliate was a party to a deferred prosecution agreement with the US Attorney's office due to kickback and corruption allegations in 2006. Prospect acquired this affiliate in 2014.
 - No entities or individuals identified as members of management or governing boards were found on the OIG exclusion list.
 - No ongoing investigations or government litigation have been identified.
- At the state level:
 - No sanctions against any of the entities were identified in a search of the applicable state's attorney general website.
 - The California Department of Public Health issued two statements of deficiency and penalties of \$50,000 each against two Prospect affiliates in 2010 and 2013.
 - No entities were parties to settlements of more than \$1 million with the California Department of Health Care Services as a result of Medi-Cal Cost Report Audits.
 - The health care regulatory agencies in Rhode Island and Texas did not list any actions against Prospect affiliates.

For SGM and its affiliates, we found the following government actions.

- At the federal level:
 - No Corporate Integrity Agreements (CIAs) in force have been identified.
 - Four SGM affiliates were parties to CIAs and settlement agreements with HHS that have since expired; these were inherited from their prior owner, Tenet.
 - One SGM affiliate was a party to a settlement agreement with HHS that resolved alleged violations of the patient dumping statute. SGM was not responsible for the conduct in question, which occurred prior to the SGM affiliate's acquisition of this facility.
 - No entities or individuals identified as members of management or governing boards were found on the OIG exclusion list.
 - No ongoing investigations or government litigation have been identified.
- At the state level:
 - No sanctions against any of the entities were identified in a search of the California attorney general website.
 - The Cal Dept of Public Health has issued statements of deficiencies against three SGM affiliates, some of which have led to monetary penalties ranging from \$50,000 to \$75,000.
 - No entities were parties to settlements of more than \$1 million with the Cal Dept of Health Care Services as a result of Medi-Cal Cost Report Audits.

This information is limited to searches performed on the websites of HHS, OIG and the state attorneys general and health regulatory agencies of states where each Prime, SGM or Prospect affiliate is located as well as general internet searches for potential third-party coverage of possible sanctions. Because sanctions information may be confidential and not publicly available, such information could not be captured in this table. For example, Stark Law settlements with CMS are not publicly available.

**Information Regarding Government Actions against
Blue Wolf Capital Partners, LLC (“Blue Wolf”) and Related Parties¹**

¹ This table includes publicly available government actions information involving Blue Wolf and related parties, Brooklyn Hospital Center, Richard Becker, MD and Richard Wright. Dashes indicate that no publicly available information regarding sanctions was found.

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Blue Wolf	–	–	–	–	–	–	
Richard Becker, MD	–	–	–	–	–	–	
Brooklyn Hospital Center (“BHC”) Brooklyn, NY	–	–	2010/2011 OIG Audit of Brooklyn Hospital Center ⁸	–	–	2001 Medicaid Overbilling ⁹	
Richard Wright	–	–	–	–	–	–	

² CIAs in effect are listed and available on the [OIG website](#). Expired CIAs were identified from internet searches of the entity’s name and CIAs.

³ Each entity’s name was searched on the [OIG website](#) to identify settlement agreements with the OIG that were not associated with CIAs. Other HHS settlement agreements were identified from internet searches of the entity’s name and settlement agreements.

⁴ Each entity’s name was searched against the [List of Excluded Entities maintained by the OIG](#). The names of individuals identified as a member of management or the governing boards of Blue Wolf or its related on the applicable websites were searched against the [List of Excluded Individuals maintained by the OIG](#). These names are listed in the attached Appendix A.

⁵ Each entity’s name was searched for appearance on federal and state court dockets in the relevant jurisdictions.

⁶ Each entity’s name was searched on the [New York attorney general’s website](#) and the [District of Columbia attorney general’s website](#).

⁷ Each entity’s name was searched against the [New York Department of Health’s website](#) and the [District of Columbia Department of Health’s website](#).

⁸ An OIG Medicare Compliance Review, published in June of 2013, reported that Brooklyn Hospital Center, where Richard Becker was the President and CEO, received \$544,783 in overpayments for incorrectly billed inpatient and outpatient claims during the audit period of 2010 to 2011. Total Medicare reimbursement during the audit period was \$116.3 million. Audit report is available [here](#).

⁹ In 2001, BHC was required to repay \$11,054.95, to the state as part of an Attorney General Medicaid Fraud Control Unit statewide audit which revealed that BHC, along with 77 other hospitals, had double billed Medicaid for care to hospice patients. See [July 23, 2001 Attorney General’s office press release](#).

APPENDIX A

Individuals Identified as a Member of Management or the Governing Boards of Blue Wolf and its Affiliates

Blue Wolf

Investment Team

- Adam Blumenthal, Managing Partner
- Jessica Chandnani, Associate
- Joshua Cherry-Seto, Chief Financial Officer
- Bennet Grill, Senior Associate
- Dana Halasz, Chief Administrative Officer
- Jeremy Kogler, Vice President
- Charles Miller, Partner
- Mike Musuraca, Managing Director
- Vijay Nandwani, Associate
- Haran Narulla, Partner
- Aakash Patel, Vice President
- Michael Ranson, Partner
- Andrew Schwartz, Vice President

Operating Partners

- Victor Caruso, Strategic Advisor
- Greg Collins, Operating Partner
- Chris Curti, Operating Partner
- Bob Sharp, Operating Partner
- Walter Stasik, Operating Partner
- Van Walbridge, Operating Partner
- Rick Winegar, Operating Partner

BHC

- Richard B. Becker, MD, President & Chief Executive Officer
- Wayne Allen, Acting Chief Operating Officer
- Joseph Guarracino, Senior Vice President & Chief Financial Officer

- Gary Almedo Stephens, MD, Senior Vice President & Chief Medical Officer
- Patricia Winston, RN, MS, NEA-BC, FACHE, Senior Vice President & Chief Nursing Officer
- Guy Mennonna, Senior Vice President, Human Resources
- Stacy A. Friedman, Senior Vice President & General Counsel
- Joan Clark, Senior Vice President, Strategic Planning, Marketing & Communications
- Bill Moran, Senior Vice President, Chief Information Officer & HIPAA Security Officer
- Vasantha Kondamudi, MD, Vice President and Chief Quality Officer
- Benson Yeh, MD, Vice President of Academic Affairs, DIO, & Dir. Informatics
- Karen Milano, Vice President, Physician Services, Revenue Enhancement and Analytics
- Lora Myers, Vice President, Internal Audit & Corporate Compliance
- Leroy R. Charles, Vice President, External Affairs
- Debbie Niederhoffer, Vice President, Chief Development Officer
- Mary Ann Healy-Rodriguez, RN, Vice President, Nursing Operations
- Paul Y. Wong, Vice President, Facilities Management
- Davina Vaswani, MHA, Vice President, Ambulatory Care Services
- Donald P. Minarcik, CPA, FHFMA, Vice President, Revenue Enhancement
- Patrick S. Semenza, CPA, CHFP, Vice President, Financial Operations

Board of Trustees

- Carlos P. Naudon, Chairman
- Anne Elizabeth Fontaine, Vice Chair
- Calvin J. Simons, MD, Vice Chair
- Earl D. Weiner, Vice Chair

- Richard B. Becker, MD, President & CEO
- J. Barclay Collins, II, Secretary
- Willard N. Archie
- Bernard Drayton
- Fredrick S. Harris
- George I. Harris
- Gale Stevens Haynes
- Hon. Milton Mollen
- John E. Osnato
- Maria Fiorini Ramirez
- Susan E. Skerritt
- Dino J. Veronese
- Seth S. Faison, Chairman Emeritus
- Jonathan M. Weld, Immediate Past Chairman

**Information Regarding Government Actions
against Prime Healthcare Services (“Prime”) and Its Affiliates¹**

¹ This table includes publicly available government actions information involving Prime and its affiliates identified on [Prime’s website](#). Dashes indicate that no publicly available information regarding sanctions was found.

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Prime Ontario, CA	–	–	–	–	2011 Whistleblower Suit ⁸	–	2010 DMHC Settlement ⁹
Alvarado Hospital Medical Center (“Alvarado”)	–	Tenet CIA ¹⁰	HIPAA Resolution Agreement; ¹¹ Tenet 2012 Settlement Agreement ¹²	–	2011 Whistleblower Suit	–	2013 CDPH Statement of Deficiency ¹³

² CIAs in effect are listed and available on the [OIG website](#). Expired CIAs were identified from internet searches of the entity’s name and CIAs.

³ Each entity’s name was searched on the [OIG website](#) to identify settlement agreements with the OIG that were not associated with CIAs. Other HHS settlement agreements were identified from internet searches of the entity’s name and settlement agreements.

⁴ Each entity’s name was searched against the [List of Excluded Entities maintained by the OIG](#). The names of individuals identified as a member of management or the governing boards of Prime or its affiliates on the applicable websites were searched against the [List of Excluded Individuals maintained by the OIG](#). These names are listed in the attached Appendix A.

⁵ Each entity’s name was searched for appearance on federal and state court dockets in the relevant jurisdictions. Ongoing whistleblower (qui tam) or False Claims Act actions have been included in this table.

⁶ Each entity’s name was searched on the applicable state attorney general’s website ([California](#), [Kansas](#), [Nevada](#), [Pennsylvania](#), [Rhode Island](#), and [Texas](#)).

⁷ Each California entity’s name was searched against the California Department of Public Health (“CDPH”) website’s list of [Hospital Administrative Penalties](#) and [Breach of Confidential Patient Medical Information](#) and on the [California Department of Health Care Services \(“CDHCS”\) website](#). Settlement amounts under \$1 million with CDHCS have been excluded from this table. Each Kansas entity’s name was searched on the [Kansas Department of Health and Environment website](#). Each Nevada entity’s name was searched on the [Nevada Department of Health and Human Services \(“NDHSS”\) website](#), including the [Bureau of Health Care Quality and Compliance website](#). Each Pennsylvania entity’s name was searched on the [Pennsylvania Department of Health website](#). Each Rhode Island entity’s name was searched on the [Rhode Island Department of Health website](#). Each Texas entity’s name was searched on the [Texas Department of State Health Services website](#).

⁸ In 2011, a civil whistleblower suit was filed under seal alleging approximately \$50 million in false claims by Prime, Alvarado, Centinela, Desert Valley, Encino, Garden Grove, Huntington Beach, La Palma, Montclair, Paradise, San Dimas, Shasta, and West Anaheim (“2011 Whistleblower Suit”). In December 2013, the United States Attorney’s Office (“USAO”) filed a notice that the US government would not intervene in the case at this time. According to a [January 8, 2014 Law360 article](#), the USAO and the Federal Bureau of Investigation are investigating Alvarado for violations of the False Claims Act. The complaint as amended in April claims \$4 million in false claims by Alvarado and \$50 million by the Prime system as a whole.

⁹ In 2008, the California Department of Managed Healthcare (“DMHC”) filed a lawsuit against Prime, West Anaheim, La Palma and Huntington Beach in response to consumer complaints of balance billing health plan enrollees for emergency room services. In 2010, Prime settled with DMHC; the terms of the settlement required that Prime donate \$1.2 million to California community clinics, not practice balance billing going forward and remedy past balance billing.

¹⁰ In 2006, when Alvarado, Centinela, Encino, Garden Grove, San Dimas and Roxborough were part of Tenet Healthcare Corporation (“Tenet”), they, together with Tenet and Tenet’s other subsidiaries, affiliates, hospitals and health care facilities, entered into a CIA on September 27, 2006 with the OIG for a five-year term ending September 26, 2011 (“Tenet CIA”), and paid \$900,000,000 as part of a settlement agreement with the OIG dated June 28, 2006 to resolve liabilities involving improper outlier payments, upcoding and kickbacks to physicians. See [Tenet CIA](#) and [Settlement Agreement between OIG and Tenet](#).

¹¹ Certain Prime facilities, including Alvarado, Centinela, Chino, Desert Valley, Garden Grove, La Palma, Paradise, San Dimas, Shasta, West Anaheim, Saint Mary’s, Lower Bucks, Roxborough, Dallas, Harlingen and Pampa, paid \$275,000 as part of a resolution agreement dated June 6, 2013 with the HHS Office for Civil Rights involving alleged violations of HIPAA and entered into a corrective action plan with a one-year term that is no longer in effect except with regards to certain document retention policies (“HIPAA Resolution Agreement”). See [HIPAA Resolution Agreement](#).

¹² Tenet, on behalf of its predecessors, affiliates, divisions, direct and indirect subsidiaries and certain hospitals, including Alvarado, Encino and Roxborough, paid \$42,750,000 as part of a settlement agreement dated April 10, 2012 with the OIG involving submission of claims that did not meet Medicare inpatient rehabilitation facilities standards (“Tenet 2012 Settlement Agreement”). See [Tenet 2012 Settlement Agreement](#).

¹³ In 2013, the CDPH issued a statement of deficiency and administrative penalty to Alvarado of \$50,000, based on [survey findings of March 22, 2012](#) regarding a patient death as a result of a fall.

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
San Diego, CA							
Centinela Hospital Medical Center (“Centinela”) Inglewood, CA	–	Tenet CIA	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	–
Chino Valley Medical Center (“Chino”) Chino, CA	–	–	HIPAA Resolution Agreement	–	–	–	–
Desert Valley Hospital (“Desert Valley”) Victorville, CA	–	–	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	2013 CDHCS Settlement ¹⁴ ; 2013 CDPH Statement of Deficiency ¹⁵
Desert Valley Medical Group Victorville, CA	–	–	–	–	–	–	–
Encino Hospital Medical Center (“Encino”) Encino, CA	–	Tenet CIA	Tenet 2012 Settlement Agreement	–	2011 Whistleblower Suit	–	–
Garden Grove Hospital Medical Center (“Garden Grove”) Garden Grove, CA	–	Tenet CIA	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	2014 CDPH Statement of Deficiency ¹⁶ ; 2013 CDHCS Settlement ¹⁷ ; 2013

¹⁴ In 2013, CDHCS determined that a \$1.8 million settlement was due from Desert Valley. See [Report on Desert Valley’s Medi-Cal Cost Report for the fiscal year ending December 31, 2011](#).

¹⁵ In 2013, the CDPH issued a statement of deficiency and an administrative penalty to Desert Valley of \$50,000, based on [October 25, 2011 survey findings](#) for failure to follow established cardiac catheterization policies and procedures. According to a [Daily Press article dated March 22, 2014](#), Prime is currently appealing the penalty.

¹⁶ In 2014, the CDPH issued a statement of deficiency and an administrative penalty to Garden Grove of \$75,000 based on [December 21, 2011 survey findings](#) for failure to follow proper patient assessment and advocacy policies and procedures.

¹⁷ In 2013, the CDHCS determined that a \$3 million settlement amount was due from Garden Grove. See [Report on Garden Grove’s Medi-Cal Cost Report for fiscal year 2008](#).

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
							CDHCS Settlement ¹⁸ ; 2008 CDPH Statement of Deficiency ¹⁹ ; 2007 CDPH Statement of Deficiency ²⁰
Glendora Community Hospital (“Glendora”) Glendora, CA	–	–	–	–	–	–	–
Huntington Beach Hospital (“Huntington Beach”) Huntington Beach, CA	–	–	–	–	2011 Whistleblower Suit	–	2010 DMHC Settlement
La Palma Intercommunity Hospital (“La Palma”) La Palma, CA	–	–	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	2010 DMHC Settlement
Montclair Hospital Medical Center (“Montclair”) Montclair, CA	–	–	–	–	2011 Whistleblower Suit	–	–

¹⁸ In 2013, the CDHCS determined that a \$4.6 million settlement amount was due from Garden Grove. See [Report on Garden Grove’s Medi-Cal Cost Report for fiscal year 2009](#).

¹⁹ In 2008, the CDPH issued a statement of deficiency and an administrative penalty to Garden Grove of an undisclosed amount based on [August 14, 2007 survey findings](#) for improper patient assessment, intervention and monitoring.

²⁰ In 2007, the CDPH issued a statement of deficiency and an administrative penalty to Garden Grove of an undisclosed amount, based on [March 22, 2007 survey findings](#) for failure to develop and implement written policies and procedures for the safe and effective use of medications with black box warnings.

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Paradise Valley Hospital (“Paradise”) National City, CA	–	–	HIPAA Resolution Agreement; Paradise Settlement Agreement ²¹	–	2011 Whistleblower Suit	–	–
San Dimas Community Hospital (“San Dimas”) San Dimas, CA	–	Tenet CIA	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	2011 Statement of Deficiencies ²²
Shasta Regional Medical Center (“Shasta”) Redding, CA	–	–	HIPAA Resolution Agreement	–	2011 Whistleblower Suit	–	2013 CDHCS Settlement ²³ ; 2012 CDPH Breaches of Confidential Information ²⁴ ; CDHCS 2014 Settlement ²⁵ ; 2012 CDHCS Settlement ²⁶
Shasta Regional Medical Group Redding, CA	–	–	–	–	–	–	–
Sherman Oaks Hospital Sherman Oaks, CA	–	–	–	–	–	–	–
West Anaheim Medical	–	Certification	HIPAA Resolution	–	2011	–	2010 DMHC

²¹ Paradise paid \$40,000 as part of a settlement agreement dated August 12, 2005 with the OIG to resolve liabilities for civil monetary penalties under the patient dumping statute (“Paradise Settlement Agreement”). See [OIG Description of Paradise Settlement Agreement](#).

²² In 2011, CDPH issued a statement of deficiencies against San Dimas for failure to correctly code patients principle diagnosis. See [February 8, 2011 Statement of Deficiencies](#).

²³ In 2013, CDHCS determined that a \$2.7 million settlement amount was due from Shasta. See [Report on Shasta’s Medi-Cal Cost Report for fiscal year 2009](#).

²⁴ In 2012, CDPH fined Shasta an undisclosed amount for two separate breaches of confidential patient information, one based on a [January 26, 2012 survey](#) and another upon a [February 27, 2012 survey](#). The January 26, 2012 survey findings mirror the facts of the HIPAA Resolution Agreement. The February 27, 2012 survey findings involve unauthorized access of a patient’s health information by a single employee.

²⁵ In 2014, CDHCS determined that a \$3 million settlement amount was due from Shasta. See [Report on Shasta’s Medi-Cal Cost Report for fiscal year 2010](#).

²⁶ In 2012, CDHCS determined that a \$1.4 million settlement amount was due from Shasta. See [Report on Shasta’s Medi-Cal Cost Report for fiscal year 2008](#).

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Center (“West Anaheim”) Anaheim, CA		of Compliance Agreement ²⁷	Agreement		Whistleblower Suit		Settlement; 2011 Statement of Deficiency ²⁸
Providence Medical Group Kansas City, KS	–	–	–	–	–	–	–
Providence Place Rehabilitation Center Kansas City, KS	–	–	–	–	–	–	–
Saint John Hospital Leavenworth, KS	–	–	–	–	–	–	–
Saint Mary’s Medical Group Reno, NV	–	–	–	–	–	–	–
Saint Mary’s Regional Medical Center (“Saint Mary’s”) Reno, NV	–	–	HIPAA Resolution Agreement	–	–	–	2012 Statement of Deficiency; ²⁹ 2010 Statement of Deficiency ³⁰
Lower Bucks Hospital (“Lower Bucks”) Bristol, PA	–	–	HIPAA Resolution Agreement	–	–	–	–

²⁷ West Anaheim and its then-corporate parent Vanguard Health Systems, Inc. entered into a Certification of Compliance Agreement on April 17, 2006 with the OIG for a three-year term ending April 16, 2009 (“Certification of Compliance Agreement”), and agreed to pay \$809,945 as part of a settlement agreement with the OIG dated June 28, 2006 to resolve liabilities involving kickbacks to physicians under certain expired lease arrangements. See [Certification of Compliance Agreement](#) and [OIG Description of Settlement Agreement](#).

²⁸ In 2011, CDPH issued a statement of deficiency against West Anaheim for failure to correctly code patients’ principle diagnosis. No monetary penalty was assessed. See [February 10, 2011 Statement of Deficiency](#).

²⁹ In 2012, the Nevada Bureau of Health Care Quality and Compliance (“NBHCQC”) issued a statement of deficiencies against Saint Mary’s for failure to follow their policy regarding call bells and failure of a nurse to provide proper treatment and care. No monetary penalty was assessed. See [May 31, 2012 Statement of Deficiencies for Saint Mary’s](#).

³⁰ In 2010, the NBHCQC issued a statement of deficiency against Saint Mary’s for engaging in misleading advertising to the public. No monetary penalty was assessed. See [November 29, 2010 Statement of Deficiency](#).

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Roxborough Memorial Hospital (“Roxborough”) Philadelphia, PA	–	Tenet CIA	HIPAA Resolution Agreement; Tenet 2012 Settlement Agreement	–	–	–	2014 Statement of Deficiency; ³¹ 2013 Statement of Deficiency; ³² 2012 Statement of Deficiency ³³
Landmark Medical Center Woonsocket, RI	–	–	–	–	–	–	–
Rehabilitation Hospital of Rhode Island North Smithfield, RI	–	–	–	–	–	–	–
Dallas Medical Center (“Dallas”) Dallas, TX	–	–	HIPAA Resolution Agreement	–	–	–	–
Dallas Medical Physician Group Dallas, TX	–	–	–	–	–	–	–
Harlingen Medical Center (“Harlingen”) Harlingen, TX	–	–	HIPAA Resolution Agreement	–	–	–	–

³¹ In 2014, the Pennsylvania Department of Health (“PDH”) issued a statement of deficiencies against Roxborough for using an altered version of a required consent form and not providing a copy of the Patient Bill of Rights during the admission of mental health patients. No monetary penalty was assessed. See [April 25, 2014 Statement of Deficiencies for Roxborough](#).

³² In 2013, the PDH issued a statement of deficiencies against Roxborough for failure to implement a nursing plan of care for a patient at risk of ulcer development and failure to provide patients with advanced directive information per Roxborough policy. No monetary penalty was assessed. See [March 20, 2013 Statement of Deficiency for Roxborough](#) and [March 20, 2013 Statement of Deficiency for Roxborough](#).

³³ In 2012, the PDH issued a statement of deficiency with 10 deficiencies against Roxborough relating to (1) failure to provide information requested by the PDH prior to the inspection; (2) untimely medication error and incident reporting; (3) failure to ensure monthly meetings by the Tissue Committee; (4) failure to annually review critical care nursing policies; (5) failure to ensure proper disposal of syringes; (6) failure to enact policy regarding retaken radiographic photographs; (7) failure to maintain sinks in surgical suite; (8) failure to have quarterly fire drills; (9) failure to conduct at least one fire department-supervised annually; and (10) failure to request an annual inspection by local fire department. No monetary penalty was assessed. See [September 28, 2012 Statement of Deficiencies for Roxborough](#).

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Knapp Medical Center Weslaco, TX	–	–	–	–	–	–	–
Pampa Regional Medical Center (“Pampa”) Pampa, TX	–	–	HIPAA Resolution Agreement	–	–	–	–

APPENDIX A

Individuals Identified as a Member of Management or the Governing Boards of Prime or its Affiliates

Prime Healthcare Services

- Dr. Prem Reddy
- Dr. Paryus Patel
- Michael Sarian
- Luis Leon
- Mike Heather
- Troy Schell, Esq.
- Christopher Doan
- Harsha Upadhyay
- Ajith Kumar
- Arti Dhuper
- Michael Bogert
- Ken Wheeler
- Pat Silvestri
- Ravi Reddy Alla
- Robert Bonner
- Sreekant Gotti
- Martin Mansukhani
- Madan Reddy
- Ann Abe
- Ahmad Imran
- April Michael Jones
- Dan Merel
- Edward Barrera
- Hershee Cajigals
- Lisa Ottem
- Michael Marron
- Mina Spadaro
- Seetha Reddy
- Teresa Acosta

- Tammy Valle

Alvarado Hospital Medical Center

- Prem Reddy
- Luis Leon
- Robin Gomez
- Peggy Bailey
- Brian Klevin
- Sara Turner
- Robin Gomez
- Larry Emdur
- Richard Butcher
- Fernando Zamudio
- Gerard Arcilla
- Maurice Buchbinder
- Michael Butera
- Irwin Goldstein
- Captain Tony McElroy
- Lakshmi Prathipati
- Allie Pruitt
- Kamshad Raiszadeh
- Richard Safrin
- Brian Weeks
- Peggy Jezsu
- Brian Kleven

Centinela Hospital Medical Center

- Prem Reddy
- Linda Bradley
- Paryus Patel
- Firooz Pak
- Richard Sires

- Robert Chesne
- Luke Claus
- Norman Cravens
- Florence Guerrero-McCarthy
- Marc Little
- Emmanuel Mba
- Lee Weiss
- Mohammad Abdelnaser

Chino Valley Medical Center

- Prem Reddy
- James M. Lally

Desert Valley Hospital

- Prem Reddy
- Fred Hunter
- J. Luis Noronha
- M. Mansukhani
- M. Zand
- T. Smith
- C. Tate

Desert Valley Medical Group

No names of members of management or the governing board were provided on the Desert Valley Medical Group website.

Encino Hospital Medical Center

- Prem Reddy
- Sandeep Bhatia
- Bockhi Park
- Kanner Tillman
- J. Nathan Rubin
- Llorens Pembrook
- Jason Greenspan
- David Thorson

Garden Grove Hospital Medical Center

- Hassan Alkhouli
- Wanda Ruben
- Asaad Hakim
- Edward Hernandez, Jr.
- H. Joseph Khan
- Hong S. Kim
- Kermit D. Marsh
- Hung Nguyen
- Joseph Polisar
- Peter Wang

Glendora Community Hospital

- Robert Gordon
- C. Joseph Chang
- Vijay V. Patel

Huntington Beach Hospital

- Hassan Alkhouli
- Sirius Farivar
- M. Michael Mahdad
- Cathy Green
- Timothy Ryan
- Joseph Nassir

- Mark Bell
- Kumar Raja
- Alan Smith
- Wanda Ruben

La Palma Intercommunity Hospital

- Sami Shoukair
- Virg Narbutas
- Mahendra Patel
- H. Mark Fatemi
- Alan Heilpern
- Helene Saad
- Marlene Pritchard
- Norman Kuo
- Brian O'Neal
- Mark Scheier
- Hilda Manzo-Luna
- Hassan Alkhouli
- Linda Gonzaba

Montclair Hospital Medical Center

- Prem Reddy
- James Lally
- Frank Hsu
- Virginia Eaton
- Don Vodvarka
- Bill Ruh

Paradise Valley Hospital

- Prem Reddy
- Luis Leon
- Neerav Jadeja
- Janet Caceres
- Gemma Rama-Banaag

San Dimas Community Hospital

- Prem Reddy
- Zuhair Yahya
- Kevan Metcalfe
- Dora Noriega
- Dinesh Samant
- Rajnish Jandial
- Emmett Badar
- Jack Hunt
- Don M. Slawson
- Jeffrey W. Templeman
- Ronald D. Watson
- Donna A. Dye

Shasta Regional Medical Center

- Prem Reddy
- Marcia McCampbell
- Cyndy Gordon
- Thiruvoipati Nandakumar
- Sriram Sambasivan
- Leslie Woodson
- Phil Watkins
- Jeff Avery
- Glen Hayward
- Robert F. Paoletti
- Jessica Tegerstand
- Becky Levy
- Hazem Yassin
- Piyush Dhanuka
- James Gonzalez
- Julia Mooney
- Rajnish Patel
- James Taggart
- Mohamed Khan
- Matt Miles
- Michelle Hammer

Shasta Regional Medical Group

No names of members of management or the governing board were provided on the Shasta Regional Medical Group website.

Sherman Oaks Hospital

- Prem Reddy
- Sandeep Bhatia
- Bockhi Park
- J. Nathan Rubin
- Kanner Tillman

- Kenn Phillips
- Donny Feldman

West Anaheim Medical Center

- Virg Narbutas,
- Hassan Alkhouli
- Fariborz Shams
- Fred Shalom
- Sami Shoukair
- George Baskevitch
- Darlene Fishman
- Rod Natale
- Roger Smith
- Ching Lee
- Jonathan Birnbaum
- Ginger Edward
- Alan Smith
- Karen Andreassen

Providence Place Rehabilitation Center

- Prem Reddy
- Randall Nyp

Providence Place Medical Group

No names of members of management or the governing board were provided on the Providence Place Medical Group website.

Saint John Hospital

- Prem Reddy
- Randall Nyp

Saint Mary's Regional Medical Center

- Helen Lidholm
- Dan Galles

- Katie Grimm
- Jose Aguirre
- Barbara Smith Campbell
- Frank Gallagher
- Barbara Curti
- Magda Martinez
- Deborah Day
- Raymond Scott
- Richard Bryan, Jr.
- Bruce Farringer
- Jennifer Wilson
- Dennis T. Yamamoto

Saint Mary's Medical Group

No names of members of management or the governing board were provided on the Saint Mary's Medical Group website.

Lower Bucks Hospital

- Prem Reddy
- Peter Adamo
- Courtney Coffman
- Matt Shelak
- Patricia Bain

Roxborough Memorial Hospital

- Peter Adamo
- Prem Reddy

Landmark Medical Center

- Prem Reddy
- Richard Charest
- Stanley Baloni
- Peter Bancroft
- Shaun Cournoyer
- Charlene Elie
- Glenn Fort
- Joel Jillson
- Ahmed Nadeem
- Gary Reis
- Normand St. Laurent
- Khin Yin

Rehabilitation Hospital of Rhode Island

- Prem Reddy
- Richard Charest
- Stanley Baloni
- Peter Bancroft
- Shaun Cournoyer
- Charlene Elie
- Glenn Fort
- Joel Jillson
- Ahmed Nadeem
- Gary Reis
- Normand St. Laurent
- Khin Yin
- Demetra Ouellette
- Kathy Keeling

Dallas Medical Center

- Prem Reddy
- Raji Kumar
- Tommy O’Gorman
- Chirag Patel

Dallas Medical Physician Group

No names of members of management or the governing board were provided on the Dallas Medical Physician Group website.

Harlingen Medical Center

- Prem Reddy
- Brenda Ivory
- David Glassburn
- Deborah Meeks

Knapp Medical Center

No names of members of management or the governing board were provided on the Knapp Medical Center website.

Pampa Regional Medical Center

- Prem Reddy
- Brad Morse
- Twilla Thomas
- Jeff Andrews
- Glennette Good
- Harold Price
- Doug Ware
- David Hampton
- Mark Henderson
- Kevin Sieck
- Laxmichand Kamnani
- Sergio Muniz

**Information Regarding Government Actions
against Prospect Medical Holdings, Inc. (“Prospect”) and its Affiliates¹**

¹ This table includes publicly available government actions information involving Prospect and its affiliates identified on [Prospect’s website](#). Dashes indicate that no publicly available information regarding sanctions was found.

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Prospect Los Angeles, CA	–	–	–	–	–	–	–
Prospect Medical Systems	–	–	–	–	–	–	–
ProMed Health Care Administrators ⁸ (“ProMed”)	–	–	–	–	–	–	–
Los Angeles Community Hospital at Bellflower (“Bellflower”) ⁹ Bellflower, CA	– ⁹	–	–	–	–	–	–
Southern California Hospital at Culver City (“Culver City”) Culver City, CA	–	–	–	–	–	–	–
Southern California Hospital at Hollywood	–	–	–	–	–	–	–

² CIAs in effect are listed and available on the [OIG website](#). Expired CIAs were identified from internet searches of the entity’s name and CIAs.

³ Each entity’s name was searched on the [OIG website](#) to identify settlement agreements with the OIG that were not associated with CIAs. Other HHS settlement agreements were identified from internet searches of the entity’s name and settlement agreements.

⁴ Each entity’s name was searched against the [List of Excluded Entities maintained by the OIG](#). The names of individuals identified as a member of management or the governing boards of Prospect or its affiliates on the applicable websites were searched against the [List of Excluded Individuals maintained by the OIG](#). These names are listed in the attached Appendix A.

⁵ Each entity’s name was searched for appearance on federal and state court dockets in the relevant jurisdictions.

⁶ Each entity’s name was searched on the applicable state attorney general’s website ([California](#), [Rhode Island](#), and [Texas](#)).

⁷ Each California entity’s name was searched against the California Department of Public Health (“CDPH”) website’s list of [Hospital Administrative Penalties](#) and [Breach of Confidential Patient Medical Information](#) and on the [California Department of Health Care Services \(“CDHCS”\) website](#). Settlement amounts under \$1 million with CDHCS have been excluded from this table. Each Rhode Island entity’s name was searched on the [Rhode Island Department of Health website](#). Each Texas entity’s name was searched on the [Texas Department of State Health Services website](#).

⁸ According to the Prospect [website](#), ProMed and Prospect Medical Systems are Prospect subsidiaries that manage 10 affiliated Independent Physician Associations (“IPAs”) in Southern California along with several unaffiliated IPAs.

⁹ I cannot find any indication that this hospital is still in existence. It has no website, no relevant Google results, and no listing on the [CA Health Facilities Consumer Information System \(“HFCIS”\)](#). It appears from news articles that Pacific Health Corp. sold Bellflower Medical Center to Prospect earlier this year. See [OC Register’s May 7, 2014 article](#). If this facility is still operating, it has also inherited the PHC CIA described below.

Entity Name and Location	Federal Actions				State Actions		
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
(“Hollywood”) Los Angeles, CA							
Southern California Hospital at Van Nuys (“Van Nuys”) Van Nuys, CA	–	–	–	–	–	–	–
Los Angeles Community Hospital at Los Angeles (“LA”) Los Angeles, CA	–	–	–	–	–	–	2013 CDPH Statement of Deficiency ¹⁰
Los Angeles Community Hospital at Norwalk (“Norwalk”) ¹¹ Norwalk, CA	–	–	–	–	–	–	2010 CDPH Statement of Deficiency ¹²
Newport Specialty Hospital (“Newport”) Newport, CA	PHC CIA ¹³	–	–	–	–	–	–
Prospect Health Services Texas San Antonio, TX	–	–	–	–	–	–	–
Nix Medical Center (“Nix”) San Antonio, TX	–	–	–	–	–	–	–

¹⁰ In 2013, the CDPH issued a statement of deficiency and administrative penalty to Los Angeles of \$50,000, based on [survey findings of February 6, 2013](#), regarding not following established policies and procedures for safe distribution and administration of medicine.

¹¹ According to the [HFCIS](#), Norwalk currently goes by Norwalk Community Hospital.

¹² In 2010, the CDPH issued a statement of deficiency and administrative penalty to Norwalk of \$50,000, based on [survey findings of May 21, 2009](#), regarding not following policies and procedure for on-going assessment and monitoring of patients.

¹³ In 2012, when Newport was a part of Pacific Health Corporation (“PHC”), Newport, together with PHC and several of PHC’s other subsidiaries, affiliates, hospitals and health care facilities, entered into a CIA on May 17, 2012 with the OIG for a five-year term ending May 16, 2017 (“PHC CIA”), and paid \$16.5 million as part of a settlement agreement with the OIG to resolve liabilities involving allegations of anti-kickback violations arising from the fact that PHC paid marketers to recruit homeless patients for unneeded treatment which was then billed to Medicare and Medi-Cal. See [PHC CIA](#) and [FBI August 23, 2012 press release](#).

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Nix Specialty Health Center (“Nix Specialty”) San Antonio, TX	–	–	–	–	–	–	–
Nix Alamo Heights (“Nix Alamo”) San Antonio, TX	–	–	–	–	–	–	–
Nix Behavioral Health Center (“Nix Behavioral”) San Antonio, TX	–	–	–	–	–	–	–
Nix Community General Hospital (“Nix Community”) Dilley, TX	–	–	–	–	–	–	–
Prospect Provider Group, RI LLC ¹⁴ (“Prospect RI”)	–	–	–	–	–	–	–
Roger Williams Medical Center (“RWMC”) Providence, RI	–	2002 CIA ¹⁵	2006 Deferred Prosecution Agreement ¹⁶	–	–	–	–
Our Lady of Fatima Hospital (“OLFH”) North Providence, RI	–	–	–	–	–	–	–

¹⁴ According to the Prospect [website](#), Prospect RI manages over 100 primary care and specialty providers and contracts with the RI hospitals.

¹⁵ According to a [2006 and 2007 Consolidated Financial Statement](#), RWMC entered into a CIA with the OIG on October 17, 2002 and ending September 19, 2005, and paid \$400,000 to resolve allegations of upcoding a pneumonia diagnosis code. See [Department of Justice October 17, 2002 Press Release](#). Prospect acquired RWMC in 2014.

¹⁶ In 2006, RWMC entered into a deferred prosecution agreement with the US Attorney’s Office of Rhode Island (“USAO-RI”) to resolve corruption allegations. The USAO-RI alleged that RWMC participated in funneling money to a Rhode Island state Senator to protect its interests. RWMC’s former CEO was later convicted of criminal charges related to this matter. See [September 2, 2014 Providence Journal article](#).

APPENDIX A

Individuals Identified as a Member of Management or the Governing Board of Prospect or its Affiliates

Prospect

- Samuel Lee, Chairman of the Board and CEO
- Steve Aleman, CFO
- Ellen J. Shin, General Counsel and Secretary
- Katie Wargnier, Vice President, Human Resources
- Hoyt Sze, Vice President, Chief Compliance Officer and Privacy Officer

Prospect Medical Systems

- No separate website found.

ProMed

- No Board or leadership information provided on ProMed's website.

Bellflower

- No separate website found.

Culver City

- No Board or leadership information provided on Culver City's website.

Hollywood

- No Board or leadership information provided on Hollywood's website.

Van Nuys

- No Board or leadership information provided on Van Nuys' website.

Los Angeles

- No Board or leadership information provided on Los Angeles' website.

Norwalk

- No Board or leadership information provided on Norwalk's website.

Newport

- No separate website found.

Prospect Health Services Texas

- No separate website found.

Nix

- No Board or leadership information provided on Nix's website.

Nix Specialty

- No Board or leadership information provided on Nix Specialty's website.

Nix Alamo

- No Board or leadership information provided on Nix Alamo's website.

Nix Behavioral

- No Board or leadership information provided on Nix Behavioral's website.

Nix Community

- No Board or leadership information provided on Nix Community's website.

Prospect Provider Group, RI LLC

- No separate website found.

RWMC

- Sheri L. Smith, PhD, Board Chair
- Louis J. Mariorenzi, M.D.
- Charles E. Maynard
- Cynthia M. Alves, M.D.
- Andrea Doyle, M.D.

OLFH

- Reverend Monsignor Paul D. Theroux, J.C.L. Bishop's Designee and Board Chair
- Reverend Robert Forcier, R.Ph.
- Joseph Samartano, Jr., DDS
- Steven Colagiovanni, M.D.
- Raffi Calikyan, M.D.
- Thomas C. Hughes, President
- Addy Kane, CFO
- R. Otis Brown, Vice President, Development & External Affairs
- Cheryl Perry, Interim Vice President, Human Resources
- Patricia A. Nadle, M.Ed., Vice President, System Initiatives, Chief Nursing Officer

**Information Regarding Government Actions
against Strategic Global Management, Inc. (“SGM”) and its Affiliates¹**

¹ This table includes publicly available government actions information involving SGM and its affiliates identified on in the May 21, 2014 SGM Proposal Submitted to Houlihan Lokey (“SGM Proposal”). Dashes indicate that no publicly available information regarding sanctions was found.

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
SGM Riverside, CA	–	–	–	–	–	–	–
Victor Valley Global Medical Center (“VVGMC”) Victorville, CA	–	–	–	–	–	–	–
Physicians for Healthy Hospitals, Inc. ⁸ (“PHH”) Hemet, CA	–	–	–	–	–	–	–
Hemet Valley Medical Center (“HVMC”) Hemet, CA	–	–	2006 HHS Settlement ⁹	–	–	–	–
Menifee Valley Medical Center (“MVMC”) Perris Valley, CA	–	–	–	–	–	–	–
Integrated Healthcare Holdings, Inc. (“IHHI”) ¹⁰	–	–	–	–	–	–	–

² CIAs in effect are listed and available on the [OIG website](#). Expired CIAs were identified from internet searches of the entity’s name and CIAs.

³ Each entity’s name was searched on the [OIG website](#) to identify settlement agreements with the OIG that were not associated with CIAs. Other HHS settlement agreements were identified from internet searches of the entity’s name and settlement agreements.

⁴ Each entity’s name was searched against the [List of Excluded Entities maintained by the OIG](#). The names of individuals identified as a member of management or the governing boards of SGM or its affiliates on the applicable websites were searched against the [List of Excluded Individuals maintained by the OIG](#). These names are listed in the attached Appendix A.

⁵ Each entity’s name was searched for appearance on federal and state court dockets in the relevant jurisdictions.

⁶ Each entity’s name was searched on the [California attorney general’s website](#).

⁷ Each entity’s name was searched against the California Department of Public Health (“CDPH”) website’s list of [Hospital Administrative Penalties](#) and [Breach of Confidential Patient Medical Information](#) and on the [California Department of Health Care Services \(“CDHCS”\) website](#). CDHCS Medi-Cal Cost Report Audits were included only if the settlement amount was \$1 million or more.

⁸ According to the SGM Proposal, PHH is an SGM affiliate that owns HVMC and MVMC.

⁹ In 2006, HVMC paid \$45,000 as part of a settlement agreement dated May 16, 2006 with the OIG to resolve liabilities for civil monetary penalties under the patient dumping statute. See [OIG Description of HVMC Settlement Agreement](#).

¹⁰ According to the SGM Proposal, IHHI is an SGM affiliate that owns and operates WMC Santa Ana, WMC Anaheim, CMC and CCH.

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Santa Ana, CA							
Western Medical Center Santa Ana (“WMC Santa Ana”) Santa Ana, CA	–	Tenet CIA ¹¹	–	–	–	–	2010 CDPH Statement of Deficiency; ¹² 2010 CDPH Statement of Deficiency; ¹³ 2009 CDPH Statement of Deficiency ¹⁴
Western Medical “Center Anaheim (“WMC Anaheim”) Anaheim, CA	–	Tenet CIA	–	–	–	–	2013 CDPH Statement of Deficiency ¹⁵
Chapman Medical Center (“CMC”) Orange, CA	–	Tenet CIA	–	–	–	–	2012 CDPH Statement of Deficiency; ¹⁶ 2009 CDPH Statement of Deficiency ¹⁷
Coastal Communities	–	Tenet CIA	–	–	–	–	–

¹¹ In 2006, when WMC Santa Ana, WMC Anaheim, CMC and CCH were part of Tenet Healthcare Corporation (“Tenet”), they, together with Tenet and Tenet’s other subsidiaries, affiliates, hospitals and health care facilities, entered into a CIA on September 27, 2006 with the OIG for a five-year term ending September 26, 2011 (“Tenet CIA”), and paid \$900,000,000 as part of a settlement agreement with the OIG dated June 28, 2006 to resolve liabilities involving improper outlier payments, upcoding and kickbacks to physicians. All four of these hospitals were sold by Tenet in March 2005. See [Tenet CIA](#) and [Settlement Agreement between OIG and Tenet](#).

¹² In 2010, the CDPH issued a statement of deficiency and an administrative penalty to WMC Santa Ana of \$75,000 based on [survey findings of December 7, 2009](#) for failure to follow policies and procedures for the maintenance of its medication storage refrigeration equipment.

¹³ In 2010, the CDPH issued a statement of deficiency and an administrative penalty to WMC Santa Ana of an unknown amount based on [survey findings of April 14, 2009](#) for failure to follow its surgical policy and procedure resulting in a patient having to undergo a second surgery to remove a retained foreign object.

¹⁴ In 2009, the CDPH issued a statement of deficiency and an administrative penalty to WMC Santa Ana of an unknown amount based on [survey findings of December 27, 2007](#) for compromising the safety of a patient by not investigating an allegation of physical assault in a timely manner.

¹⁵ In 2013, the CDPH issued a statement of deficiency and an administrative penalty to WMC Anaheim of \$50,000 based on survey findings for failure to ensure the health and safety of patients.

¹⁶ In 2012, the CDPH issued a statement of deficiency and an administrative penalty to CMC of an unknown amount based on [survey findings of June 25, 2010](#) for failure to protect a patient from sexual misconduct/assault.

¹⁷ In 2009, the CDPH issued a statement of deficiency and an administrative penalty to CMC of an unknown amount based on survey findings of April 24, 2009 for an undisclosed reason.

Entity Name and Location	Federal Actions					State Actions	
	Corporate Integrity Agreements (“CIAs”) ²		Other Department of Health and Human Services (“HHS”) or Office of Inspector General (“OIG”) Settlement Agreements ³	Exclusion Check Against OIG List of Excluded Entities and Individuals ⁴	Pending Actions or Ongoing Government Investigations/Litigation ⁵	Attorney General (“AG”) Actions ⁶	Healthcare Regulatory Agency Actions ⁷
	In Effect	Expired					
Hospital (“CCH”) Santa Ana, CA							

APPENDIX A

Individuals Identified as a Member of Management or the Governing Boards of SGM or its Affiliates

SGM¹

- William E. Thomas, Executive Vice President and General Counsel
- Tatty Rajam, Chief Financial Officer
- Kali Chaudhuri, President

VVGMC

- Suzanne Richards, Chief Executive Officer/Director

PHH

- Physician Owners, as follows:
 - Ashok K. Agarwal, M.D.
 - Gerard J. Carvalho, M.D.
 - Kali P. Chaudhuri, M.D.
 - Han-Min Chiu, M.D.
 - Sanyasi Ganta, M.D.
 - Neelam Gupta, M.D. Rakesh C. Gupta, M.D.
 - Larry C. Hughes, M.D.
 - Abid Hussain, M.D.
 - Vidhya V. Koka, M.D.
 - Hemchand Kolli, M.D.
 - Renato Judalena, M.D.
 - Chia M. Lee, M.D.
 - Chong Ping Lu, M.D.
 - Herman Mathias, M.D.
 - Amal Mehta, M.D.
 - Chandrakant V. Mehta, M.D.

- Evelyn F. Mendoza, M.D.
- Sreenivasa Nakka, M.D.
- Miland P. Panse, M.D.
- Girdhari Purohit, M.D.
- Manikanda Raja, M.D.
- Anil Rastogi, M.D.
- Surya M. Reddy, M.D.
- Stanley Schinke, M.D.
- Kishore Sehgal, M.D.
- Surendra Sharma, M.D.
- David C. Stanford, M.D.
- Bhoodev Tiwari, M.D.
- Ratan Tiwari, M.D.
- Fred White, M.D.

HVMC

- Joel M. Bergenfeld, Chief Hospital Executive Officer and Hemet Valley Medical Center Administration

MVMC

- Greg Padilla, Menifee Valley Medical Center Administrator

¹ This list was compiled from publicly available information found on the <http://companies.findthebest.com/12622452/Strategic-Global-Management-Inc-in-Riverside-CA>

IHHI²

- Maurice J. DeWalk, Chairman of the Board
- Hon. C. Robert Jameson, Director
- Ajay G. Meka, M.D., Director
- Michael Metzler, Director
- J. Fernando Niebla, Director
- William E. Thomas, Director
- Kenneth K. Westbrook, Director and Chief Executive Officer
- Steven R. Blake, CFO and Executive VP, Finance
- Daniel J. Brothman, COO and Executive VP, Operation

WMC Santa Ana

- Suzanne Richards, Interim Chief Executive Officer

WMC Anaheim

- Suzanne Richards, Chief Executive Officer

CMC

- Don Kreitz, Chief Executive Officer

CCH

- Luke Tharasri, Chief Executive Officer

² This list was compiled from publicly available information found Integrated Healthcare Holdings, Inc. website, included in SEC filings attached thereto.

**VINCENTIAN DISCERNMENT PROCESS
DCHS BOARD MEETING
OCTOBER 3, 2014**

Overall View of the Process
Facilitator: Fr. Coleman

Background

**The discernment process to seek a buyer for DCHS began in June 2012.
(Sr. Marjory Ann)**

Discernment

- 1. Show artistic depiction of the election of St. Matthias and read Acts 1: 15-16, 20b, 21-26**
- 2. Read/Reflect: “Discernment is a process of searching for the will of God in a particular situation, a process that is carried out in a context of prayer and through sharing. People become aware of God’s presence as they examine different insights and realize what has to be done, as well as the way in which it is to be done. Discernment is an encounter with God leading to a decision about what has to be done.” (From *Ethical Decision-Making in the Framework of Vincentian Discernment*, pg. 1)**
- 3. Each person present shares with the group insights he/she has gained throughout the process of seeking a buyer for the DCHS. In particular, how has God entered into my considerations throughout this process? An individual may choose to pass if he/she does not want to enter into this part of the process. This sharing begins with Sr. Marjory Ann, then Sr. Marion, and then Robert Issai, and then continues around the table.**
- 4. What point has struck me most in listening to this sharing?**
- 5. Prayer: Fr. Coleman**

Presentation and Discussion

- 1. Andrew and Associates: presentation/review with the Board the potential buyers who submitted final bids with data that critiques major bid factors.**
- 2. How has each potential buyer met each of the essential criteria?**
- 3. Discussion, Questions, Complicating Factors.**

Five Minutes of Private Prayer in Silence

This time for silent prayer allows each member present to reflect and pray over the presentations and discussions.

Break: Fifteen Minutes

DCHS BOARD Reconvenes

1. The DCHS Board reconvenes to discuss the presentations and discussions, especially enlightened by the time of prayerful silence. If necessary, legal counsel or members of the presenting team can be called into this meeting for points of clarity, etc.
2. In light of the Vincentian Discernment Process, the DCHS Board will address:

In Making Our Decision:

- (1) What option promotes the most good?
- (2) Have we carefully attended to Gospel values, the DCHS Mission (to be read aloud), Core Vincentian Values (to be read aloud)? Which parts of the Mission, which specific Core Vincentian Values are evidenced in our decision?
- (3) Do we feel ready to make a final decision?
3. Discernment Prayer to be led by Sr. Marjory Ann.
4. Vote.
5. Board Members shares with the group:
 - (1) How do we feel about the decision we have made? Do we feel at peace?
 - (2) Do we feel that this decision promotes the common good?
 - (3) How does our decision affect the communities DCHS now serves?
 - (4) How does our decision reflect: Gospel values; our Mission and Core Vincentian Values; our stakeholders; those living in poverty and the vulnerable; the local churches where DCHS hospitals now exist?

All Participants Reconvene

Sr. Marjory Ann and Robert share with the group an overall summary of what occurred at the DCHS BOARD discussion.

Lunch Break

1. **Presentation of the Communication Plan:**
 - a. How/when will we communicate our decision? (Beth Nickels)
 - b. What are the next steps in our communication plan?
 - c. How do we educate our publics about our decision?
 - d. How do we communicate our decision with local Ordinaries?
 - e. Have we considered all necessary factors in implementing the decision?

2. How do we feel about the discernment process we experienced today?

Final Reflection/Prayer

Sister Marion, D.C.

11. COMMUNICATION PROCESS SUMMARY

Break: Fifteen Minutes

DCHS BOARD Reconvenes

1. The DCHS Board reconvenes to discuss the presentations and discussions, especially enlightened by the time of prayerful silence. If necessary, legal counsel or members of the presenting team can be called into this meeting for points of clarity, etc.
2. In light of the Vincentian Discernment Process, the DCHS Board will address:

In Making Our Decision:

- (1) What option promotes the most good?
- (2) Have we carefully attended to Gospel values, the DCHS Mission (to be read aloud), Core Vincentian Values (to be read aloud)? Which parts of the Mission, which specific Core Vincentian Values are evidenced in our decision?
- (3) Do we feel ready to make a final decision?
3. Discernment Prayer to be led by Sr. Marjory Ann.
4. Vote.
5. Board Members shares with the group:
 - (1) How do we feel about the decision we have made? Do we feel at peace?
 - (2) Do we feel that this decision promotes the common good?
 - (3) How does our decision affect the communities DCHS now serves?
 - (4) How does our decision reflect: Gospel values; our Mission and Core Vincentian Values; our stakeholders; those living in poverty and the vulnerable; the local churches where DCHS hospitals now exist?

All Participants Reconvene

Sr. Marjory Ann and Robert share with the group an overall summary of what occurred at the DCHS BOARD discussion.

Lunch Break

1. **Presentation of the Communication Plan:**
 - a. How/when will we communicate our decision? (Beth Nickels)
 - b. What are the next steps in our communication plan?
 - c. How do we educate our publics about our decision?
 - d. How do we communicate our decision with local Ordinaries?
 - e. Have we considered all necessary factors in implementing the decision?

2. How do we feel about the discernment process we experienced today?

Final Reflection/Prayer

Sister Marion, D.C.