



BLUEWOLF

BLUE WOLF CAPITAL
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June 4, 2014

Mr. Andrew Turnbull
Managing Director
Houlihan Lokey
123 North Wacker Drive
Chicago, IL 60606

Re: Daughters of Charity Health System

Dear Mr. Turnbull:

Blue Wolf Capital Fund III, L.P. (“Blue Wolf”) hereby submits this proposal to acquire the Daughters of Charity Health System (“DOCHS”).

Over the last 30 days, Blue Wolf has undertaken a massive effort to understand and assess the situation facing DOCHS and to determine whether or not we could offer a constructive solution.

The conclusions we have reached are, to put it mildly, quite sobering.

DOCHS faces an acute operational and financial crisis, a crisis that imminently threatens its mission, the jobs of its employees, the health care needs of the communities in which it operates and the accrued retirement benefits that DOCHS promised to its current and former employees.

We see this as presenting DOCHS with agonizing choices. Many believe that the likely outcome will be that a number of the hospitals in the system will close, as real estate developers take advantage of DOCHS’s financial distress, resulting in the elimination of critical public health infrastructure from the safety net. Others have suggested that while the system could be preserved, this can only be done by abandoning DOCHS’s commitment to providing critically needed services to individuals with otherwise limited access to high quality care and by renouncing DOCHS’s promise to provide a decent retirement to those who gave it a lifetime of service.

Blue Wolf, on the other hand, despite DOCHS’s extraordinary challenges, is today prepared to go forward with a transaction that:

- Maintains and continues to operate all of DOCHS’s acute care facilities;
- Preserves DOCHS’s critical role as a provider of high-quality healthcare to the underserved families in the communities in which it operates;
- Maintains the retirement benefits earned to date for current and former DOCHS employees; and
- Injects substantial new capital into the system to facilitate an operational revitalization

By assuming the significantly underfunded DOCHS Retirement Plan (the Church Plan) and continuing to participate in the Retirement Plan for Hospital Employees (RPHE), we believe that



our offer is dramatically superior both for those creditors and for the Plan Sponsors who could face substantial exposure for these obligations.

We believe that our commitment to keeping the system intact and continuing the DOCHS mission is noteworthy and significant. And we are confident that the level of support we enjoy from DOCHS's stakeholders uniquely and dramatically reduces the execution risk of our proposed restructuring and revitalization plan, as well as being consistent with the DOCHS Mission.

As detailed in the Term Sheet attached hereto as Exhibit "A" and made a part hereof, Blue Wolf's proposal is based on both a realistic assessment of DOCHS strengths and weaknesses and a unique collaboration with the system's key stakeholders.

Blue Wolf is working closely with the SEIU-UHW and UNAC, who have enthusiastically endorsed our effort. Blue Wolf has met with CNA and outlined to them the proposed transaction, and CNA has indicated to us that they are prepared to bargain in good faith with us about the proposed transaction.

Blue Wolf has met and discussed our effort with key leaders in Santa Clara, San Mateo and Los Angeles County, and we have received positive support and encouragement in all cases. We have also met with Dignity Health about a creative solution to the underfunding of the Church Plan that involves the RPFE, and they have agreed to work with us to explore this approach.

Based on the above, we are requesting that DOCHS work exclusively with Blue Wolf over the next sixty (60) days, during which time we will complete our due diligence and reach all necessary agreements with stakeholders so that we can sign a definitive agreement subject only to customary closing conditions and regulatory approvals.

Thank you for allowing us to participate in the process. Please feel free to reach out either directly to me or to our Investment Banker, Ron Bloom, to discuss this further.

We look forward to working closely with you in the period ahead as we bring this matter to a satisfactory resolution.

Sincerely,

BLUE WOLF CAPITAL FUND III, L.P.

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

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

By: 
Adam Blumenthal, Managing Partner



AGREED AND ACCEPTED:

DAUGHTERS OF CHARITY HEALTH SYSTEM

By: _____
Its: _____
Date: _____

DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION

By: _____
Its: _____
Date: _____

Exhibit "A"
CONFIDENTIAL TERM SHEET
June 4, 2014

<p>Objectives:</p>	<p>The proposed series of related transactions outlined herein (collectively the "<u>Transaction</u>") would continue the historic mission of the Daughters of Charity Health System ("<u>DOCHS</u>" or the "<u>System</u>") and its existing sponsor, the Daughters of Charity Ministry Services Corporation (which is sponsored by the Daughters of Charity of St. Vincent DePaul Province of the West) (collectively, the "<u>Existing Sponsor</u>"), through a comprehensive recapitalization and restructuring.</p> <p>The proposed Transaction includes:</p> <ul style="list-style-type: none"> ✓ the acquisition of all of the System's operations and the maintenance of the System's not for profit status; ✓ the assumption and restructuring of all of the existing collective bargaining agreements; ✓ the assumption without modification of the accrued pension benefits; and ✓ the termination of future obligations of the Existing Sponsor. <p>In addition, the proposed Transaction:</p> <ul style="list-style-type: none"> ✓ does not have material contingencies; ✓ anticipates a short diligence period; and ✓ contemplates a definitive timeline for closing. <p>The proposed Transaction will provide the System with access to new capital to fund the needed operational turnaround and make needed capital investments, augmentation of its existing management structures, streamlined labor agreements and lower pension costs across the System.</p>
<p>Preservation of Mission:</p>	<p>Following closing, the System would continue to be operated consistent with the DOCHS Mission Statement of:</p> <p style="text-align: center;"><i>Serving the sick and the poor; by providing comprehensive, excellent health care that is compassionate and attentive to the whole person: body, mind and spirit; and promoting health families, responsible stewardship of the environment and a just society through value-based relationships and community-based collaboration.</i></p>

<p>Continuation of Values:</p>	<p>Following closing, the System would continue to be operated consistent with the Values of DOCHS and the Existing Sponsor:</p> <p>Respect: <i>Recognizing the value of DOCHS and the value of others</i> Compassionate Service: <i>Providing excellent care with gentleness and kindness</i> Simplicity: <i>Acting with integrity, clarity and honesty</i> Advocacy for the Poor: <i>Supporting those who lack resources for a healthy life and full human development</i> Inventiveness to Infinity: <i>Being continuously resourceful and creative</i></p> <p>The proposed Transaction would not alter, in any material respect, the System’s adherence to the Ethical and Religious Directives for Catholic Health Care Services (subject to civil law requirements).</p>
<p>The Proposed Transaction:</p>	<p>The System would enter into a Merger Agreement with an existing 501(c)(3) not for profit organization focused on healthcare, to be identified (“<u>NewFound Health</u>”), with NewFound Health being the surviving entity and new sponsor of the System.</p> <p>Following closing, the NewFound Health board of directors would assume management and oversight of the System.</p>
<p>Net Working Capital True-up by Existing Sponsor:</p>	<p>Set forth on <u>Exhibit “A”</u>, attached hereto and made a part hereof, is a calculation of the System’s consolidated adjusted net working capital as of March 31, 2014 (“<u>Target Net Working Capital</u>”). To the extent that the net working capital of the System as of the closing date is less than the Target Net Working Capital (the “<u>Closing Date Net Working Capital Shortfall</u>”), then the Existing Sponsor shall contribute cash to NewFound Health on the closing date equal to the Closing Date Net Working Capital Shortfall.</p>
<p>Equity Commitment:</p>	<p>Blue Wolf Capital Fund III, L.P. (“Blue Wolf”), through a newly formed for profit management services company (“<u>Management Services Co</u>”), would invest \$70 million in equity in the Transaction.</p> <p>All of the proceeds of this investment would be used to strengthen the System as further described below.</p>
<p>Pension Obligations:</p>	<p>NewFound Health would assume all existing pension</p>

	<p>obligations to current and former employees of the System.</p> <p>The Existing Sponsor would have no responsibility for the satisfaction of these obligations following closing.</p>
Existing Senior Debt Obligations:	<p>Because of the non-profit status of NewFound Health, the Transaction would have no impact on the existing DOCHS bonds.</p> <p>The Existing Sponsor would have no responsibility for the satisfaction of these obligations following closing.</p>
Definitive Agreements & Conditions to Closing:	<p>Blue Wolf anticipates executing definitive agreements, subject to:</p> <ol style="list-style-type: none"> (1) All required regulatory approvals of the Transaction (including, but not limited to, approval by the California State Attorney General of the terms of the Merger, the Management Agreement and the other material aspects of the Transaction without the imposition of materially burdensome conditions or obligations); (2) Approval of the Holy See; (3) Ratification of the restructured labor agreements; (4) Completion of the pension merger transaction described herein; (5) Completion of the real estate transaction as described herein; (6) Confirmation that the DOCHS bonds are not in default as of the closing date and that the Transaction will not cause an event of default to occur; (7) Receipt of any material third party consents necessary to avoid material contractual defaults; (8) Final approval by CMS of QAF payments; (9) Absence of a material adverse change with respect to the System; (10) The System is operated in the ordinary course of business, consistent with past practices; and (11) Representations and warranties set forth in the definitive agreements are true and correct in all material respects on the closing date.
Exclusivity:	<p>For a period of 60 days from the acceptance of this term sheet, DOCH will negotiate exclusively with Blue Wolf with respect to the definitive agreements for the Transaction as contemplated by this term sheet.</p> <p>In addition, the parties would negotiate in good faith to establish milestones, which, if met, would extend exclusivity to allow the completion of due diligence, satisfaction of pre-closing conditions and approvals and definitive documentation.</p>

Closing Date:	As soon as practicable after the conditions to closing are satisfied to the satisfaction of Blue Wolf and the System. It is anticipated that closing would occur not later than 12/31/2014.
NewFound Health Governance:	NewFound Health, a 501(c)(3) organization would be governed by an independent board of directors, the size and composition of which would be determined prior to closing in consultation with the existing NewFound Health board, the Existing Sponsor, union representatives, community leaders and the Attorney General of the State of California.
Management Services Company:	<p>Management Services Co will be capitalized with at least \$70 million in equity to be provided by Blue Wolf, and \$50 million in senior debt financing to be arranged by Blue Wolf. Because Blue Wolf is investing from a committed fund with \$309 million in commitments, we have ample liquidity to fund this level of equity.</p> <p>Management Services Co will be led by Richard Becker, MD and Richard Wright, each of whom has over twenty years of hospital management experience, and significant experience with the acquisition and successful turnaround of major urban hospitals similar to those operated by the System.</p>
CRITICAL AGREEMENTS:	
Real Estate Acquisition by Management Service Co:	<p>Simultaneously with the Transaction, Management Services Co or one of its affiliates, will purchase selected assets, primarily medical office buildings, from the System, at fair market value in an arm's length transaction, for a cash purchase price of \$100 million.</p> <p>Based on preliminary appraisals by CBRE, we believe that there will be ample real estate value to support this transaction, which will provide much needed liquidity to the System.</p> <p>We understand that DOCHS has received an offer from a developer for the purchase of the DePaul Urgent Care Center in Santa Clara County for at least \$10 million, with the proceeds to be retained by DOCHS for general corporate purposes. While we are generally supportive of this transaction, we would ask that we be allowed to assess the overall transaction for this facility prior to the asset sale.</p>
Pension Merger:	<p>In conjunction with the Transaction, the current Church Plan will merge with the RPHE.</p> <p>The System will agree to amend its current collective bargaining agreements to provide for payments to RPHE in respect of the unfunded Church Plan obligations over the ten</p>

	<p>years subsequent to the close of the Transaction.</p> <p>This transaction will improve the health of both plans.</p> <p>A letter to Blue Wolf from our pension consultants, Milliman, outlining this approach is attached as <u>Exhibit "B"</u> to this proposal.</p> <p>Blue Wolf has discussed this transaction with one of the Trustees of the RPHE not affiliated with the System; its letter to us regarding these conversations is attached as Exhibit "C" to this Term Sheet.</p>
<p>New Labor Agreements:</p>	<p>Prior to the close of the Transaction, NewFound Health will enter into new labor agreements with each of the three major unions representing DOCHS employees – SEIU-UHW, CNA, and UNAC.</p> <p>The terms of these agreements would include:</p> <ul style="list-style-type: none"> • A mutual commitment to clinical excellence, improving health for both employees and the communities served, and a culture of continuous improvement. • Streamlining of work rules and job classifications and structures in order to allow measures of productivity, such as Employees per Adjusted Occupied Bed, to approach those at comparable hospitals. • Streamlining and reduction of benefits costs for health insurance plans and modification to the rules governing premium pay and shift differentials. • Upon the return of the System to financial health, a commitment to long-term job security and retraining opportunities for senior employees. • An uncapped annual distribution of a material portion of sustainable cash flow in the form of an annual bonus, provided that the System meet requisite levels of patient safety. • A special payment, to be distributed to a fund for the benefit of employees equal to an agreed-on percentage of Blue Wolf's capital gains on its investment, upon the ultimate realization of such gain. <p>Blue Wolf has discussed the proposed Transaction with SEIU-UHW, and UNAC who have enthusiastically endorsed this proposal and committed to work with Blue Wolf to effectuate all aspects of the Transaction. Blue Wolf has also discussed the proposed Transaction with CNA, who has indicated to Blue Wolf that they are prepared to bargain with Blue Wolf in good faith regarding the proposed Transaction.</p>
<p>Management Agreement:</p>	<p>Management Services Co would enter into a management</p>

	<p>services agreement with NewFound Health and the System on market terms to provide management services, including the office of the Chief Executive Officer, Chief Financial Officer, Chief Informatics Officer, and Chief Medical Officer of NewFound Health.</p> <p>Management Services Co would also enter into an agreement with NewFound Health pursuant to which Management Services Co or one of its affiliates would have the option to acquire the System from NewFound Health for a purchase price equal to the assumed liabilities of the System then outstanding and, following such acquisition, to convert the System to a for-profit system.</p> <p>We expect these terms will be substantially similar to those recently approved by the California State Attorney General on January 29, 2013 with respect to St. Rose Hospital.</p>
<p>Revenue Enhancements:</p>	<p>Blue Wolf, working with Sellers Dorsey, has identified meaningful revenue enhancements for NewFound Health, which could be achieved at no additional cost to the State of California or to the counties of Santa Clara, San Mateo, or Los Angeles.</p> <p>Letters from two of the three entities evidencing their general support for Blue Wolf’s proposal and their interest in working with Blue Wolf to achieve revenue from these programs is attached as <u>Exhibit “D”</u> to this term sheet. We expect to receive a similar letter from Santa Clara County in the next few days.</p> <p>We have begun a process with the jurisdictions of assessing these revenue enhancements and expect to have reasonable indications from the counties and appropriate State of California regulatory agencies of their intention to support revenue enhancing opportunities for the System prior to the execution of definitive agreements.</p>
<p>Confidentiality:</p>	<p>The parties agree that the terms of this Term Sheet shall be kept strictly confidential and shall not be disclosed other to the directors, senior management and advisors of such parties and other than as may be required by law or any governmental or regulatory body after prior notice (where legally permissible). The parties acknowledge that implementation of the Transactions shall require discussions with labor unions, governmental authorities and religious bodies and agree that such discussions shall be conducted on a coordinated fashion between the parties.</p>
<p>Binding Obligations:</p>	<p>This Term Sheet outlines the indicative terms of the proposed Transaction. The provisions of this Term Sheet under the</p>

	<p>headings "Exclusivity" and "Confidentiality" shall be binding obligations of the parties. No other legally binding obligations will be created on any party unless and until definitive transactions documents are executed and delivered by all parties. Apart from the binding obligations of the parties hereunder, the failure to negotiate and execute and deliver definitive transaction documents shall impose no liability on the part of any party.</p>
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Exhibit "A"
to
Confidential Term Sheet

Calculation of Net Working Capital of the System
as of March 31, 2014

NET WORKING CAPITAL

(\$ in Thousands)

	3Q2014
	3/31/2014
Cash and cash equivalents	\$81,918
Patient accounts receivable, net	171,984
Due from government agencies	18,249
Interest in pooled investments - Short-Term	904
Interest in pooled investments - Long-Term	54,077
Other Current Assets	52,362
Total Current Assets	\$379,494
Accounts payable	\$52,605
Accrued Liabilities	108,327
Due to government agencies	13,789
Total Current Liabilities	\$174,721
Net Working Capital	\$204,773

Exhibit “B”
to
Confidential Term Sheet

Milliman Letter re: Feasibility of Merger of Church Plan into
RPHE

[See Attached Feasibility Letter from Milliman]



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milliman.com

June 3, 2014

Mr. Ron Bloom
Lazard, Freres & Co. LLC
30 Rockefeller Plaza
New York, NY 10112

Re: Blue Wolf

Dear Ron,

This letter is intended to provide our thoughts of the proposed change in the structure of the pension plans covering the Daughters of Charity Health System ("DCHS") employees. Blue Wolf is proposing to merge the DCHS Retirement Plan into the Retirement Plan for Hospital Employees (RPHE).

We believe this merger would be an effective and sensible transaction.

When reviewing the possibility of merging the DCHS Retirement Plan into the RPHE, we considered the impact on the plan participants. Specifically, after the merger, the participants currently benefiting under the DCHS Retirement Plan would have their benefits guaranteed up to certain predetermined amounts by the Pension Benefit Guaranty Corporation (PBGC). In addition, the participants would now be part of a plan that is required to meet minimum contribution requirements as provided under the IRC. This would help to further protect the participants' benefits.

Additionally, with an increase in the number of plan participants, we would expect to have lower costs, per participant, to administer benefits. Both groups of participants could see benefits by merging the plans.

Lastly, we considered the long-term financial strength of the plan post-merger. We analyzed the projected funded status of the RPHE post-merger based on the current assets and liabilities of each plan, as well as the expected future contributions. Based on our analysis the post-merger plan will continue to have a strong funded percentage and would not be harmed by the merger.

Statements of Reliance and Limitation on Use

This letter summarizes a rough analysis of the Daughters of Charity Health System's participation in the defined benefit plans referenced above. Ultimately, the Trustees of the RPHE and the DCHS Retirement Plan would need to come to the conclusion that the merger would benefit the plan participants. There are numerous factors that could be considered when making this analysis including immediate and long term expected funded percentages. It should be expected that the Trustees will require projections and analysis from the Plans' Actuaries to assist them in their decision process.

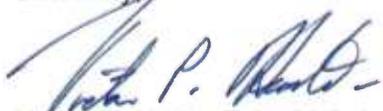
This letter has been prepared for Blue Wolf for a specific and limited purpose. The underlying data is highly complex, and any technical analysis such as that provided herein assumes a high level of knowledge concerning DCHS operations, as well as rules and regulations applicable to defined benefit plans. Milliman's work is prepared solely for the internal business use of Blue Wolf and its advisors with respect to this project and may not be provided to third parties without our prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Our consent to release this product to any third party may be conditioned on the third party signing a release. Third party recipients of Milliman's work product should not rely upon our analysis and should instead engage their own qualified professionals for advice appropriate to their specific needs.

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied in the data room by DHCS, as well as the Plan Actuaries of plans involved. This information includes, but is not limited to, Actuarial Valuation reports, projection reports, and Plan documents and notices. Other information was obtained from publicly available information on Form 5500 filings. We did not audit any of the information provided but reviewed it for reasonableness and internal consistency. We are satisfied it is reasonable to rely on. The results of our analysis depend on the integrity of this information. If any of this information is incomplete or inaccurate, our analysis may be different and our calculations and/or conclusions may need to be revised.

The consultants who worked on this project are actuaries. Their advice should not be construed as legal advice. We have presented our conclusions and summarize our findings based upon our current understanding of applicable law and regulations pertaining to defined benefit pension funding obligations. Legal advice should be sought to confirm that our understandings are correct before any action or inaction is considered.

The undersigned is a Consulting Actuary for Milliman, a member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. To the best of my knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

Sincerely,



Victor P. Harte, E.A., M.A.A.A
Principal & Consulting Actuary

Exhibit “C”
to
Confidential Term Sheet

RPHE Trustee Letter of Support

[See Attached Letter of Support from Dignity Health]



185 Berry Street, Suite 300
San Francisco, CA 94107
direct 415.438.5500
fax 415.438.5724
dignityhealth.org

June 2, 2014

Mr. Andrew Turnbull
Managing Director
Houlihan Lokey
123 North Wacker Drive
Chicago, IL 60606

Re: Daughters of Charity Health System

Dear Mr. Turnbull:

Dignity Health writes this letter at the request of Blue Wolf Capital Partners, LLC (Blue Wolf).

Blue Wolf has informed Dignity Health that they are evaluating a possible transaction involving the Daughters of Charity Health System (DCHS) and that one of the elements of the transaction would involve the continuation, without benefit modification, of DCHS' single-employer defined benefit pension plan (the Church Plan), through a proposed merger (Merger) of the Church Plan into the Retirement Plan for Hospital Employees (RPHE), a multiemployer defined benefit pension plan of which DCHS is a co-sponsor. Dignity Health also is a co-sponsor of the RPHE.

Blue Wolf also has informed Dignity Health that Blue Wolf is working closely with the SEIU-UHW and that SEIU-UHW is strongly supportive of exploring a Merger in the context of Blue Wolf's effort.

As a co-sponsor of RPHE, Dignity Health is willing to discuss the RPHE, its liabilities and the effects of the Merger with Blue Wolf. Dignity Health will not engage in any discussions with Blue Wolf about a possible transaction involving the DCHS.

Please feel free to contact me if you have any questions on this matter.

Respectfully,

A handwritten signature in cursive script that reads "Rick Grossman".

Rick Grossman,
Executive Vice President and General Counsel

cc: Lloyd Dean
Michael Blaszyk
Charles Francis
Darryl Robinson
Wade Rose

Exhibit “D”
to
Confidential Term Sheet

Letters of Support from Los Angeles and San Mateo Counties

[See Attached Letters of Support]



**BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES**

866 KENNETH HAHN HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012 / (213) 974-2222

MARK RIDLEY-THOMAS
SUPERVISOR, SECOND DISTRICT

June 4, 2014

Andrew Turnbull
Managing Director
Houlihan Lokey
123 North Wacker Drive
Chicago, IL 60606

Re: Daughters of Charity Health System

Dear Mr. Turnbull:

This letter is on behalf of Blue Wolf Capital Partners, LLC (Blue Wolf), SEIU-UHW and UNAC/UHCP. Blue Wolf has informed me that they will be submitting an offer to take over the Daughters of Charity Health System (DCHS) with the support of the above mentioned key unions.

DCHS plays a vital role in our communities, providing critically needed health care services. In many cases, these services are provided to individuals who otherwise would have limited access to quality health care. Blue Wolf has advised me that an essential part of their approach would be to maintain the DCHS system that is in place and continue the mission which had been nobly executed.

Blue Wolf's proposal was developed with and has the support of DCHS's workforce. In addition, I have been made aware that Blue Wolf has also met and discussed their plans with the California Nurses Association.

I believe that an offer which preserves the former DCHS healthcare system as a whole and reaffirms its mission may be the only real way to insure the preservation of quality health care for all those currently served.

Please be advised that my staff has met with Blue Wolf to discuss their plans. I am highly supportive of these efforts and eager to work closely with DCHS and Blue Wolf in the period ahead to craft a solution that allows DCHS to become a long-term stable provider of quality health care in our communities.

Mr. Andrew Turnbull
June 4, 2014
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Please feel free to contact my deputy, Yolanda Vera at (213) 974-2222, if you wish to further discuss this matter.

With hope,


MARK RIDLEY-THOMAS
Supervisor, Second District

June 3, 2014

Mr. Andrew Turnbull, Managing Director
Houlihan Lokey
123 North Wacker Drive
Chicago, IL 60606

RE: Daughters of Charity Health System

Dear Mr. Turnbull,

I am writing on behalf of the Health Plan of San Mateo, the sole Medicaid managed care plan in San Mateo County. We have nearly 90,000 Medi-Cal members as well as 12,000 dually eligible beneficiaries eligible for both Medi-Cal and Medicare. Seton Medical Center and Seton Coastsides have long been critical providers of health care for our membership. As such, we are very concerned that the Daughters of Charity Health System (DCHS) facilities remain mission driven organizations willing and able to serve San Mateo County's Medicaid population.

We are writing today at the request of Blue Wolf Capital Partners, LLC (Blue Wolf), SEIU-UHW and UNAC. Blue Wolf has informed us that they will be submitting an offer to take over the Daughters of Charity Health System (DCHS) with the support of these key unions.

As you know, DCHS plays a vital role in our communities, providing critically needed health care services, in many cases to individuals with otherwise limited access to high quality care. Blue Wolf has told us that an essential part of their approach will be to maintain the DCHS system and continue the mission which the Daughters of Charity has so nobly carried out.

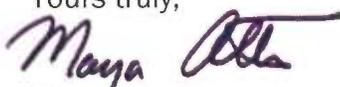
We view labor's support for Blue Wolf's effort as extremely significant, as without the involvement and support of DCHS's workforce, we would be greatly concerned about whether DCHS can be successful and a good partner to our communities.

DCHS's troubled financial circumstances are well known. Many believe that a number of the hospitals in the System are at risk of closure, as real estate developers take advantage of DCHS's financial distress to remove critical public health infrastructure from the safety net. We therefore believe that an offer which preserves the System as a whole, with labor's support and a reaffirmation of DCHS's mission, is the only real way to insure the preservation of high quality health care for all those currently served.

Be advised that we have met with Blue Wolf, discussed their plans and are highly supportive of their effort. We are eager to work closely with DCHS and Blue Wolf in the period ahead to craft a solution that allows DCHS to become a long-term stable provider of high quality health care in our communities.

Please feel free to contact me at (650) 616-2145 if you wish to further discuss this matter.

Yours truly,



Maya Altman
Chief Executive Officer