



May 21, 2014

PRIVATE AND CONFIDENTIAL

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

Re: Acquisition of St. Vincent's Hospital

Gentlemen:

In response to your May 1, 2014 letter, Le Summit Healthcare, an affiliate of JPH Consulting (the Company) is submitting the following proposal for the Purchase of St. Vincent's Hospital.

Purchase Agreement:

A "marked up" copy of the Draft Purchase Agreement is attached. Our only significant concerns relate to Article III, Obligations and Liabilities; specifically Sections 301 (a) (c) (d) (g) (l) (m) and (n). We also have some concern regarding acceptance of pension plan liabilities as shown in Section 8.02. (We are certain that we can find a mutually acceptable means to handle these unfunded liabilities in subsequent discussions.

Purchase Price:

All Cash Purchase in the amount of \$40,000,000 (forty million dollars) payable on the date of closing. In addition, the company intends to set aside \$15,000,000 to \$20,000,000 to fund operating needs after closure.

Sources of Capital:

Sources of funding and financial commitment letters are included as Attachment A.

Plans with respect to Collective Bargaining:

Le Summit will assume the current terms and tenure of all existing collective bargaining agreements and intends to maximize retention of current employees

Plans with respect to Pension Plans:

The Company will not assume any of the pension plan obligations of St. Vincent's Hospital or the Daughters of Charity Health System. We will offer a 401k or similar plan for employee retirement purposes. In a similar manner, we expect that the seller will pay out all accrued employee benefits including sick leave pay, accrued vacation etc.

Contingencies:

We know of no contingencies that would affect the timely closing of this transaction,

Time to Closing:

Assuming a successful resolution of the Purchase Agreement issues outlined above, we should be prepared for final closing by mid October, 2014..

Purchaser Due Diligence:

Please refer to Attachment B which incorporates the "marked up" copy of draft Purchase Agreement.

Respectfully,



Joan Lee
CEO and President
Le Summit Healthcare, LLC

BUSINESS PLAN SUMMARY

ACQUISITION OF ST. VINCENT MEDICAL CENTER

Business Plan Assumptions:

- Le Summit Healthcare (the Company) will acquire all of the assets of St. Vincent Medical Center for \$40,000,000 (forty million dollars.) in cash consistent with the purchase agreement and funding plan submitted on May 21st. 2014.
- In addition, the Company will have approximately \$20,000,000 available at the time of closing to fund the operating cash needs of the newly acquired hospital.
- The new hospital will be operated as a “for profit” entity and incorporate operational efficiencies to significantly reduce costs while focusing on new service lines to increase census levels and enhance profitability.
- Le Summit will maintain much of St. Vincent’s commitment to community service including continued operation Emergency Services, continuation of community based clinics and expanded outreach to local physicians and medical groups to broaden the hospital referral base.
- Within the first 18 months of operation, the Company will expand sub-acute and distinct part SNF services as well as expand secondary level services such as Maternal and Child Health, Womens’ Health and other programs to meet the ongoing needs of the surrounding community
- Le Summit will retain the existing employees and hospital affiliated physicians and physician groups but evaluate the program and staffing needs during the first six months of operation and make appropriate adjustment as needed to meet the financial and operational needs of the hospital.

Financial Assumptions:

- Net revenue projections and operating income estimates are based on a mix of census growth in key program areas plus aggressive cost efficiencies in all areas; with an emphasis on supplies and purchased services.
- Cash flow estimates anticipate a 30 day delay in collection of billed charges and assume that the Medicare and Medi-Cal Provider numbers will transfer to Le Summit on the closing date.
- Census development projections are conservative and assume growth in core existing programs during the first year of operations and the addition of new revenue producing services in year two and three.
- The projections show net operating income (EBITDA) before funding of depreciation and amortization and treat both as non cash accounts.
- The financial projections show positive operating income by month 12 and positive cash flow in month 15.
- The financial model also shows a need for \$18,000,000 in operating capital to cover start up costs and timing delays in collection of accounts receivable.



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May 20, 2014

ACQUISITION OF ST. VINCENT'S HOSPITAL

Exhibit A: SOURCES OF CAPITAL

This letter is to summarize my financial plan to obtain the necessary capital to fund the purchase of St. Vincent's Hospital. As time is of the essence, I am verifying our funding engagements. I am expecting funding commitments from the lenders in two weeks and will forward upon receipt.

Wells Fargo Bank

I am currently working with the Healthcare Division of Wells Fargo to fund the \$40,000,000 purchase. Diligence materials have already been submitted and we are awaiting various commitments to move forward on the funding.

Sale of Residence

My residence in Beverly Hills is currently listed for sale and I have two credible offers. The proceeds from the prospective sale will generate at least \$20,000,000 in working capital.

Corporate Facilitators

I am working with the US Division of Corporate Facilitators to leverage project monies from Korea for various projects, domestic and abroad, inclusive of the purchase of St. Vincent's Hospital. I am hopeful to generate upwards of \$30,000,000 from this venture.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Joan Lee', is written over a horizontal line.

Joan Lee
CEO/President
Le' Summit Healthcare, LLC

BACKGROUND:

JPH Consulting, Inc. is a successful private operator of 10 Skilled Nursing Facility (SNF) in Southern California and Las Vegas for the past 20 years. They seek partnership in expanding their Hospital operation in California by acquiring St. Vincent Hospital and a hospital in San Diego

JPH's profile of 10 SNF will compliment each other with Hospital profile we propose to acquire. With SNF requires medical care and works in conjunction with hospitals, government regulation is much more stringent, hence entry into SNF market is more difficult, yet SNF produces more consistent revenue and profit than ordinary senior care center.

Le Summit is a healthcare company that was specifically created for the sole purpose of investing exclusively in the hospital acquisition. Le Summit has actively partnered with investors to invest in healthcare opportunities in the U.S. The company has done extensive research on hospitals in Southern California. The senior management team has put together a transition team with decades of experience in hospital management. We believe that with the combined knowledge in managing skilled nursing facilities and hospitals, the team can successfully grow and expand these hospitals to their fullest potential.

Quality

Quality Assurance Performance Improvement (QAPI)

JPH Consulting and the Governing Body are responsible for providing oversight for the QAPI Program. The Quality Assurance and Performance Improvement Plan revolves around all aspects of operation with continuous monitoring various areas of performance; the impact on residents and families and constantly looking for ways to improve. The core goal of the QAPI plan is straight forward: maintaining high quality, individualized care that promotes our value of quality of life and maintaining peace of mind. JPH has structured a comprehensive QAPI Plan that provides the framework for continuous monitoring and evaluation of the various aspects of healthcare delivery in all the facilities.

The scope of the program encompasses all segments of JPH including quality of care, care coordination, customer service, information technology, corporate services and QAPI. Aspects of services and care are benchmarked and key indicators are measured, trended and analyzed by the QAPI committee to identify and follow up areas for improvement. The performance indicators include all core areas required by regulatory agencies.

CMS Five-Star Quality Rating System was created to help consumers, their families, and care givers compare nursing homes more easily. The rating is based on the following criteria: Health Inspections, Quality Measures and Staffing.

Company CMS 5 Star Rating Average

1. Overall Rating – Average (3.4)
2. Quality Rating – Above Average (4.1)
3. Staffing Rating – Average (3.3)

CMS Rating Per Facility

1. Royal Springs Rehab Facility SNF – Overall Rating - Above Average (4), Quality- Above average (4) Staffing Above Average (4)
2. Mid-Wilshire Healthcare Center SNF – Overall Rating- Much Above Average (5), Quality- Much Above Average (5) Staffing- Above Average (4)
3. Villa Maria Elena Health Care Center SNF – Overall Rating- Above Average (4), Quality - Much Above Average (5), Staffing- Below Average (2)
4. Golden Cross Health Care Center SNF – Overall Rating -average (3), Quality- Much Above Average (5), Staffing- Average (3)
5. Good Shepherd Healthcare Center SNF – Overall Rating- Average (3), Quality- Below average (2), Staffing -Above Average (4)
6. Westlake Health Care Center SNF – Overall Rating -Average (3), Quality- Above Average (4), Staffing- Above Average (4)
7. LA Huntington Healthcare Center SNF – Overall Rating- Above Average (4) Quality - Below Average (2), Staffing Above- Average (4)
8. Tustin Health Care Center ICF – Overall Rating- Average (3), Quality- Much Above Average (5), Staffing -Above Average (4)
9. Fidelity Health Care Center SNF – Overall Rating- Below Average (2), Quality- Much Above Average (5), Staffing- Below Average (1)

CMS Quality Measures

1. Pain Management
2. Pressure Ulcers
3. Antipsychotic Drug Administered
4. Physical Restraints
5. Seasonal Flu Vaccine
6. Pneumonia Vaccine
7. Urinary Tract Infection
8. Excessive Weight Loss
9. Falls with Major Injury
10. Showing Depressive Symptoms
11. Increase in Need for Help
12. Catheter Left in Bladder
13. Loss of Bladder Control