KAISER PERMANENTE®

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May 28, 2014

Geoffrey Ligibel
Scott Jackson
Houlihan Lokey
123 N. Wacker Drive, 4th Floor
Chicago, IL 60606
gligibel@hl.com
sjackson@hl.com

Dear Geoff and Scott,

Thank you for providing Kaiser Permanente with the opportunity to participate in the evaluation process for Daughters of Charity Health System/St. Vincent Medical Center (DCHS/SVMC). Kaiser Permanente is deeply committed to the Los Angeles market and believes St. Vincent Medical Center is an important part of the metro Los Angeles health care community.

Kaiser Permanente's mission is to provide high quality, affordable health care services to improve the health of our members and the communities we serve. Similar to DCHS/SVMC, Kaiser Permanente is a not-for-profit 501(c)(3) charitable organization. We understand the desire of DCHS/SVMC to identify an entity that shares the DCHS/SVMC commitment to the health of the communities it serves and which will ensure the long term viability of health care services at SVMC.

Kaiser Permanente's Southern California Region has over 3.6M health plan members of which 82K+ are within a five mile radius of SVMC. As part of Kaiser Permanente's commitment to the Los Angeles market, we are presently expanding clinical services, hiring physicians and making other substantive long-term investments in the market. SVMC's location and proximity to Kaiser Los Angeles Medical Center supports our growing membership of 281K in this market. Kaiser Permanente seeks to make care accessible and convenient to our members and a larger presence in Los Angeles will help fulfill this goal.

Kaiser Permanente has a robust community benefit program that focuses on making measurable impacts on health and fulfilling the Kaiser Permanente charitable mission for low-income individuals. Kaiser Permanente's Southern California Region contributed $630M to community benefit programs in 2013, including charitable health care coverage and direct community contributions. SVMC is located within Kaiser Permanente's Los Angeles Medical Center Service area. As a result, a robust Community Needs Assessment has been conducted, and a targeted set of activities developed to address key community issues. More details can be provided through the course of due diligence about Kaiser Permanente's local community benefit activities, such as its support to community clinics, school-based clinics, programs to expand the capacity of the safety net, as well as programs to address critical health correlated needs (such as food deserts, safe neighborhoods, Healthy Eating/Active Living Zones). In today's competitive health care market and challenging economic conditions, Kaiser Permanente offers the stability to ensure the long term commitment to the surrounding community that DCHS/SVMC seeks.

Kaiser Permanente evaluates clinical services on multiple measures including quality, efficiency, and convenience. Based on preliminary due diligence it appears that SVMC offers a full range of clinical

services and Kaiser Permanente is commencing due diligence to better understand SVMC. We are currently assessing our clinical services in the Los Angeles basin and the Kaiser Permanente Southern California market and are identifying clinical services that would be appropriate to place at SVMC.

Subject to satisfactory financial and legal due diligence, Kaiser Permanente would consider an asset acquisition of SVMC and surrounding campus including ancillary buildings, equipment, inventory, and one adjacent parcel of undeveloped land (to the West for a replacement hospital – close to a full city block with the exception of a building on one corner of the lot). Kaiser Permanente would secure a new CMS provider number and, as applicable, other licenses to operate SVMC. Subject to due diligence and in its discretion, Kaiser Permanente might consider taking assignment of certain vendor or third party contracts in effect at the time of closing, hiring certain DCHS staff to support Kaiser Permanente operations, and purchasing certain services from DCHS on a transitional basis.

Kaiser Permanente would not consider acquiring or assuming, and DCHS would need to expressly retain, any and all liabilities (including debt and post-retirement obligations) as well as all cash, cash equivalents, and accounts receivable. Kaiser Permanente would also not consider acquiring any other DCHS assets or the Medical Foundation.

We would use multiple industry standard methodologies to evaluate the value of the SVMC real estate and other assets being acquired, including comparable transactions. Based on a preliminary review, and subject to further due diligence and valuation, we currently estimate the value of these SVMC assets to be somewhere in the range of $54M-$86M[1].

Kaiser Foundation Health Plan and Kaiser Foundation Hospitals have strong balance sheets and strong access to capital markets. We do not anticipate the transaction being subject to any financing contingencies; Kaiser Foundation Hospitals would likely use cash to fund any acquisition. Kaiser Foundation Hospitals holds all real estate in the Kaiser Permanente system and would be the likely acquiring entity in any acquisition.

Kaiser Foundation Hospitals owns 38 hospitals and 618 medical office buildings, and understands the importance of capital investment in health care facilities. Kaiser Permanente's Southern California Region typically invests over $1 billion per year in capital at its facilities. These investments maintain our facilities to industry and regulatory standards, expand our footprint to new and growing communities, and provide the highest quality health care to our members.

Kaiser Permanente is a committed purchaser already invested in this community, and any acquisition of SVMC would be built on this foundation of long term investment and community commitment.

In addition, Kaiser Permanente has experience in acquiring community facilities. For example, in 2008 Kaiser Permanente purchased Moreno Valley Community Hospital and has subsequently fulfilled its commitments to further invest in that facility and the community it serves.

Kaiser Permanente has expertise in conducting due diligence and integration planning and could advance a transaction expeditiously pending any regulatory or board approvals. We are currently reviewing the due diligence information in the data room and anticipate providing follow up due diligence requests including an additional site visit in the next two to three weeks. SVMC floor plans for all structures and additional site visits to SVMC are immediate diligence needs for Kaiser Permanente.

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[1] The value of the adjacent parcel to the west of SVMC is pending real estate valuation review and due diligence. This range is intended to include our best estimate.

The proposed terms discussed in this letter of interest are not binding on any Kaiser Permanente entity or on DCHS and are subject to material change based on further discussion and the results of a standard financial and legal due diligence review process. The terms and conditions of any potential final acquisition are subject to prior approval of the board of directors of both Kaiser Foundation Hospitals and Kaiser Foundation Health Plan, as well as the DCHS board of directors, and dependent on mutual agreement and execution of legally binding transaction documents.

The following individuals may be contacted to discuss this proposal:

Chris M Grant
Senior Vice President
Corporate Development
Kaiser Permanente
1 Kaiser Plaza, 27th Floor
Oakland, CA 94612
(510) 271-5687
Chris.m.grant@kp.org

Jodie Lesh
Senior Vice President
Strategy Planning and New Ventures
Kaiser Permanente Southern California
393 East Walnut Street
Pasadena, CA 91188
(626) 405-6539
Jodie.e.lesh@kp.org

Frank Miller
Senior Counsel
Legal
Kaiser Permanente
1 Kaiser Plaza, 19th Floor
Oakland, CA 94612
(510) 271-5703
Frank.c.miller@kp.org

Cecilia Montalvo
Vice President
Business Development
Kaiser Permanente
1 Kaiser Plaza, 26th Floor
Oakland, CA 94612
(510) 271-6349
Cecilia.c.montalvo@kp.org

We look forward to moving forward with the process. Please do not hesitate to contact us with any questions.

Sincerely,

Benjamin K. Chu, MD
Regional President
Kaiser Permanente Southern California

Cc: Ed Ellison, MD
Chris Grant
Jodie Lesh
Frank Miller
Cecilia Montalvo