



HOULIHAN LOKEY

Re: Daughters of Charity Health System (“DCHS” or the “Company”)

On behalf of DCHS, we would like to thank you for your interest in the Company and participation in the sale process. You have now had the opportunity to review the Confidential Information Memorandum, review the information in the online data room and schedule / attend site visits and meetings with LHM management teams.

We invite you to submit a proposal (the “Proposal”) for the acquisition relating to the Company. All Proposals should include the following: (I) a mark-up of the Purchase Agreement, (II) a letter discussing items 1 through 7 below, and (III) materials to support DCHS’ due diligence of your organization. **All Proposals are due on Wednesday, May 21, 2014 (the “Submission Time”), by no later than 5:00 PM CST.**

- I. **Purchase Agreement:** The form of Purchase Agreement that should be used for submitting your Proposal has been posted to the data room (Document no. 1.3.1). Please include as part of your Proposal an electronic copy of the Purchase Agreement, marked with proposed changes. The extent and nature of any changes proposed in any mark-up received will be taken into consideration in evaluating your Proposal.
- II. **Proposal Letter.** Please provide us with a letter that includes the following information:
 1. **Purchase Price:** The aggregate purchase price for the Company and the form of consideration (cash, assumption of liabilities, etc.).
 2. **Sources of Capital:** The proposed capital structure to be utilized in connection with the acquisition. If your Proposal contemplates the use of external financing, please identify your financing sources, provide copies of commitment letters or other supporting documentation from those financing sources and provide contact information for individuals at the financing sources. Please note that the certainty of available financing is an important factor that the Company will consider in evaluating your Proposal.
 3. **Plans with Respect to Collective Bargaining Agreements:** DCHS has a number of collective bargaining agreements. While some require that the union receive advance notice of a corporate transaction such as a sale or merger and the opportunity to bargain about the impact of the transactions, others require that the purchaser assume the collective bargaining agreement and that this obligation be

inserted in the transaction documents. Please indicate whether these structures are acceptable and if not, please describe the extent to which your Proposal assumes modifications to the collective bargaining agreements and provide a detailed description of any changes you would be seeking.

4. **Plans with Respect to Pension Plans:** Please describe whether you plan to assume some or all of DCHS's pension obligations. If you do not plan to assume the pension plans, please provide details on the anticipated retirement benefits that you intend to offer to employees.
 5. **Further Due Diligence:** Preference will be given to Proposals that are not subject to further due diligence. If your Proposal is subject to further due diligence items, please include a detailed description of any such additional due diligence required to permit you to execute a binding Purchase Agreement. Such description should include a specific outline of topics and documents to be reviewed as well as an estimate of the amount of time anticipated to complete your analysis such that you are then prepared to execute a binding Purchase Agreement.
 6. **Contingencies:** Details of all conditions and standard closing contingencies (e.g., any approvals required, such as HSR, other regulatory) required to complete the transaction and the estimated timing to obtain or satisfy these matters.
 7. **Timing to Closing:** A statement regarding the proposed timing for the closing of the transaction and any requirements that you might have regarding the closing date of a transaction.
- III. **Purchaser Due Diligence:** DCHS would like to better understand your organization and its current or prior operations of acute care hospitals / other healthcare facilities. If you currently have such operations or alternatively can provide information on affiliated or past operations, please include the following materials: (1) quality of care measures; (2) patient experience data; (3) community relations (for instance, the results of any "community perception surveys"); (4) nature of employee relationships / satisfaction surveys; (5) physician relationships / satisfaction surveys; (6) details on the amount of charity care provided; (7) payor mix; (8) noteworthy details surrounding any acquired Catholic hospitals and your expectations regarding operating the DCHS facilities post-closing (e.g., ERDs, pastoral care, etc.); (9) recent financial performance; and (10) any expectations you have regarding continuation / cessation of operations at the DCHS facility(ies) post-closing / your expectations for new operations.

You should submit your highest and best bid at the Submission Time. DCHS expressly reserves the right in its sole and absolute discretion to evaluate the terms and conditions of any Proposal and to reject any or all proposals and to terminate discussions with any or all parties without assigning any reasons thereof. Any Proposal, whether or not it represents the highest proposed purchase price, may be rejected in the sole and absolute discretion of DCHS. The Company further reserves the right to amend or modify these procedures and guidelines at any time in its sole and absolute discretion with or without sending notice of any changes to prospective purchasers. The Company retains the right to negotiate with any prospective purchaser at any time regardless of whether or not such prospective purchaser has participated in the sale process.

Proposals should be sent via email and should be addressed to:

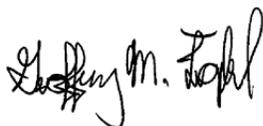
Geoff Ligibel, Director - GLigibel@HL.com

Scott Jackson, Director - SJackson@HL.com

Houlihan Lokey
123 North Wacker Drive, 4th Floor
Chicago, IL 60606

Houlihan Lokey is available to discuss any questions you may have regarding the Company or these procedures. We would like to thank you for your continued interest in the Company.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoff M. Ligibel". The signature is written in a cursive style with a large initial "G" and "L".

Geoff Ligibel
Director
Healthcare Group