

**REORGANIZATION, CONVERSION AND DISAFFILIATION AGREEMENT**

among

DAUGHTERS OF CHARITY HEALTH SYSTEM

DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION

DAUGHTERS OF CHARITY ST. VINCENT DEPAUL PROVINCE OF THE WEST

AND

BW DCHS MANAGEMENT LLC

Dated as of [\_\_\_\_], 2014

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<sup>1</sup> NTD: Agreement to contemplate the assumption of the DOCHS Retirement Plan and its merger with the Retirement Plan for Hospital Employees.

<sup>2</sup> NTD: Management Services Agreement to include purchase option for the Health Care System for an amount equal to the aggregate liabilities of the Health Care System as of the date of such purchase.

## REORGANIZATION, CONVERSION AND DISAFFILIATION AGREEMENT

This REORGANIZATION, CONVERSION AND DISAFFILIATION AGREEMENT (this “Agreement”) is made and entered into as of the [\_\_\_] day of September, 2014 (the “Execution Date”) by and among DAUGHTERS OF CHARITY HEALTH SYSTEM, a California nonprofit religious corporation (“DOCHS Parent”), affiliated entities of the DOCHS Parent named on Annex I hereto (each party named on Annex I hereto and designated as a nonprofit religious corporation, a “DOCHS RNP Member”, each other nonprofit corporation, a “DOCHS NP Member” and each other party named therein a “DOCHS Other Member”, each DOCHS RNP Member, DOCHS NP Member, DOCHS Other Member and DOCHS Parent, individually, a “DOCHS Member” and the DOCHS Members collectively, “DOCHS”, and along with the hospitals and health services provided thereby, the “Health Care System”), DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION, a California nonprofit religious corporation (“DOCMSC”), DAUGHTERS OF CHARITY OF ST. VINCENT DEPAUL PROVINCE OF THE WEST, a California nonprofit religious corporation (“DOCSVDP”, and together with DOCMSC, the “Existing Sponsors”), and BW DCHS Management LLC, a Delaware limited liability company (“Blue Wolf”). DOCHS, the Existing Sponsors, and Blue Wolf are sometimes collectively referred to herein as the “Parties” and individually referred to herein as a “Party.”

### RECITALS:

WHEREAS, DOCHS engages in the business of delivering healthcare services to the public through the hospitals identified in Annex II hereto (the “Hospitals”) in furtherance of the mission of 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 healthy families, responsible stewardship of the environment and a just society through value-based relationships and community-based collaboration (the “Mission”); and

WHEREAS, the Existing Sponsors desire to disaffiliate from DOCHS and DOCHS desires to continue to further promote the Mission by consummating a series of transactions whereby (i) pursuant to Section 1.2 hereof, DOCHS Parent will cease to be affiliated with the Existing Sponsors and will instead be (a) converted from a California nonprofit religious corporation to a California nonprofit public benefit corporation and (b) restructured to be an independent California nonprofit public benefit corporation governed and managed by a newly constituted, independent board of directors pursuant to the DOCHS Parent’s New Governance Documents, and each DOCHS RNP Member will be converted from a California nonprofit religious corporation to a California nonprofit public benefit corporation; (ii) simultaneously with the Closing, Blue Wolf or its designee will purchase from DOCHS and the relevant other DOCHS Member(s), and DOCHS and such other DOCHS Member(s) will sell to Blue Wolf or its designee, the rights and title to the Medical Office Buildings set forth on Annex III hereto pursuant to a Real Estate Purchase Agreement, the form of which is attached as Exhibit A hereto (the “Real Estate Purchase Agreement”); (iii) the existing pension obligations under the DOCHS Retirement Plan will be merged with the Retirement Plan for Hospital Employees pursuant to a Pension Obligation Assumption Agreement, the form of which is attached as Exhibit B hereto (the “Pension Obligation Assumption Agreement”); (iv) the Health Care System will enter into

new labor agreements (the “New Labor Agreements”) with each of the labor unions listed on Annex IV hereto (the “Labor Unions”); and (v) Blue Wolf will enter into a Management Services Agreement with the DOCHS Members, the form of which is attached as Exhibit C hereto (the “Management Services Agreement”), whereby Blue Wolf will provide management services to the Health Care System and will have the option to purchase the assets of the Health System<sup>3</sup> for a purchase price equal to the assumption of all liabilities of the Health System as of the date of such purchase.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, each Party hereby agrees as follows:

## ARTICLE 1

### DEFINITIONS; SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

Section 1.1 Definitions. (a) The following terms shall have the following meanings for the purposes of this Agreement:

“2005 Bonds” means \$494,665,000 principal amount of Series 2005 A, Series 2005 B, Series 2005 F, Series 2005 G and Series 2005 H California Statewide Community Development Authority (Daughters of Charity Health System) Bonds.

“2014 Bonds” means [up to \$125,000,000] principal amount of Series 2014 A, Series 2014 B and Series 2014 C California Community Development Authority (Daughters of Charity Health System) Bonds.

“2015 Budget” shall mean the operating budget for the Health Care System for the fiscal year ended June 30, 2015, having been delivered by the Existing Sponsors to Blue Wolf and identified as such prior to the Execution Date.

“Accrediting Entity” means any non-governmental Person that grants certifications, accreditations or authorizations to Hospitals, Physicians or Medical Staff that are in widespread use or which are a prerequisite to professional licensure, Medical Staff credentialing, or participation in any Government Reimbursement Program.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly Controlling or Controlled by, or under direct or indirect common Control with, such specified Person.

“Agreement” shall have the meaning set forth in the preamble hereof.

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<sup>3</sup> NTD: Each and every DOCHS Member will be a party to the Management Services Agreement. Also, a form of purchase agreement will be attached as an exhibit to the Management Services Agreement. Finally, Blue Wolf is pursuing R&W insurance for this transaction and the subsequent asset purchase and an update will be provide after speaking with R&W insurance underwriters (which is in process).

“Alternative Proposal” means any contract, proposal, offer or indication of interest relating to any transaction or series of related transactions (other than transactions with Blue Wolf or any of its Affiliates) (a) involving any sale, lease or disposition or reaffiliation of all (or any material portion of) the Health Care System, any DOCHS Member, any Hospital or any of their respective material assets, (b) involving any issuance, purchase, sale or other disposition of any member or other equity interests of any DOCHS Member, or any reaffiliation, merger, consolidation, business combination, or similar transaction involving any DOCHS Member or any entity within the Health Care System or (c) the purpose or effect of which would be reasonably expected to, or which would, prevent, or otherwise frustrate or impede in any material respect, the transactions contemplated by the Transaction Documents.

“Ancillary Agreements” means, as to any Party hereto, all of the documents and instruments required to be executed pursuant to this Agreement by such Party in connection with this Agreement or the transactions contemplated hereby, which include, as applicable to any Party, the Real Estate Purchase Agreement, the Pension Obligation Assumption Agreement, the Management Services Agreement and the Release Agreement.

“Audited Financial Statements” shall have the meaning set forth in Section 2.7(a) hereof.

“Balance Sheet Date” shall mean [\_\_\_\_], 2014.

“Blue Wolf” shall have the meaning set forth in the preamble hereof.

“Blue Wolf-Related Expenses” means the reasonable and documented out-of-pocket fees and expenses incurred by Blue Wolf and its Affiliates (whether before, at or after the date of this Agreement) in connection with the Transaction Documents and the transactions contemplated thereby.

“Business Day” means any day other than a Saturday, a Sunday or a day on which the banks located in Los Angeles or New York City are authorized by Law to be closed.

“CDHCS” shall have the meaning set forth in Section 2.4.

“CFO’s Certificate” shall have the meaning set forth in Section 1.8 hereof.

“Closing” shall have the meaning set forth in Section 1.5 hereof.

“Closing Date” shall have the meaning set forth in Section 1.5 hereof.

“CMS” means the Centers for Medicare and Medicaid Services.

“Code” means the Internal Revenue Code of 1986, as amended.

“Confidentiality Agreement” means the Confidentiality Agreement dated May 5, 2014, between DOCHS Parent and Blue Wolf Capital Fund III, L.P.

“Contract Consents” shall have the meaning set forth in Section 6.8 hereof.

“Contract” means any contract, agreement, arrangement, commitment, understanding, indenture, instrument, lease, purchase order or license, whether written or oral.

“Control” means, when used with respect to any specified Person, the power to direct the management and policies of such Person directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” having meanings correlative to the foregoing.

“Controlled Group” shall have the meaning set forth in Section 2.17(d) herein.

“Cost Reports” means all cost and other reports related to the Health Care System filed pursuant to the requirements of the Government Reimbursement Programs for cost-based payments or reimbursement due to or claimed by the DOCHS Members from the Government Reimbursement Programs or their fiscal intermediaries or payor agents, including all related appeals and appeal rights, but excluding from this definition form UB-92, UB-04, CMS 1450, CMS 1500 and other forms or claims filed or submitted by the DOCHS Members to the Government Reimbursement Programs or their fiscal intermediaries or payor agents with respect to the Hospitals for payment or reimbursement due to or claimed by the DOCHS Members on a fee-for-service, prospective payment, fee schedule or other similar basis.

“Deficiency Notice” shall have the meaning set forth in Section 4.11 hereof.

“Disclosure Schedules” means the schedules which are delivered by DOCMSC to Blue Wolf designated as such in accordance with the terms of this Agreement.

“DOCHS” shall have the meanings set forth in the preamble hereof.

“DOCHS Bonds” means the 2005 Bonds and the 2014 Bonds.

“DOCHS Licenses” shall have the meaning set forth in Section 2.26(a).

“DOCHS Members” shall have the meanings set forth in the preamble hereof.

“DOCHS Retirement Plan” means the retirement plans set forth on Annex VII.

“DOCMSC” shall have the meanings set forth in the preamble hereof.

“DOCMSC Representative” shall have the meaning set forth in Section 11.14 hereof.

“DOCSVDP” shall have the meanings set forth in the preamble hereof.

“Document Retention Period” shall have the meaning set forth in Section 8.2(a) hereof.

“DSH” shall have the meaning set forth in Section 6.6 hereof.

“Employees” shall have the meaning set forth in Section 8.3 hereof.

“Environmental Claim” means any complaint, summons, citation, directive, litigation, request for information, letter or other communication, notice of violation, investigation, notice, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding, or claim (whether administrative, judicial, quasi-judicial or private in nature) alleging any violation of Environmental Laws or alleging any liability arising out of or resulting from Releases of Hazardous Materials from (i) any of the Real Property or any other assets, properties or businesses of the Health Care System or any predecessors in interest; (ii) from adjoining properties or businesses; or (iii) from or onto any facilities which received Hazardous Materials generated by the Health Care System or any predecessors in interest.

“Environmental Laws” means all federal, state, local and foreign laws, statutes, ordinances, rules, regulations, permits, licenses, registrations, orders, judgments, decrees, injunctions, or legally enforceable requirements of any Governmental Authority which are in existence on the date hereof, and all final court orders and decrees and arbitration awards imposing liability or establishing standards of conduct for protection of the environment and human health and safety, including the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. §§ 9601 et seq., as amended; the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. §§ 6901 et seq., as amended; the Clean Air Act (“CAA”), 42 U.S.C. §§ 7401 et seq., as amended; the Clean Water Act (“CWA”), 33 U.S.C. §§ 1251 et seq., as amended; and the Occupational Safety and Health Act (“OSHA”), 29 U.S.C. §§ 655 et seq.

“Environmental Liabilities” means all liabilities, monetary obligations, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, natural resource damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants and costs of investigations and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand by any Governmental Authority or any third party, and which relate to or arise out of any actual or alleged violation of Environmental Law or Releases of Hazardous Materials from (i) any of the Real Property or any other assets, properties or businesses of the Health Care System or any predecessors in interest; (ii) from adjoining properties or businesses; or (iii) from or onto any facilities which received Hazardous Materials generated by the Health Care System or any predecessors in interest.

“Environmental Permits” shall have the meaning set forth in Section 2.23(a) hereof.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Execution Date” shall have the meaning set forth in the preamble hereof.

“Existing Sponsors” shall have the meaning set forth in the preamble hereof.

“Final Working Capital” shall have the meaning set forth in Section 1.8.

“Financial Statements” shall have the meaning set forth in Section 2.7(a) hereof.

“Financing” shall have the meaning set forth in Section 4.2 hereof.

“GAAP” means generally accepted accounting principles in the United States, as in effect from time to time, consistently applied.

“Governance Documents” means, with respect to any Person, any articles of incorporation, bylaws, charters, operating agreements, partnership agreements, governance agreements, voting agreements, proxies, delegations of authority and other documents and instruments setting forth the corporate (or company or partnership, as the case may be) and legal powers, rights, duties and authorities relating to the governance and management of such Person.

“Governance Party” means any Person that has governance rights under the Governance Documents with respect to any of the DOCHS Members.

“Government Reimbursement Programs” means the Medicare Program, the MediCal Program, the federal TRICARE program, and any other, similar or successor federal, state or local health care payment programs with or sponsored by Governmental Authorities or adjustments applicable to the Hospitals, and federal reimbursement or adjustments for or related to the Graduate Medical Education Programs.

“Governmental Authority” means any federal, state or local or any foreign government, legislature, governmental entity, regulatory, administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

“Governmental Consents” shall have the meaning set forth in Section 2.4 hereof.

“Graduate Medical Education Programs” means programs in which didactic and clinical training in a medical specialty or subspecialty is provided for the purpose of preparing Physicians for the independent practice of medicine in such specialty or subspecialty.<sup>4</sup>

“Hazardous Material” shall mean, without regard to amount and/or concentration, (i) any element, compound, or chemical that is defined, listed or otherwise classified as a contaminant, pollutant, toxic pollutant, toxic or hazardous substance, extremely hazardous substance or hazardous waste, medical waste, biohazardous or infectious waste, special waste, or solid waste under Environmental Laws; (ii) petroleum, petroleum-based or petroleum-derived products; (iii) polychlorinated biphenyls; (iv) any substance exhibiting a hazardous waste characteristic, including, but not limited to, corrosivity, ignitibility, toxicity or reactivity as well as any radioactive or explosive materials; and (v) lead paint or asbestos-containing materials.

“Health Care System” shall have the meaning set forth in the preamble hereof.

“HHS” means the U.S. Department of Health and Human Services.

“Hospitals” shall have the meaning set forth in the recitals hereof.

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<sup>4</sup> NTD: To confirm applicability.

[“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.]

“Immediate Family Member” shall have the meaning set forth in 42 C.F.R. §411.351.

“Indebtedness” means, as applied to the DOCHS Members, all indebtedness of the DOCHS Members for borrowed money, whether current or funded, or secured or unsecured, including (a) all indebtedness of any such Person for the deferred purchase price of property or services, (b) all indebtedness of any such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (c) all indebtedness of any such Person secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of the property subject to such mortgage or Lien, (d) all the obligations under leases which shall have been or are required to be, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable as a lessee, (e) all interest, fees, penalties (including pre-payment penalties) and other expenses owed (or to be owed in connection with the repayment thereof) with respect to the indebtedness referred to above, and (f) all indebtedness referred to above which is directly or indirectly guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

“Initial Directors” shall have the meaning set forth in Section 1.3 hereof.

“Initial Extended Outside Date” shall have the meaning set forth in Section 7.1(b) hereof.

“Intellectual Property” means all foreign and domestic (a) trademarks, service marks, brand names, certification marks, collective marks, d/b/a’s, Internet domain names, logos, symbols, trade dress, assumed names, fictitious names, trade names, and other indicia of origin, all applications and registrations for all of the foregoing, and all goodwill associated therewith and symbolized thereby, including all extensions, modifications and renewals of same; (b) inventions, discoveries and ideas, whether patentable or not, and all patents, registrations and applications therefor, including divisions, continuations, continuations-in-part and renewal applications, and including renewals, extensions and reissues; (c) confidential and proprietary information, trade secrets and know-how, including processes, schematics, databases, formulae, drawings, prototypes, models, designs and customer lists; (d) published and unpublished works of authorship, whether copyrightable or not (including computer software and databases), copyrights therein and thereto, and registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; (e) IT Systems; and (f) all other intellectual property or proprietary rights and claims or causes of action arising out of or related to any infringement, misappropriation or other violation of any of the foregoing, including rights to recover for past, present and future violations thereof.

“Interim Financial Statements” shall have the meaning set forth in Section 2.7(a) hereof.

“Interim Period” shall have the meaning set forth in Section 6.11.

“Interim Periodic Financial Statements” shall have the meaning set forth in Section 4.5 hereof.

“Inventory” means all inventories of supplies, drugs, devices for distribution or sale in connection with the providing of healthcare services, food, janitorial and office supplies and other disposables and consumables located or held for use at any location constituting part of Health Care System.

“IT Systems” means electronic data processing, information, recordkeeping, communications, telecommunications, account management, inventory management and other computer systems (including all computer programs, software, databases, firmware, hardware and related documentation) and Internet websites and related content.

“Judicial Action” shall have the meaning set forth in Section 11.4(b).

“Knowledge of Blue Wolf” shall have the meaning set forth in Section 3.9 hereof.

“Knowledge of DOCHS” shall have the meaning set forth in Section 2.40 hereof.

“Knowledge of DOCMSC” shall have the meaning set forth in Section 2.41 hereof.

“Labor Unions” shall have the meaning set forth in the recitals hereof.

“Law” means any federal, state, local, municipal, foreign, international, multinational or other statute or law (including common law), ordinance, rule, treaty, code or regulation and any decree, injunction, judgment, order, ruling, assessment or writ of any applicable Governmental Authority.

“Leased Real Property” means all of the real property that is leased, subleased or licensed by or to the DOCHS Members, including those set forth in Schedule 1.1(a)(i), together with all buildings, improvements and fixtures located thereupon and all construction in progress, rights, privileges and appurtenances thereto, that are leased, subleased or licensed by or to the DOCHS Members.

“Leases” means those leases, subleases, licenses or other occupancy agreements by or to the DOCHS Members pertaining to the Leased Real Property.

“Liens” means, with respect to any property or asset, any mortgage, lien, pledge, restriction on transfer (such as a right of first refusal or other similar right), defect of title, charge, security interest or encumbrance of any kind whatsoever, whether voluntarily incurred or arising by operation of Law or otherwise, in respect of such property or asset.

“Management Services Agreement” shall have the meaning set forth in the recitals hereof.

“Material Adverse Effect” means any effect or change that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on: (a) the assets, operations, properties, liabilities, business, operating results or condition (financial or otherwise) of the Health Care System taken as a whole; provided, that, for purposes of this Agreement, a Material Adverse Effect shall not include any material adverse effect resulting from (without prejudice to the conditions contained in Article 6) (i) changes in Law to the extent such changes do not disproportionately affect the Health Care System, (ii) changes in accounting principles generally applicable to owners or operators of Hospitals, (iii) changes in governmental programs to the extent such changes do not disproportionately affect the Health Care System, or (iv) changes in the general economic conditions in the State of California to the extent such changes do not disproportionately affect the Health Care System; or (b) the ability of any of the Existing Sponsors or DOCHS Members to perform their respective obligations under the Transaction Documents.

“Material Contract” shall have the meaning set forth in Section 2.10 hereof.

“Material Payors and Suppliers” shall have the meaning set forth in Section 2.21(a) hereof.

“MediCal Program” means the California Medical Assistance Program under Division 3, Title 22 of the California Code of Regulations.

“Medical Staff” means the organized medical staffs of each of the Hospitals, encompassing the Physicians and other licensed professionals granted membership in such medical staffs.

“Medicare and Medicaid Participation Approval Documents” shall have the meaning set forth in Section 6.5(c) hereof.

“Medicare Program” means the federal health insurance program for the aged and disabled under Title XVIII of the Social Security Act.

“Mission” shall have the meaning set forth in the recitals hereof.

“New Governance Documents” means the Governance Documents for each of the DOCHS Members attached hereto as Exhibit \_\_.

“New Labor Agreements” shall have the meaning set forth in the recitals hereof.

“Outside Date” shall have the meaning set forth in Section 7.1 hereof.

“Overpayment” means any amount (a) due to the Medicare Program or Medicaid based on a final audit adjustment; and (b) received from the Medicare Program or Medicaid in excess of the amount billed.

“Owned Real Property” means each parcel of real property that is owned by the DOCHS Members, including those set forth in Schedule 1.1(a)(ii), together with the DOCHS Members’ rights, title and interest in and to all buildings, improvements, structures, facilities and

fixtures located thereupon and all other appurtenances thereto and all construction in progress, rights, privileges and appurtenances thereto.

“Participating Provider Agreement” means an agreement between an independent practice association that is affiliated with the DOCHS Members and a Physician under which the Physician authorizes the independent practice association to enter into managed care agreements on behalf of the Physician, in form and substance substantially similar to that which has been previously delivered by DOCMSC to Blue Wolf.

“Party” and “Parties” shall have the meanings set forth in the preamble hereof.

“Permitted Liens” means: (a) Liens arising by operation of Law for Taxes or other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings and for which adequate reserves are made in the Financial Statements in accordance with GAAP, (b) rights of way, building or use restrictions, exceptions, easements, covenants, variances, reservations and other limitations of any kind, if any, which do not materially impair the ordinary business operations at any particular location constituting part of the Health Care System or for which, in respect of matters affecting title to the Real Property, title insurance coverage has been obtained by Blue Wolf at Closing, and (c) Liens disclosed in Schedule 1.1(a)(iii).<sup>5</sup>

“Person” means any natural person, general or limited partnership, corporation, limited liability company, firm, association, trust or other legal entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Personal Property” means all of the tangible personal property owned or held by the DOCHS Members, including all medical and other equipment, furniture, fixtures, machinery, vehicles, office furnishings, computers, computer hardware and other data processing equipment, related software applications and leasehold improvements.

“Physician” shall have the meaning set for in 42 C.F.R. §411.351.

“Physician Contract” means any Physician Agreements.

“Physician Agreements” means any Contract or other economic arrangement, whether direct or indirect and regardless of the form or amount of compensation attendant thereto, by or between any DOCHS Member, on the one hand, and any Referring Physician (or any Immediate Family Member of a Referring Physician), on the other hand, including all Referring Physician employment agreements, medical director agreements, administrative services agreements, professional services agreements, teaching services agreements, preceptorship agreements, call coverage agreements, moonlighting agreements, per-diem services agreements, research agreements, any lease agreement (including leases of space or equipment), recruitment agreements, income guarantee arrangements, loan agreements, loan guarantee arrangements, billing services agreements, practice support agreements, management services agreements, agreements for the provision of personnel, agreements for the sale or

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<sup>5</sup> NTD: Schedule to include Liens under 2005 Bonds and 2014 Bonds.

purchase of assets, joint venture arrangements of any structure, and risk-sharing or shared-savings agreements.

“Physician Referral Laws” means Section 1128B(b) of the Social Security Act, as amended, 42 U.S.C. § 1320a 7(b) and related regulations (Criminal Penalties Involving Medicare or State Health Care Programs), commonly referred to as the “Federal Anti-Kickback Statute,” Section 1877 of the Social Security Act, as amended, 42 U.S.C. § 1395nn and related regulations (Prohibition Against Certain Referrals), commonly referred to as the “Stark Law” and their California analogs including Business & Professions Code, Section 650.01(a).

“Physician Related Transaction” means any transaction with any Person that is owned by any licensed Physicians (or any Immediate Family Member of any licensed Physicians) or employs licensed Physicians pursuant to which any of the DOCHS Members (i) acquires any assets of or equity interest in, or undertakes any management or oversight rights or responsibilities with respect to, such Person or (ii) agrees to employ any licensed Physicians employed by such Person.

“Plans” shall have the meaning set forth in Section 2.17(a) hereof.

“Proceeding” means any claim, order, suit, complaint, proceeding, arbitration, hearing, inquiry, audit, investigation or other action (whether civil, criminal, administrative or investigative), whether at law or in equity, or otherwise before or by any Governmental Authority, arbitrator or medical review board, and any appeal from any of the foregoing.

“Provider Entities” means, individually and collectively, each of the Hospitals and any other DOCHS Member that currently holds a Medicare or Medicaid provider agreement.

“QAF Payments” means any fee that is imposed on skilled nursing facilities and designated intermediate care facilities as described in California Assembly Bill (AB) 1629, Health and Safety Code, Sections 1324 through 1324.14, and Sections 1324.20 through 1324.30.

“Reaffiliation” shall have the meaning set forth in Section 1.2 hereof.

“Real Estate Purchase Agreement” shall have the meaning set forth in the recitals hereof.

“Real Property” means the Owned Real Property and the Leased Real Property.

“Referral” means a request or order for any item or services, including the request for a consultation with another Physician (and any test or procedure ordered by or performed by or under the supervision of the other Physician), provided to patients.

“Referring Physician” means a Physician in a position to make Referrals to DOCMSC or any DOCHS Member.

“Release” means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal or migration into or through the indoor or outdoor environment,

including into or through soil, ground water or surface water (including the abandonment or discarding of barrels, containers or other closed receptacles).

“Remedial Action” means all actions taken to (i) clean up, remove, remediate, contain, treat, monitor, assess, evaluate or in any other way address hazardous substances in the indoor or outdoor environment; (ii) prevent or minimize a Release or threatened Release of Hazard Material so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; (iii) perform pre-remedial studies and investigations and post-remedial operation and maintenance activities or (iv) any other actions authorized or required by any Environmental Law or Governmental Authority to address a Release of Hazardous Material or a violation of Environmental Laws.

“Restricted Investments” means investment assets resulting from charitable donations to DOCMSC and reflected in the Financial Statements as Permanent or Temporary Restricted Investments as a result of restrictions in the terms of the donation.

“Retirement Plan for Hospital Employees” means [TO COME].

“Second Extended Outside Date” shall have the meaning set forth in Section 7.1(b) hereof.

“Senior Executive Officers” means the officers set forth in Schedule 1.1(a)(iv).

“Suit” means any Proceeding, reissue, reexamination, public protest, interference, cancellation, Internet domain name dispute resolution or other such proceeding.

“Superseded Agreements” shall have the meaning set forth in Section 11.1 hereof.

“Survey” shall mean an A.L.T.A. survey of an Owned Real Property that complies with the Minimum Standard Detail Requirements for ALTA/ASCM Land Title Survey and is reasonably satisfactory to Blue Wolf.

“Tax” or “Taxes” shall have the meanings set forth in Section 2.9(a) hereof.

“Transaction Documents” means this Agreement and the Ancillary Agreements.

“Transaction Fees” shall have the meaning set forth in Section 11.10 hereof.

“Transactions” means the transactions contemplated by the Transaction Documents.

“Unaffiliated Person” shall have the meaning set forth in Section 1.3 hereof.

“WARN Act” means the Worker Adjustment and Retraining Notification Act, 29 U.S.C.A. §§ 2102 et seq., as amended, and any comparable state law.

“Working Capital” means the consolidated current assets of the Health Care System *minus* the consolidated current liabilities of the Health Care System, as calculated in accordance with the methodology set forth in Annex VI hereto.<sup>6</sup>

“Working Capital Shortfall” means the amount, if any, by which Working Capital Target exceeds the Final Working Capital.

“Working Capital Target” means \$[\_\_\_\_\_].

(b) Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(c) Any information set forth in one section or subsection of the Disclosure Schedules or in any supplements or amendments thereto relating to representations and warranties shall be deemed to apply to and qualify the Section or subsection of this Agreement to which it corresponds in number.

Section 1.2 Reaffiliation Change of Status. At the Closing, the Existing Sponsors shall cause (i) each of the DOCHS Members to cease to be affiliated with the Existing Sponsors and (ii) each of the DOCHS RNP Members to convert from a California nonprofit religious corporation to a California nonprofit public benefit corporation (clauses (a) and (b) being referred to herein as the “Reaffiliation”).<sup>7</sup>

Section 1.3 Effect of Reaffiliation; Release. Upon consummation of the Reaffiliation, (i) [DOCHS Parent and each of the Hospitals], shall be managed by the initial directors set forth on Annex V hereto (the “Initial Directors”), and (ii) except as otherwise set forth in this Agreement, none of the Existing Sponsors, their respective Affiliates or any director, officer, manager, employee, agent or other representative of such Existing Sponsors (each, an “Unaffiliated Person”) will have any rights or obligations with respect to the ongoing management or operation of, nor will any of the same have the right to Control, any of the DOCHS Members, the Health Care System or any of the Hospitals. Effective upon the Reaffiliation, each of the DOCHS Members will enter a release agreement, the form of which is attached as Exhibit D hereto (the “Release Agreement”), releasing each of the Unaffiliated Persons from liability with respect to their ownership and/or operation of the Health Care System prior to the Reaffiliation.

Section 1.4 Closing Date. The consummation of the transactions contemplated by the Transaction Documents (the “Closing”) shall take place at 10:00 a.m. at [TBD], [on the last day] of the first calendar month in which all conditions precedent and other matters required to be completed as of the Closing Date have been completed, except for those to be completed

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<sup>6</sup> NTD: Need to make sure Working Capital methodology appropriately reflects restricted cash from 2014 Bond issuance and offsetting 2014 Bond liability.

<sup>7</sup> NTD: The “New DOCHS Governance Documents” will be attached as Exhibits and will generally be put in place prior to the closing, with only the DOCHS Parent new governance documents delayed and filed on the closing date.

(and which are capable of being completed) on the Closing Date, or such other date, time and place as the Parties shall mutually agree (the “Closing Date”).]<sup>8</sup>

Section 1.5 Items to be Delivered by DOCMSC at Closing. At or before the Closing, DOCMSC shall deliver, or cause to be delivered, to Blue Wolf, the following, duly executed by the applicable DOCHS Members, Existing Sponsors or other Person where appropriate:

- (a) the Real Estate Purchase Agreement;
- (b) the Pension Obligation Assumption Agreement;
- (c) the Management Services Agreement;
- (d) the Release Agreement;
- (e) the Governmental Consents (including the approval of the California Attorney General and DOCHS Parent’s New Governance Documents);
- (f) the New Labor Agreements;
- (g) approval of the Transactions by the Holy See, in form satisfactory to Blue Wolf;
- (h) certificates of good standing, or comparable status, of each DOCHS Member, issued by (i) the respective states of incorporation or organization, as applicable, of each DOCHS Member and (ii) each state in which (A) each DOCHS Member is qualified to do business as a foreign corporation or other entity, if any, and (B) each Hospital is located, dated no earlier than a date which is ten calendar days prior to the Closing Date;
- (i) certificates from the California Sales and Use Tax Department for each DOCHS Member, showing that such DOCHS Member has no amount of tax due with respect to sales and use tax;
- (j) an opinion of [\_\_\_\_\_] (with respect to the subject matter described on Schedule 1.6(h));
- (k) a certificate of each DOCHS Member, executed by an officer of such DOCHS Member, certifying to Blue Wolf that the conditions set forth in Section 6.1 and 6.11 have been satisfied;
- (l) a certificate of each DOCHS Member and, as applicable, each Existing Sponsor, executed by an officer of such DOCHS Member or Existing Sponsor, as the case may be, certifying to Blue Wolf (i) the due adoption and text of the resolutions of the applicable governing board or authority or members, authorizing the execution, delivery and performance of the Transactions by each DOCHS Member and Existing Sponsor, as the case may be, (ii) that

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<sup>8</sup> NTD: Closing Date TBD

such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date and (iii) that there has occurred no event of default with respect to the DOCHS Bonds;

(m) consents to the Transactions set forth on Schedule 1.6(m);

(n) final approval of CMS with respect to any applicable QAF Payments;

(o) evidence reasonably satisfactory to Blue Wolf that the New Governance Documents (other than those of DOCHS Parent) have been duly approved, adopted and, to the extent applicable, effectively filed with the California Secretary of State;

(p) evidence reasonably satisfactory to Blue Wolf that the restated bylaws of DOCHS Parent included in the New Governance Documents have been duly approved and adopted; and

(q) such other instruments, certificates, consents or other documents which are reasonably necessary to carry out the Transactions and to comply with the terms hereof.

Section 1.6 Closing Conditions. At or before the Closing, DCHS Parent or Blue Wolf, as applicable, shall execute and deliver or cause to be delivered to DOCMSC the following, duly executed by Blue Wolf where appropriate:

(a) the Real Estate Purchase Agreement;

(b) the Pension Obligation Assumption Agreement;

(c) the Management Services Agreement;

(d) the Release Agreement;

(e) a certificate of Blue Wolf, executed by an officer of Blue Wolf, certifying to DOCMSC and the Existing Sponsors that the conditions set forth in Section 5.1 have been satisfied;

(f) a certificate of Blue Wolf, executed by an officer of Blue Wolf, certifying to DOCMSC and the Existing Sponsors the due adoption and text of the resolutions of the applicable governing board or authority, authorizing the execution, delivery and performance of the Transaction Documents by Blue Wolf, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(g) a certificate of good standing, or comparable status, issued by its state of organization dated no earlier than a date which is ten calendar days prior to the Closing Date; and

(h) such other instruments, certificates, consents or other documents which are reasonably necessary to carry out Transactions and to comply with the terms hereof.

Section 1.7 Working Capital. At least ten Business Days prior to the Closing, DOCHS shall prepare in good faith and deliver to Blue Wolf a certificate executed by the Chief Financial Officer of DOCHS (the “CFO’s Certificate”), which shall set forth an unaudited statement indicating DOCHS’s best estimate of Working Capital as of 9:00 a.m. in New York, New York on the Closing Date, together with such schedules and data with respect to the determination thereof as may be reasonably necessary to support such calculation. From the Execution Date through the Closing Date, the Health Care System shall provide Blue Wolf and its representatives with full access to the employees, agreements and books and records of the DOCHS Members to the extent necessary or beneficial in connection with Blue Wolf’s determination of Working Capital. Following delivery of the CFO’s Certificate and prior to Closing, DOCMSC and Blue Wolf shall negotiate in good faith to agree on the amount of Working Capital as of 9:00 a.m. in New York, New York on the Closing Date, and the amount of Working Capital so agreed shall be deemed the final amount of Working Capital as of 9:00 a.m. in Los Angeles, California on the Closing Date (the “Final Working Capital”).

## ARTICLE 2<sup>9</sup>

### REPRESENTATIONS AND WARRANTIES OF THE EXISTING SPONSORS

The Existing Sponsors hereby, jointly and severally, represent and warrant to Blue Wolf as follows (as of the Execution Date and as of the Closing (or, if given as of a specific date, at and as of such specific date)):

Section 2.1 Authorization. Each DOCHS Member and each Existing Sponsor has full corporate, limited liability company or partnership power and authority, as applicable, to enter into the Transaction Documents and full power and authority to carry out and perform the Transactions.

Section 2.2 Binding Agreement. Except as set forth in Schedule 2.2, all corporate, limited liability company or partnership and other actions, as applicable, required to be taken by each DOCHS Member or Existing Sponsor to authorize the execution, delivery and performance of the Transaction Documents and all transactions contemplated thereby, have been duly and properly executed, taken or obtained by each DOCHS Member or Existing Sponsor, as applicable. Except as set forth in Schedule 2.2, no other corporate, limited liability company or partnership or other action, as applicable, on the part of any DOCHS Member or Existing Sponsor is necessary to authorize the execution, delivery and performance of the Transaction Documents, all documents necessary to give effect to the Transaction Documents and the Transactions. Except as set forth in Schedule 2.2, the Transaction Documents have been duly and validly executed and delivered by the applicable DOCHS Member or Existing Sponsor, and, assuming due and valid execution by, and enforceability against, Blue Wolf, such Transaction Documents constitute valid and binding obligations of each DOCHS Member and Existing Sponsor, as applicable, enforceable in accordance with their respective terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting

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<sup>9</sup> NTD: All representations and warranties subject to revision based on completion of due diligence review by Blue Wolf.

creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

Section 2.3 Organization and Good Standing; No Violation; Capitalization of Certain DOCHS Members. (a) Except with respect to any DOCHS Member that is a partnership or a limited liability company, each DOCHS Member is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. Each DOCHS Member that is a partnership or a limited liability company is duly organized and validly existing under the laws of the state of its organization. Each DOCHS Member has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

(b) True, correct and complete copies of the Governance Documents of each DOCHS Member, as in effect on the Execution Date, have been provided to Blue Wolf. No DOCHS Member is or has been in breach or violation of or default under any provision of its Governance Documents.

(c) Schedule 2.3(c) identifies for DOCHS Parent, each DOCHS RNP Member and each DOCHS NP Member all members of such DOCHS Member. No other Person has any power, authority or right (by virtue of any Governance Document, Contract, Law or otherwise) with respect to the governance or management of DOCHS Parent, any DOCHS RNP Member or any DOCHS NP Member or the disposition of its assets. The approval, adoption and filing of the New Governance Documents will be sufficient to transfer all rights to the governance or management of DOCHS Parent to the Initial Directors and of each DOCHS RNP Member and each DOCHS NP Member to, directly or indirectly, DOCHS Parent.

(d) No DOCHS Member owns any equity security or other security of any Person or any direct or indirect equity or ownership interest in any other business (except for equity securities of the DOCHS Other Members), or is a party to or bound by any Contract to acquire any of the foregoing. No DOCHS Member is obligated to provide funds to or make any investment (whether in the form of a loan, capital contribution or otherwise) in any other Person.

(e) Schedule 2.3(e) sets forth a true and correct description of all equity or membership interests (or any securities exchangeable for or convertible into any equity or membership interests) of each DOCHS Member, and sets forth all classes and amounts of authorized and issued and outstanding membership interests or equity interests as applicable.

(f) None of the DOCHS Members [nor any of the entities listed in Schedule 2.3(f)] (i) have the right, or obligation to pay any dividend or distribution in respect of any membership or equity interest or to redeem, purchase or acquire any such interests or (ii) have the right to grant any profits interest, phantom units interest, equity or equity-based awards. There are no outstanding options, warrants, calls or other rights, agreements relating to the issued or unissued equity interests of the DOCHS Other Members or obligating DOCHS Other Members to issue or sell any equity interests of, or other equity interests or rights in, the DOCHS Other Members. There are no outstanding contractual obligations of the DOCHS Other Members to repurchase, redeem or otherwise acquire any equity interests or rights of, or other equity interests in, the DOCHS Other Members. All of the equity interests in the DOCHS Other

Members are duly authorized, validly issued in compliance with all applicable laws, and are fully paid and non-assessable and are free of preemptive or similar rights.

Section 2.4 Non-Contravention. Neither the execution and delivery of the Transaction Documents, nor the consummation of the Transactions or the performance and satisfaction by the DOCHS Members of their duties and obligations in connection therewith, will (a) violate, conflict with or result in a breach of any material provisions thereof under any DOCHS Member's Governance Documents; (b) except for those consents or approvals required from (i) the California Attorney General,<sup>10</sup> (ii) the California Department of Health Care Services (the "CDHCS"), (iii) if required, the Secretary of HHS, (iv) the Holy See, and (v) as set forth in Schedule 2.4 with respect to the DOCHS Members (each of the preceding (i) through (v), the "Governmental Consents"), require the consent of any Governmental Authority, Accrediting Entity or religious authority to consummate the transactions contemplated by the Transaction Documents; (c) except for the Contract Consents and the Governmental Consents, require the consent of any other Person to consummate the transactions contemplated by the Transaction Documents, (d) result in a breach of any term or provision of, or constitute (with or without notice or lapse of time or both) a default under, any Material Contract or Real Property Lease to which any DOCHS Member is a party or a third party beneficiary, or which are binding on any DOCHS Member, or to which the Health Care System or the operation thereof is subject; (e) give any other party to any such Material Contract or Real Property Lease a right to cancel or terminate the same, a right to modify or amend the terms thereof, or result in an acceleration of the maturity or performance of any obligation under any such Material Contract; or (f) result in the creation of any Lien or liability on any material assets of the Health Care System.

Section 2.5 Compliance with Law. (a) The DOCHS Members and, with respect to the DOCHS Members or the Health Care System, the Existing Sponsors are, and at all material times have been, in compliance with applicable material Laws. Neither the DOCHS Members nor, with respect to the DOCHS Members or the Health Care System, the Existing Sponsors have received within the seven years prior to this Agreement any notice from any Governmental Authority asserting that any DOCHS Member or any Existing Sponsor (with respect to the DOCHS Members or the Health Care System) is not in compliance with any Law, and, as of the date of this Agreement, to the Knowledge of DOCHS or to the Knowledge of DOCSMSC, none of the DOCHS Members or, with respect to the DOCHS Members or the Health Care System, the Existing Sponsors are under any investigation with respect to any actual or alleged violation of any applicable Law. All returns, data, notices, reports, statements or other filings currently required to be filed by the DOCHS Members with any Governmental Authority have been filed and when filed complied with all material requirements of such Governmental Authorities.

(b) No DOCHS Member is engaged in termination Proceedings as to its participation in any Government Reimbursement Program, none of the DOCHS Members have received any notice indicating that their qualification as a participating provider in any Government Reimbursement Program has been or could be reasonably expected to be contested,

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<sup>10</sup> NTD: To include approval of the California Attorney General to the Reaffiliation, the Management Services Agreement, the Real Estate Purchase Agreement and other material aspects of the Transactions.

suspended, terminated or withdrawn, nor do any of the DOCHS Members have any reason to believe that such qualification may be contested, suspended, terminated or withdrawn.

(c) Neither the DOCHS Members nor any of their respective directors, officers, employees or agents:

(i) have been convicted of or charged with any violation of any applicable Laws related to any Government Reimbursement Program;

(ii) have been convicted of, charged with, or, to the Knowledge of the DOCHS Members, investigated, for any violation of Laws related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation, or controlled substances; or any matter that relates to potential suspension or revocation of a license; or

(iii) is excluded, suspended or debarred from participation, or is otherwise ineligible to participate, in any Government Reimbursement Program or has committed any violation of Laws that is reasonably expected to serve as the basis for any such exclusion, suspension, debarment or other ineligibility.

Section 2.6 Title; Sufficiency. (a) The DOCHS Members have good and marketable fee simple or leasehold title, as the case may be, to all of the assets of the Health Care System (including all Real Property, Personal Property, Intellectual Property and any other assets, properties or rights, whether tangible or intangible, of any nature whatsoever occurring in connection with the operation of the Health Care System), free and clear of all Liens (other than Permitted Liens).

(b) None of the Real Property is subject to any rights-of-way, building or use restrictions, exceptions, variances, reservations or limitations of any nature whatsoever except with respect to Permitted Liens. None of the Real Property is subject to a pending or threatened condemnation or similar proceeding.

(c) The Inventory with respect to each Hospital (and the Health Care System as a whole) is maintained in such quality and quantities as is (i) consistent with historical practices and (ii) sufficient for the continued operation of each Hospital (and the Health Care System) in accordance with past practice.

(d) The assets owned by the DOCHS Members constitute all of the assets, rights, interests and properties of every nature and kind whatsoever used or useful in, or held for use in the conduct of the operation of the Health Care System, or otherwise necessary, for the continued conduct and operation of the Health Care System immediately after the Closing in all material respects as conducted and operated by any of the DOCHS Members during a given point in time in the past twelve months and as presently conducted.

Section 2.7 Financial Statements; No Undisclosed Liabilities. (a) DOCMSC has delivered to Blue Wolf (i) the audited consolidated balance sheet of the DOCHS Members at the Balance Sheet Date and as at June 30, 2013 and 2012 and the related audited consolidated statements of operations and changes in net assets and statements of cash flows for each of the

years then ended (collectively, the “Audited Financial Statements”) and (ii) the unaudited consolidated balance sheet of the DOCHS Members as at March 31, 2014 and June 30, 2014 and the related unaudited consolidated statements of operations and changes in net assets and statements of cash flows for the period then ended (collectively, the “Interim Financial Statements”, and together with the Audited Financial Statements, the “Financial Statements”).

(b) The Financial Statements have been prepared in conformity with GAAP applied on a consistent basis throughout such periods. The statements of operations and changes in net assets included in the Financial Statements present fairly in all material respects the results of operations of the DOCHS Members for the respective periods covered, the balance sheets included in the Financial Statements present fairly in all material respects the financial condition of the DOCHS Members as of their respective dates and the statements of cash flows included in the Financial Statements present fairly in all material respects the cash flows of the DOCHS Members for the respective periods covered; in each case, subject, with respect to the Interim Financial Statements, to the absence of footnotes (that, if presented, the nature of such footnotes would not differ materially from those included in the Audited Financial Statements) and to year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse).

(c) None of the DOCHS Members have any Indebtedness, obligations or liabilities (absolute, accrued, contingent, liquidated, unknown or otherwise) whether or not required by GAAP to be reflected on its balance sheet except for (A) liabilities which arose in the ordinary course of business after the Balance Sheet Date; (B) liabilities which are reflected or reserved against on the balance sheet for the Balance Sheet Date included in the Financial Statements; and (C) liabilities set forth in Schedule 2.7 hereto.

(d) None of the assets of any DOCHS Member is subject to restrictions imposed by the donors of specific funds.

Section 2.8 Absence of Changes or Events. Since the Balance Sheet Date, the DOCHS Members have operated the Health Care System in the ordinary course of business consistent with past practice. Except as set forth in Schedule 2.8, since such date, whether or not in the ordinary course of business, there has not been, occurred or arisen:

(a) any Material Adverse Effect;

(b) any change in or event affecting the DOCHS Members or the Health Care System, that has resulted in, or would reasonably be expected to result in, a material breach of, or that has constituted or would reasonably be expected to constitute a material default (which, with or without notice or lapse of time or both) under, and no DOCHS Member has otherwise accelerated, terminated or modified in any material respect, any Material Contract;

(c) any new Contracts as to which the total to be paid in the future under the Contract would exceed \$500,000 per year for any such Contract;

(d) other than the issuance of the 2014 Bonds, any incurrence, assumption or guarantee by the DOCHS Members of any Indebtedness, or any Liens (other than Permitted Liens) upon any asset of the Health Care System;

(e) any (i) increase in compensation or benefits of any present or former employee of the Health Care System with base compensation for 2014 in excess of \$200,000; (ii) grant of any severance or termination pay to any present or former employee of the Health Care System with base compensation for 2014 in excess of \$100,000, other than as required by the terms of any Contract in effect on the Balance Sheet Date or as required by the terms of any applicable severance policy; (iii) establishment, adoption, entrance into, amendment or termination of any Plan or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Plan if it were in existence as of the Execution Date; (iv) increase in the funding obligation or contribution rate of any Plan; or (v) entering into, amendment or termination of any collective bargaining agreement which would result in an increase in the related employment expense projected in the 2014 Budget and 2015 Budget;

(f) any material labor dispute, other than routine individual grievances, or any organizing, proceedings or any other actions taken by a labor union or representative thereof to organize any employees of the Health Care System, which were not subject to a collective bargaining agreement on the Balance Sheet Date;

(g) any casualty, loss, damage or destruction (whether or not covered by insurance) of any of the assets of the Health Care System that is material or that has involved or may involve a material loss to the DOCHS Members in excess of applicable insurance coverage;

(h) any capital expenditure (or series of related capital expenditures) made, authorized, or committed of more than \$500,000 in excess of the aggregate capital budget of the DOCHS Members set forth in Schedule 2.8(h);

(i) any transaction or commitment made, or any Contract entered into by any of the DOCHS Members relating to the Health Care System or any constituent Hospital thereof or any relinquishment by any DOCHS Member of any Contract or other right, in either case, other than transactions and commitments in the ordinary course of business and those contemplated by the Transaction Documents;

(j) any acquisition (whether by purchase or lease) or sale, assignment, lease, transfer or disposition of any Intellectual Property or other property, plant or equipment and not in excess of \$100,000 in any one case or series of related transactions or \$200,000 in the aggregate;

(k) any acquisition (by merger, consolidation, member substitution, acquisition of stock or assets or otherwise) of any Person or business, including any licensed provider of clinical services;

(l) any change in any method of accounting or accounting principles, policies or practices by the DOCHS Members, including such change which is inconsistent in any way with the methods and practices utilized by any DOCHS Members in the preparation of the Financial Statements for the fiscal year ended on June 30, 2013;

(m) any notice from any third-party payor set forth in Schedule 2.21 as to its intention to cease or materially decrease its business with the Health Care System;

(n) any material change to Contracts with any third-party payor set forth in Schedule 2.21;

(o) any agreement to any limitations on the Health Care System from engaging or competing in any line of business or in any geographic area or location or otherwise with any Person or from soliciting or hiring any Person;

(p) any Physician Related Transaction other than (i) the hiring of individual Physicians under Physician Contracts and (ii) any acquisition of Physician practices (regardless of legal form);

(q) any acquisition of any ambulatory surgery centers, free standing imaging centers or hospitals;

(r) any joint venture or joint undertaking for the transaction of any business with any Person (other than Physicians) that is not an Affiliate of DOCHS (a) where the form of such joint venture or joint undertaking is contractual or (b) where the form of such joint venture or joint undertaking involves the ownership of equity interests in an entity formed to conduct business;

(s) any settlement of any Proceedings pending or threatened against the Health Care System (i) in excess of insurance coverage held by the DOCHS Members for such purposes or (ii) that imposes or reasonably could be expected to impose material operating obligations or restraints on the operation of the Health Care System after Closing;

(t) any adoption of a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring or recapitalization;

(u) any action or omission that would result in termination of the status of any of the DOCHS Members as an exempt organization under Section 501(c)(3) of the Code;

(v) any application for any license or approval from a Governmental Authority, except as necessary to renew current licensure or certification for a period prior to the Closing Date or otherwise in the ordinary course of business but not in connection with an acquisition;

(w) any new Contract with a third-party payor that is capitated where the amount of potential loss exceeds \$100,000 or more in the case of any single new Contract or in the aggregate for all such new Contracts; or

(x) any promise, undertaking, agreement or commitment to do anything set forth in this Section 2.8.

Section 2.9 Tax and Other Returns and Reports. Except as set forth in Schedule 2.9:

(a) For purposes of the Transaction Documents, “Tax” or “Taxes” shall be defined as set forth below in Section 2.9(c) and shall include (i) any obligations under any

agreements or arrangements with any other Person with respect to such amounts and (ii) any liability for any Taxes as a result of being a member of an affiliated, consolidated, combined or unitary group. For purposes of this Section 2.9 and Schedule 2.9, with respect to matters pertaining to this Section 2.9, the terms “DOCMSC,” “Subsidiary” or “Subsidiaries” shall include all entities currently owned or Controlled, directly or indirectly, by DOCMSC. Except as otherwise noted on Schedule 2.9, each of the DOCHS Members is an organization described in section 501(c)(3) of the Code that is not a private foundation because it is described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code and, as such, is exempt from federal and state income taxes. None of the DOCHS Members has received any indication or notice, written or oral, from the IRS to the effect that its exemption under Section 501(c)(3) of the Code has been revoked or modified, or that the IRS is considering revoking or modifying such exemption.

(b) Tax Returns and Audits.

(i) Each of the DOCHS Members has timely filed (taking into account valid extensions of the time for filing) all Tax returns required to have been filed and all such Tax returns were true, correct and complete in all material respects. All Taxes owed by each of the DOCHS Members (whether or not shown on any Tax return) that have become due and payable have been paid. No DOCHS Member is currently the beneficiary of any extension of time within which to file any Tax return. No claim has ever been made by an authority in a jurisdiction where the DOCHS Members do not file Tax returns that it is or may be subject to taxation by that jurisdiction.

(ii) Each DOCHS Member has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, member, or other third party.

(iii) There are no liens or security interests on any of the assets of any DOCHS Members that arose in connection with any failure (or alleged failure) to pay any Tax.

(iv) None of the DOCHS Members have made an election under Treasury Regulations Section 301.7701-3 with respect to any entity.

(v) Each of the Bonds IS a “qualified 501(c)(3) bond” under Section 145 of the Code and DOCHS Parent is the “conduit borrower” (as that term is understood in Treasury Regulations Section 1.150-1) with respect to such Bonds.

(c) “Tax” and “Taxes” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, escheat, unclaimed property, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Section 2.10 Material Contracts. (a) Schedule 2.10 lists each Material Contract to which any DOCHS Member is a party or to which any of its properties are subject or by which any DOCHS Member or its properties are bound. Unless otherwise so noted in Schedule 2.10,

each such Material Contract was entered into in the ordinary course of business. As used herein, “Material Contract” means any Contract that:

- (i) obligates any DOCHS Member to pay an amount of \$500,000 or more in any one twelve-month period;
- (ii) has an unexpired term as of the date hereof in excess of 12 months that is not terminable upon ninety or fewer calendar days’ notice by the DOCHS Member party thereto at any time during the term, without penalty;
- (iii) contains a covenant not to compete or otherwise significantly restricts business activities of the Health Care System;
- (iv) limits the ability of any DOCHS Member to conduct its business, including as to manner or place;
- (v) grants a power of attorney, agency or similar authority to another person or entity;
- (vi) contains a right of first refusal or right of first offer;
- (vii) constitutes a collective bargaining agreement, including any collective bargaining agreement with Physicians or any other referral source;
- (viii) constitutes an employment or severance agreement with any director, officer or employee of any DOCHS Member;
- (ix) provides for marketing, joint marketing or sale of the products or services of the Health Care System;
- (x) represents a Contract upon which the business of the Health Care System is substantially dependent or a Contract which is otherwise material to the business of the Health Care System, including agreements with the third-party payors set forth in Schedule 2.21;
- (xi) represents a Contract with a Physician or, to the Knowledge of DOCMSC, an Immediate Family Member of a Physician or any other referral source, including any contract with a pharmacy or any other supplier of medical products to patients of the Health Care System;
- (xii) to the Knowledge of DOCMSC, represents a Contract with an entity in which a referring Physician (as that term is defined in 42 U.S.C. § 1395m(h)(7)) or an Immediate Family Member of a referring Physician has an ownership or investment interest;
- (xiii) represents a third party payor, managed care or preferred provider organization contract;

(xiv) constitutes a joint venture in which any DOCHS Member has any equity interest or pursuant to which any revenue or income is paid or distributed to a third party; or

(xv) was not made in the ordinary course of business.

(b) True, correct and complete copies of the Material Contracts, including all amendments and supplements thereto, have been provided to Blue Wolf. None of the DOCHS Members have received any written claim of breach of any Material Contract. Except as set forth in Schedule 2.10(b), the DOCHS Members have performed all obligations required to be performed by them under each Material Contract in all material respects. Each of the Material Contracts is a valid and binding obligation of the applicable DOCHS Member and, to the Knowledge of DOCHS, is in full force and effect and is enforceable by the applicable DOCHS Member in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws from time to time in effect which affect creditors' rights generally, or (ii) legal and equitable limitations on the availability of specific remedies. To the Knowledge of DOCHS, all parties to each Material Contract (other than the DOCHS Members) have performed all material obligations required to be performed by them to date under such Material Contract in all material respects and are not (with or without the lapse of time or the giving of notice, or both) in breach or default thereunder. No party with whom any DOCHS Member has entered into any Material Contract has given written notice to such DOCHS Member of its intention to terminate or has sought in writing to repudiate or disclaim or modify any material term of such Material Contract.

Section 2.11 Real and Personal Property; Title to Property; Leases. (a) The DOCHS Members have good and valid title, free of Liens, in and to the Owned Real Property, the Personal Property and the other assets of the Health Care System, except for Permitted Liens.

(b) The Owned Real Property listed in Schedule 1.3 consists of all real property owned by the DOCHS Members.

(c) The Leased Real Property listed in Schedule 12(b) consists of all real property leased, subleased or licensed by or to the DOCHS Members.

(d) DOCHMS has heretofore provided to Blue Wolf true, correct and complete copies of all of the Leases.

(e) The Leases constitute the entire agreements to which the DOCHS Members are a party with respect to the properties which are demised pursuant thereto.

(f) The DOCHS Members have accepted possession of the Leased Real Property pursuant to each Lease in which they are the lessee and are in actual possession thereof and have not sublet, assigned or hypothecated their leasehold interest.

(g) As of the Execution Date, all conditions precedent to the enforceability by the DOCHS Members of each Lease have been satisfied and there exists no breach or default, nor state of facts which, with the passage of time, notice, or both, would result in a breach or

default on the part of the DOCHS Members or, to the Knowledge of DOCMSC, the other parties thereunder.

(h) DOCMSC has no Knowledge of, and, during the past three years, DOCHS has not received any written notice of non-compliance with Law, zoning ordinance or other restriction with respect to any Real Property.

(i) There is no pending or, to the Knowledge of DOCHS, threatened action that would materially interfere with the ownership, use or quiet enjoyment of any Real Property by the DOCHS Members.

(j) DOCHS has no Knowledge of, and, during the past three years, no DOCHS Members has received any notice of any proposed special assessments, threatened condemnation or any proposed material changes in property tax or land use laws affecting the Real Property.

Section 2.12 Intellectual Property. (a) Schedule 2.12 sets forth a complete list of all (i) registered or material Intellectual Property owned by any DOCHS Member (each identified as a patent, trademark, trade secret, copyright, or IT System, as the case may be); and (ii) material Intellectual Property that any DOCHS Member is licensed or otherwise permitted by other Persons to use. The DOCHS Members own or otherwise hold valid rights to use all such Intellectual Property, and all such registered Intellectual Property is valid and subsisting.

(b) No Suit has been decided, is pending or has been threatened in writing concerning any claim or position that any DOCHS Member has violated any Intellectual Property rights, and there is no basis therefor.

(c) No Suit has been decided, is pending or has been threatened in writing by or against any DOCHS Member concerning Intellectual Property, including any Suit concerning a claim or position that any Intellectual Property has been infringed, misappropriated or otherwise violated or is invalid, unenforceable, unpatentable, unregistrable, cancelable, or not owned by the DOCHS Members, and there is no basis therefor.

(d) Each DOCHS Member has timely made all filings and payments with the appropriate foreign and domestic agencies required to maintain in subsistence all registered Intellectual Property owned by such DOCHS Member.

(e) Each DOCHS Member has taken reasonable measures to protect the secrecy, confidentiality and value of all Intellectual Property (except for such Intellectual Property whose value would be unimpaired in any material respect by disclosure). To the Knowledge of DOCMSC, no unauthorized disclosure of any such Intellectual Property or information has been made.

(f) The DOCHS Members have a policy of requiring all employees, agents, consultants or contractors who have contributed to or participated in the creation, development, improvement or modification of Intellectual Property for the DOCHS Members to assign all of their rights therein to the DOCHS Members. To the Knowledge of DOCMSC, no Person (other

than the DOCHS Members) has any reasonable basis for claiming any right, title or interest in and to any such Intellectual Property.

(g) The source code for all computer software that is owned by any DOCHS Member (i) will compile into object code or otherwise be capable of materially performing the functions described in the documentation pertaining thereto, if any; (ii) is sufficiently documented to enable a computer software developer of reasonable skill to understand, modify, repair, maintain, compile and otherwise utilize all aspects of such computer software without reference to other sources of information; and (iii) does not contain and is not derived from open source, shareware, “copyleft” or similar software.

(h) The IT Systems used in the operation of the Health Care System are adequate in all material respects for their intended use and for the operation of the Health Care System as currently operated, and are in good working condition (normal wear and tear excepted). There has not been any material malfunction with respect to any such IT Systems in the past [five] years that has not been remedied or replaced in all material respects.

Section 2.13 Legal Proceedings. Except as set forth in Schedule 2.13, there is no Proceeding pending or, to the Knowledge of DOCMSC, threatened, related to, against or affecting any DOCHS Member, or any asset of the Health Care System, that (a) involves a claim of liability in excess of \$250,000 per claim or \$500,000 in the aggregate, (b) could restrain, enjoin or otherwise prevent the consummation of the Transactions, (c) could impose any material non-monetary obligations or (d) is reasonably likely to result in liability in excess of \$250,000 per claim or \$500,000 in the aggregate. No DOCHS Member is bound by any material Proceeding.

Section 2.14 Accounting Records; Internal Controls; Absence of Certain Payments. (a) The DOCHS Members have records that accurately and validly reflect their respective transactions, and accounting controls sufficient to ensure that such transactions are (i) executed in accordance with management’s general or specific authorization and (ii) recorded in conformity with GAAP so as to maintain accountability for assets.

(b) Such records, to the extent they contain important information that is not easily and readily available elsewhere, have been duplicated, and such duplicates are stored safely and securely pursuant to procedures and techniques utilized by companies of comparable size in similar lines of business.

Section 2.15 Insurance. (a) Schedule 2.15(a) lists all insurance policies and bonds that are maintained by the DOCHS Members and are material to the business of the Health Care System and indicates the type of insurance, policy number, term, identity of insurer, premiums and coverage amounts for the previous five years and basic coverages (including applicable deductibles) for each such insurance policy and bond. No DOCHS Member is in default under any insurance policy or bond. The DOCHS Members have timely filed claims with their respective insurers with respect to all matters and occurrences for which they have coverage.

(b) Schedule 2.15(b) lists all insurance policies and bonds that are maintained by a Governance Party and are material to the business of the Health Care System.

(c) Schedule 2.15(c) lists all claims in excess of \$250,000 which have been made by any of the DOCHS Members in the last five years under any insurance policy or bond.

(d) Except as set forth in Schedule 2.15(d), all insurance policies and bonds are in full force and effect, and none of the DOCHS Members have received notice from any insurer or agent of any intent to cancel or not to renew any of such insurance policies and bonds.

(e) All of the DOCHS Members' unpaid workers compensation claims, if any, are held and maintained as reserves in the accounting records of certain facilities within the Health Care System. Schedule 2.15(e) lists all such workers compensation reserves, including the identity of the claimant, the reserve amount for each claimant, and the facility within the Health Care System holding the reserve.

(f) There are no outstanding requirements or recommendations made by any insurance carrier or other Person possessing the requisite power with respect to insurance coverage requesting, instructing or requiring any of the DOCHS Members to take any action that have not been taken.

Section 2.16 Employees. (a) Schedule 2.16(a) sets forth a complete list (as of the date set forth therein) of names, positions, location, union affiliation and current annual salaries or wage rates, bonus, accrued paid time off and period of service of all full-time and part-time employees of the DOCHS Members and indicating whether such employee is a part-time or full-time employee. Except as shown in Schedule 2.16(a), there are no employment agreements or severance agreements with employees of the DOCHS Members.

(b) Schedule 2.16(b) sets forth all labor union or collective bargaining agreements in effect with respect to the employees of the DOCHS Members. Except as set forth in Schedule 2.16(b), there are no pending unfair labor practice complaints, charges or grievances against any of the DOCHS Members or, to the Knowledge of DOCMSC, threatened, by or on behalf of any employee or group of employees of the Health Care System. Except as listed in Schedule 2.16(b), there are no complaints, charges or claims pending against any entity within the Health Care System or, to the Knowledge of DOCMSC, threatened in writing to be brought or filed, with any authority or arbitrator based on, arising out of, in connection with any collective bargaining agreement, or otherwise relating to the employment or termination of employment of any individual by any DOCHS Member.

(c) Except as set forth in Schedule 2.16(c), no labor organization or group of employees of any DOCHS Member has made a pending demand for recognition or certification to any of the DOCHS Members and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of DOCMSC, threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority relating to the Health Care System.

(d) Schedule 2.16(d) sets forth a complete list (as of the date set forth therein) of the names and positions and location of all full-time employees of any of the DOCHS

Members with respect to the operation of the Health Care System that have been terminated without cause during the 90 calendar days immediately preceding the date hereof.

(e) Except as set forth on Schedule 2.16(e), no employee, former employee (whose employment terminated within the twelve months preceding the Closing Date) or independent contractor of the DOCHS Members has been improperly classified as such for all purposes under the Code and ERISA and no employee or former employee (whose employment terminated within 12 months preceding the Closing Date) of the DOCHS Members has been misclassified as exempt under the Fair Labor Standards Act.

(f) No Senior Executive Officer has notified any of the DOCHS Members that such officer intends to leave the Health Care System or otherwise terminate such officer's employment with any DOCHS Member either before or after the Closing Date. None of the DOCHS Members has terminated, or stated an intention to terminate, the employment of any of the Senior Executive Officers.

Section 2.17 Employee Benefits. (a) Schedule 2.17(a) contains a true and complete list of each "employee benefit plan" (with the meaning of Section 3(3) of ERISA, including multiemployer plans within the meaning of Section 3(37) of ERISA), and all stock purchase, stock option, severance, employment, change-in-control, fringe benefit, collective bargaining, bonus, incentive, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a result of the transactions contemplated by the Transaction Documents or otherwise), whether formal or informal, oral or written, under which (i) any current or former employee, director or consultant of the Health Care System has any present or future right to benefits and which are contributed to, sponsored by or maintained by the DOCHS Members or (ii) the DOCHS Members have had or have any present or future liability. All such plans, agreements, programs, policies and arrangements shall be collectively referred to as the "Plans".

(b) To the extent any Plan is a "church plan" within the meaning of Section 3(33) of ERISA and/or Code Section 414(d)(1), such Plan satisfies the requirements of all applicable state or local Laws in each jurisdiction in which such plan is domiciled, maintained or operated, without regard to Section 514(b) of ERISA. No Plan that is a church plan has made an election under Code Section 410(d)(1) to be subject to the requirements of Code Section 410(b), nor is any such Plan subject to Title IV of ERISA (relating to PBGC termination insurance).

(c) With respect to each Plan, the DOCHS Members have provided to Blue Wolf a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) any related trust agreement or other funding instrument; (ii) the most recent determination letter, if applicable; (iii) any summary plan description and other material written communications (or a description of any material oral communications) by the DOCHS Members to the Employees concerning the extent of the benefits provided under a Plan; and (iv) for the most recent year (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation report.

(d) (i) Each Plan has been established and administered in all material respects in accordance with its terms, and in compliance with the applicable provisions of ERISA, the Code and other applicable Laws, rules and regulations; (ii) each Plan which is intended to be qualified within the meaning of Section 401(a) of the Code is so qualified and has received a favorable determination letter as to its qualification, and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification; (iii) no event has occurred and no condition exists that would subject DOCHS by reason of the DOCHS Members' affiliation with any member of their "Controlled Group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Section 414(b), (c), (m) or (o) of the Code), to any tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other applicable Laws, rules and regulations; (iv) no nonexempt "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975 of the Code) or "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived)) has occurred with respect to any Plan; and (v) except as set forth in Schedule 2.17(d), the DOCHS Members have not incurred any current or projected liability in respect of post-employment or post-retirement health, medical or life insurance benefits for current, former or retired employees of the Health Care System, except as required to avoid an excise tax under Section 4980B of the Code or otherwise except as may be required pursuant to any other applicable Law.

(e) Except as set forth in Schedule 2.17(e), no Plan is a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) and neither the DOCHS Members nor any member of their Controlled Group has at any time sponsored or contributed to, or has or had any liability or obligation in respect of, any multiemployer plan.

(f) With respect to any Plan, (i) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or threatened; (ii) to the Knowledge of DOCMSC, no facts or circumstances exist that are reasonably likely to give rise to any such actions, suits or claims; (iii) no written or oral communication has been received from the Pension Benefit Guaranty Corporation (the "PBGC") in respect of any Plan subject to Title IV of ERISA concerning the funded status of any such plan or any transfer of assets and liabilities from any such plan in connection with the transactions contemplated herein; and (iv) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the PBGC, the Internal Revenue Service or other governmental agencies are pending, threatened or in progress (including any routine requests for information from the PBGC).

(g) Except as set forth in Schedule 2.17(g), no Plan exists that, as a result of the execution of the Transaction Documents, requisite approval of the Transaction Documents, or the transactions contemplated by the Transaction Documents (whether alone or in connection with any subsequent event(s)), could result in (i) severance pay or any increase in severance pay upon any termination of employment after the date of this Agreement; (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any Plan; or (iii) result in payments which would not be deductible under Section 280G of the Code.

Section 2.18 Certain Interests. Except as shown in Schedule 2.18, no Affiliate of any of the Existing Sponsors, nor any officer or director thereof, nor any Governance Party, nor any member thereof, has any material interest in any property used in or pertaining to the Health Care System. Except as shown in Schedule 2.18, the consummation of the Transactions will not (either alone, or upon the occurrence of any act or event, or with the lapse of time, or both) result in any benefit or payment (severance or other) arising or becoming due from any DOCHS Member or the successors or assigns thereof to any Person.

Section 2.19 Related Party Transactions. Except as shown in Schedule 2.19, (a) since July 1, 2012, none of the DOCHS Members have engaged in any transaction with officers or directors of the DOCHS Members, the Existing Sponsors or any Governance Party (or their respective non-profit corporate or ecclesiastical equivalents) and (b) to the extent the any of the DOCHS Members have engaged in any transaction with officers or directors of any DOCHS Member, Existing Sponsor or Governance Party, the DOCHS Members have no existing liabilities or obligations as a result of such transaction. Except as shown in Schedule 2.19, none of the DOCHS Members have any liabilities or obligations to any officers or directors of any DOCHS Member, Existing Sponsor or Governance Party (or their respective non-profit corporate or ecclesiastical equivalents) or to any members of the DOCHS Members, and none of officers or directors of any DOCHS Member, Existing Sponsor or Governance Party (or their respective non-profit corporate or ecclesiastical equivalents) have any liabilities or obligations to any of the DOCHS Members.

Section 2.20 Receivables. The accounts receivable reflected on the books and records of the DOCHS Members arose from bona fide commercial transactions, and the financial statements referred to in Section 2.4 include all material refunds, discounts or setoffs payable or assessable with respect to such accounts receivable, taken as a whole. The DOCHS Members record receivables on their financial statements in accordance with GAAP. The DOCHS Members record government program recoupments on their financial statements as they occur in accordance with GAAP.

Section 2.21 Third Party Payors and Suppliers. (a) Schedule 2.21 lists the names of and describes all Material Contracts with, and the respective percentage of the revenues of the Health Care System for the fiscal year ended on the Balance Sheet Date attributable to, the ten largest third party payors for each Hospital (based on net patient service revenues, as determined in accordance with the DOCHS Members' historical accounting policies) and any material sole-source suppliers of significant goods or services for each Hospital (other than electricity, gas, telephone or water) with respect to which alternative sources of supply are not readily available on comparable terms and conditions (the "Material Payors and Suppliers").

(b) None of the Material Payors and Suppliers has provided written notice to any DOCHS Member of cancellation or termination of its relationship with any DOCHS Member during the past twelve months or has, during the last twelve months, materially decreased, or provided notice to any DOCHS Member of its intent to materially decrease or materially limit, its services, supplies or materials to any DOCHS Member or its usage of the services or products, as the case may be, of any DOCHS Member or the Health Care System, as a whole. None of the DOCHS Members has received any written notice during the past twelve months that any of the Material Payors and Suppliers intends, or is reasonably likely, to

terminate, materially reduce or materially modify its business relationship with the Health Care System.

Section 2.22 Worker Adjustment and Retraining Notification (WARN). Each of the DOCHS Members have complied with the WARN Act prior to the Closing.

Section 2.23 Environmental Compliance. Except as set forth in Schedule 2.23:

(a) The Health Care System is and, to the Knowledge of DOCMSC, each parcel of Real Property is, and, for the previous three years has been, in compliance with all applicable Environmental Laws in all material respects. Each DOCHS Members has obtained and maintained in full force and effect in all material respects all permits, approvals, licenses authorizations, consents, waivers, exemptions, orders, variances or certificates of or by any Governmental Authority that are required pursuant to Environmental Laws (“Environmental Permits”) for the operation of the business of the Health Care System and, to the Knowledge of DOCMSC, the occupation of the Real Property.

(b) Neither the DOCHS Members, the Health Care System nor, to the Knowledge of DOCMSC, any Real Property is subject to, or received notice of, any pending Environmental Claim or any Environmental Liabilities concerning any of the Real Property or the business of the Health Care System and, to the Knowledge of DOCMSC, none is proposed or threatened. To the Knowledge of DOCMSC, no Environmental Claims have been asserted against any facilities that may have received Hazardous Materials generated by the Health Care System.

(c) No DOCHS Member has entered into any agreement with any Governmental Authority or any other Person pursuant to which the Health Care System assumed responsibility for any or is required to pay for any Remedial Action resulting from the Release, treatment, storage or disposal of Hazardous Materials or may be required to pay to, reimburse, guarantee, pledge, defend, indemnify or hold harmless any Person for or against any material Environmental Claim or material Environmental Liabilities.

(d) To the Knowledge of DOCMSC, none of the Real Property contains any: (i) underground storage tank or any landfills, surface impoundments, wastewater treatment units or dumps; (ii) PCB’s or PCB-containing equipment; (iii) asbestos or asbestos-containing materials; or (iv) lead paint.

(e) No DOCHS Member holds a permit for the treatment, storage or disposal of hazardous waste at any Real Property, or in connection with the business of the Health Care System, to comply with the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), as amended.

(f) To the Knowledge of DOCMSC, there have been no Releases of Hazardous Materials from, onto or under any of the Real Property or at any disposal or treatment facility which received Hazardous Materials generated by the Health Care System or any predecessor in interest of any DOCHS Member, in violation of Environmental Law or in excess of any reportable quantity under Environmental Law that have not been remediated as required by Environmental Law.

(g) To the Knowledge of DOCMSC, there are no facts or circumstances relating to Hazardous Materials, the operation of the business of the Health Care System or any condition at any of the Real Property that would reasonably be expected to result in an Environmental Claim or Environmental Liabilities against the Health Care System.

(h) DOCMSC has disclosed and provided to Blue Wolf all material environmental studies, environmental site assessments, environmental compliance audits and similar environmental reports, analyses and test results that are in the DOCHS Members' possession, custody or control, relating to any past and present (i) environmental conditions concerning the business of the Health Care System or on, under or about the Real Property, (ii) use or operation of the Real Property used in or held for use in connection with the business of the Health Care System, and (iii) activities relating to Hazardous Materials on, or any off-site disposal of a Hazardous Material from, the Real Property or used in connection with the business of the Health Care System. DOCMSC has disclosed and made available to Blue Wolf all documents that are in the DOCHS Members' possession, custody or control relating to currently projected environmental expenditures for the business of the Health Care System and the Real Property, including reserves, capital and operating budgets and reports relating to the costs of compliance with Environmental Laws.

Section 2.24 Government Reimbursement Programs. (a) Each of the Hospitals and each of the DOCHS Members that provide services to beneficiaries of Government Reimbursement Programs is (i) qualified for participation in, and has current and valid provider contracts with, the Government Reimbursement Programs and/or their fiscal intermediaries or paying agents and has been and is in material compliance with the conditions of participation or requirements applicable with respect to such participation and (ii) eligible for payment under the Government Reimbursement Programs for services rendered to qualified beneficiaries.

(b) The Cost Reports for each of the Hospitals and each of the other DOCHS Members that provide services to beneficiaries of Government Reimbursement Programs were filed when due, and Notices of Program Reimbursement have been issued through the Cost Report periods set forth in Schedule 2.24(b).

(c) Except as set forth in Schedule 2.24(c), all amounts shown as due from any of the DOCHS Members in the Cost Reports either were remitted with such Cost Reports or will be remitted when required by the applicable Laws, and all amounts shown in the Notices of Program Reimbursement as due have been or prior to Closing will be paid when required by the applicable Law. Except to the extent liabilities and contractual adjustments with respect to the Health Care System under the Government Reimbursement Programs have been properly reflected and adequately reserved in the Financial Statements, or as set forth in Schedule 2.24(c), none of the DOCHS Members have received notice of any dispute or claim by any Governmental Authority, fiscal intermediary or other Person regarding any of the entities in the Health Care System and the Government Reimbursement Programs or the participation by any of the entities in the Health Care System in such programs. To the Knowledge of DOCMSC, (i) no event has occurred or circumstance exists that could give rise to or serve as a basis for the commencement of any Suit arising from or relating to any Cost Report and (ii) there are no facts or circumstances that could cause any material adjustment or disallowance under any Cost Report.

(d) None of the DOCHS Members have, or are subject to or the beneficiary of, any outstanding loan, grant or loan guarantee pursuant to the Hill Burton Act (42 U.S.C. §§ 291a et seq.).

Section 2.25 Accreditation. (a) Except as set forth in Schedule 2.25(a), the Hospitals are duly accredited by [\_\_\_\_\_] through the periods set forth in Schedule 2.25(a). Except as set forth in Schedule 2.25(a), none of the DOCHS Members have received any notices of deficiency from [\_\_\_\_\_] with respect to the current accreditation period that require or request any action or response by any of the DOCHS Members. No DOCHS Member has received any notice or other communication from any accreditation organization regarding the suspension, revocation or termination of any such accreditation, and, to the Knowledge of DOCMSC, no event has occurred or circumstance exists that could (with or without notice or lapse or time) result, directly or indirectly, in the suspension, revocation or termination of any such accreditation. With respect to such accreditation, DOCMSC has delivered to Blue Wolf a true and complete copy of the most recent [\_\_\_\_\_] accreditation survey report and deficiency list, if any.

(b) For each of the DOCHS Members that is accredited by an Accrediting Entity other than [\_\_\_\_\_] , such accreditation, the period thereof and the relevant Accrediting Entity is set forth in Schedule 2.25(b).

Section 2.26 Permits and Licenses. (a) Schedule 2.26 contains a true, correct and complete list and summary description of all material licenses, registrations, certifications, waivers and permits (including applications therefor) and other material approvals owned or held by the DOCHS Members relating to the ownership, development or operations of the Health Care System, including all (i) material licenses, permits and other authorizations of Governmental Authorities currently held by the DOCHS Members and (ii) all licenses, registrations, certifications, waivers and permits (including applications therefor) and other approvals which are required by the Health Care System to provide patient care services (collectively, the “DOCHS Licenses”). All of the DOCHS Licenses are in full force and effect, in good standing and are not subject to any Proceeding.

(b) The Hospitals are duly licensed by [\_\_\_\_\_]. Any ancillary departments or services located in or providing services to the Hospitals that are required to be separately licensed, are duly licensed by the appropriate Governmental Authorities and Accrediting Entities. The Hospitals are in compliance in all material respects with such licensing requirements. There are no provisions in or agreements relating to any such licenses and permits (including applications therefor) that would preclude or limit, following the consummation of the Transactions, the operation of the Hospitals and the use of all the licensed beds of the Hospitals as they are currently classified. Schedule 2.26(b) contains an accounting of the bed complement that the DOCHS Members are licensed to operate at each facility, including number of operating beds and number of beds out of service.

(c) DOCMSC has delivered to Blue Wolf, with respect to each Hospital and each of the other DOCHS Members, a true and complete copy of the most recent Statement of Deficiencies and Plan of Correction on Form HCFA-2567; the most recent state licensing survey and list of deficiencies, if any; any extraordinary complaints or notices of termination that have

been received from the [\_\_\_\_\_] during the most recent [six] months, whether or not reflected on a Statement of Deficiencies; the most recent Department of Public Safety and fire marshal's survey and deficiency list, if any, and the corresponding plans of correction or other responses, or the most recent comparable documents. All violations set forth in such survey reports, if any, or of which the DOCHS Members have notice or DOCMSC has Knowledge, have been corrected by the DOCHS Members or an applicable plan of correction has been filed by the DOCHS Members. Except as disclosed on Schedule 2.26(c), there is no Proceeding (including a survey report indicating deficiencies that have not been deemed corrected by the applicable Governmental Authority) pending or, to the Knowledge of DOCMSC, threatened, that could reasonably be expected to result in the termination, revocation, limitation, suspension, restriction or impairment of any DOCMSC License or, the imposition of any fine, penalty or other sanctions for violation of any Law relating to any DOCMSC License, nor, to the Knowledge of DOCMSC, is there any basis therefor.

Section 2.27 Compliance Program. DOCHS has delivered to Blue Wolf a copy of the Health Care System's current compliance program materials, including all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms and disciplinary policies.

Section 2.28 HIPAA/Privacy. Except as provided in Schedule 2.28, the DOCHS Members are, and during the ten years prior to the Execution Date have been, in compliance with the applicable requirements of HIPAA as amended by the American Recovery and Reinvestment Act of 2009 and the implementing regulations thereunder governing the privacy of individually identifiable information and the security of such information maintained in electronic form, Law governing the privacy and security of health-related medical information or personal information, and any "business associate" agreement entered into at the request of a HIPAA covered entity.

Section 2.29 Restricted Investments. As of the Execution Date, the amount of the Restricted Investments is \$[\_\_\_\_\_].

Section 2.30 Experimental Procedures. During the three years prior to the Execution Date, the DOCHS Members have not performed or authorized the performance of any experimental or research procedures or studies involving patients of the Health Care System that require the prior approval of any Governmental Authority that has not been obtained.

Section 2.31 Medical Staff; Physician Relations. DOCMSC has delivered to Blue Wolf complete and genuine copies of the bylaws and rules and regulations of the Medical Staff and medical executive committees of the facilities within the Health Care System. Schedule 2.31 sets forth (a) the name of each member of the Medical Staff (active, associate, consulting, courtesy or other) of the Health Care System and (b) the degree (e.g., M.D., D.O., etc.), title, specialty and board certification, if any, of each such Medical Staff member. Except as set forth in Schedule 2.31, there are no pending or, to the Knowledge of DOCMSC, threatened disputes with the Medical Staff of the Health Care System.

Section 2.32 Controlled Substances. No employee of any DOCHS Member, or to the Knowledge of DOCMSC, persons who provide professional services to the Health Care System under agreements with any of the DOCHS Members, has engaged in any activities that are prohibited under the federal Controlled Substances Act (21 U.S.C. §§ 801 et seq.), as amended, or the regulations promulgated pursuant to such statute or any related state or local statutes or regulations concerning the acquisition, storage, disposal, dispensing and sale of controlled substances.

Section 2.33 Solvency. None of the DOCHS Members are insolvent, nor will any be rendered insolvent as a result of the consummation of any of the Transactions. For purposes hereof, the term “solvency” means that (a) the fair salable value of the applicable DOCHS Member’s tangible assets is in excess of the total amount of its liabilities, whether or not reflected on a balance sheet prepared in accordance with GAAP, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (b) the applicable DOCHS Member is able to pay its debts or obligations in the ordinary course as they mature; and (c) the applicable DOCHS Member has capital sufficient to carry on its businesses and all businesses in which it is about to engage.

Section 2.34 Brokers and Finders. Other than Houlihan Lokey Capital, Inc., neither DOCMSC, any Existing Sponsor nor any Affiliate thereof, nor any member, officer or director thereof, has engaged any finder or broker in connection with the Transactions. Any and all liability with respect to any fees and expenses, or other costs incurred or that may be incurred with respect to DOCMSC’s or any Existing Sponsor’s engagement of any finder or broker in connection with the Transactions is solely that of DOCMSC.

Section 2.35 Indebtedness. (a) As of the Execution Date, the outstanding Indebtedness of the DOCHS Members does not exceed \$[\_\_\_\_\_]. Schedule 2.35 provides a true, correct and complete description (including amount) of any such outstanding Indebtedness of the DOCHS Members.

(b) There exists no breach or default, nor, to the Knowledge of DOCMSC, are there any facts or circumstances (including the consummation of the Transactions) which, with or without the passage of time, notice, or both, would be reasonably expected to result in any breach or default under the DOCHS Bonds.

Section 2.36 Anti-Kick Back; Absence of Certain Commercial Practices. None of the DOCHS Members or the Existing Sponsors, nor, to the Knowledge of DOCMSC, any corporate member or equity holder (as applicable), director, officer, employee, agent or other person acting on behalf of any of the DOCHS Members or, with respect to the DOCHS Members or the Health Care System, any Existing Sponsor has in violation of applicable Law: (a) given or agreed to give any gift or similar benefit of more than nominal value to any customer, supplier, governmental employee or official, or any other person who is or may be in a position to help or hinder the Health Care System or assist in connection with any proposed transaction, which gift or similar benefit, if not given in the past, might have adversely affected the business of the Health Care System, or which, if not continued in the future, might adversely affect the business of the Health Care System, (b) used any funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to governmental

officials or others, or established or maintained any unlawful or unrecorded records; (c) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (d) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to, or received any such unlawful payments from, any customers, vendors, suppliers, employees, foreign or domestic government officials or other persons contracting with the DOCHS Members and has not proposed or offered to make or receive any such illegal payments.

Section 2.37 Employed Physicians. As of the Execution Date, there are [\_\_\_\_\_] employed Physicians, each of whom is party to a Physician Contract.

Section 2.38 Level of Participating Provider Agreements. Schedule 2.38 correctly sets forth a list of Physicians who are parties to a Participating Provider Agreement.

Section 2.39 Earnouts; Other Deferred Payment Obligations. Except as provided in Schedule 2.39, none of the DOCHS Members are subject to any earnout, deferred payment or any other similar contingent payment arrangements in connection with any current or prior acquisitions, dispositions or other similar transactions.

Section 2.40 Knowledge of DOCHS. References in the Transaction Documents to “Knowledge of DOCHS” or “DOCHS has no Knowledge” means the actual knowledge of (i) the Senior Executive Officers, (ii) the president, [head of operations] and [head of finance] of each Hospital and (iii) the following persons: [\_\_\_\_\_] , after due inquiry that is reasonable under the circumstances.

Section 2.41 Knowledge of DOCMSC. References in the Transaction Documents to “Knowledge of DOCMSC”, “Knowledge of DOCHS” or “DOCMSC has no Knowledge” or “DOCHS has no Knowledge” means the actual knowledge of (i) the Senior Executive Officers, (ii) the president, [head of operations] and [head of finance] of each Hospital and (iii) the following persons: [\_\_\_\_\_] , after due inquiry that is reasonable under the circumstances.

Section 2.42 No Other Representations or Warranties. Except to the extent set forth in this Article 2, neither of the Existing Sponsors have made, nor make, and expressly disclaim, any representation or warranty of any kind or character, express or implied, oral or written, past, present or future, with respect to the Health Care System, the transactions contemplated hereby or the matters set forth herein, including any warranty of merchantability or fitness for a particular purpose.

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES OF BLUE WOLF

Blue Wolf hereby represents and warrants to the Existing Sponsors as follows (as of the Execution Date and as of the Closing (or, if given as of a specific date, at and as of such specific date)):

Section 3.1 Authorization. Blue Wolf has full company power and authority to enter into the Transaction Documents to which it is a party and full power and authority to carry out and perform the Transactions.

Section 3.2 Binding Agreement. All company and other actions required to be taken by Blue Wolf to authorize the execution, delivery and performance of the Transaction Documents and the Transactions, have been duly and properly executed, taken or obtained by Blue Wolf. No other company or other action on the part of Blue Wolf is necessary to authorize the execution, delivery and performance of the Transaction Documents, all documents necessary to give effect to the Transaction Documents and all Transactions. To the extent Blue Wolf is a party thereto, the Transaction Documents have been duly and validly executed and delivered by Blue Wolf and, assuming due and valid execution by, and enforceability against, any of the Existing Sponsors (as applicable), such Transaction Documents constitute the valid and binding obligations of Blue Wolf enforceable in accordance with their respective terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect and (b) limitations on the enforcement of equitable remedies.

Section 3.3 Organization and Good Standing; No Violation. Blue Wolf is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted. Blue Wolf is qualified to do business and is in good standing in the State of California.

Section 3.4 Noncontravention. Neither the execution and delivery of the Transaction Documents, nor the consummation of the transactions contemplated thereby or the performance and satisfaction by Blue Wolf of its duties and obligations thereunder will (a) violate any decree or judgment of any court or Governmental Authority which may be applicable to or bind Blue Wolf; (b) violate any law, rule or regulation applicable to Blue Wolf which would result in any change, effect, circumstance, state of facts or occurrences that have had or may reasonably be expected to have a material and adverse effect on the ability of the Blue Wolf to consummate the transactions contemplated hereby; (c) violate or conflict with, or result in a breach of, or constitute a default (or an event which, with or without notice or lapse of time or both, would constitute a default) under, or permit cancellation of, any material contract, lease, sales order, purchase order, indenture, mortgage, note, bond, instrument, license or other agreement to which Blue Wolf is a party, or by which Blue Wolf is bound; (d) permit the acceleration of the maturity of any Indebtedness of Blue Wolf; or (e) violate or conflict with any provision of the Governing Documents of Blue Wolf.

Section 3.5 Legal Proceedings. There is no Proceeding pending or, to the Knowledge of Blue Wolf, threatened, related to, against or affecting Blue Wolf or any of its respective properties or assets that would restrain, enjoin or otherwise prevent the consummation of the transactions contemplated by the Transaction Documents. Blue Wolf is not bound by any Proceedings other than those which would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Blue Wolf to perform its obligations under the Transaction Documents.

Section 3.6 Solvency. Blue Wolf is solvent and will not be rendered insolvent as a result of the consummation of any of the transactions contemplated by the Transaction Documents. For purposes hereof, the term “solvency” means that: (a) the fair salable value of Blue Wolf’s tangible assets is in excess of the total amount of its liabilities; (b) Blue Wolf is able to pay its debts or obligations in the ordinary course as they mature; and (c) Blue Wolf has capital sufficient to carry on its business and all businesses which it is about to engage.

Section 3.7 Financing; Availability of Funds. Blue Wolf has, or will have prior to or at the Closing, sufficient access to funds or available financing in an amount sufficient to satisfy its obligations which are required to be satisfied at Closing under the Transaction Documents.

Section 3.8 Brokers and Finders. Neither Blue Wolf nor any Affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transaction contemplated thereunder.

Section 3.9 Knowledge of Blue Wolf. References in the Transaction Documents to “Knowledge of Blue Wolf” means the actual knowledge of [\_\_\_\_], after due inquiry that is reasonable under the circumstances.

#### ARTICLE 4

#### COVENANTS<sup>11</sup>

Section 4.1 Access and Information. From the Execution Date through the Closing, the DOCHS Members shall afford to the officers and agents of Blue Wolf (which shall include accountants, attorneys, bankers and other consultants and agents of Blue Wolf) full and complete access during normal business hours to and the right to inspect the plants, properties, books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Health Care System, including access to conduct Phase I environmental site assessments; provided, however, that any access to the Leased Real Property to conduct environmental diligence involving any intrusive or subsurface sampling or testing, and the scope of such access, shall be subject to the approval and agreement of the pertinent landlord. From the Execution Date through the Closing, DOCMSC shall furnish Blue Wolf with such additional financial and operating data and other information in the DOCHS Members’ possession as to businesses and properties of the Health Care System as Blue Wolf or its representatives may from time to time reasonably request, without regard to where such information may be located. Such access may include consultations with the personnel of the DOCHS Members, officers and directors and captive managers, agents and consultants. Further, Blue Wolf may, at its sole cost and expense, undertake environmental, mechanical and structural surveys of the facilities within the Health Care System and the Real Property; provided, however, that any access to the Leased Real Property to conduct any intrusive or subsurface sampling or testing, and the scope of such access, shall be subject to the approval and agreement of the pertinent landlord. Blue Wolf agrees that, after performing any inspections, tests or surveys, Blue Wolf shall restore the facilities within the Health Care System and the Real

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<sup>11</sup> NTD: Additional covenants, including around title policies, under consideration.

Property as nearly as possible to its original condition and repair any damage to same caused by the performance of such inspections, tests, or surveys. Blue Wolf agrees that, prior to Blue Wolf's or its agents', contractors' or employees' entry onto the facilities within the Health Care System or the Real Property to perform any such inspections, tests or surveys, Blue Wolf shall, and shall cause its agents and contractors to, maintain levels of liability and other insurance as are considered generally acceptable in the industry for the activities to be undertaken at the locations constituting part of the Health Care System or the Real Property.

Section 4.2 Financing. Prior to the Closing Date, the DOCHS Members shall reasonably cooperate with and reasonably assist Blue Wolf in connection with the arrangement of financing in the form of Indebtedness to be used after the Closing Date for working capital or other financing needs of the Health Care System that it may choose to arrange prior to the Closing Date (the "Financing"). Such cooperation shall include, to the extent reasonable, (i) arranging for senior officers of the DOCHS Members to attend meetings with prospective lenders and investors in presentations, other meetings, due diligence sessions and road shows, (ii) arranging for employees and advisors of the DOCHS Members to provide reasonable assistance with Blue Wolf's preparation of business projections and financing documents and any presentation materials, including any bank book, offering memorandum, rating agency presentations and other similar presentation materials, (iii) furnishing Blue Wolf and its financing sources with financial and other pertinent information and materials regarding the Health Care System as may be reasonably requested by Blue Wolf (iv) cooperating with the marketing efforts of Blue Wolf and its financing sources for any such debt raised by Blue Wolf, (v) the execution and delivery of any customary pledge and security documents, other definitive summary documents and other documents as may be reasonably requested by Blue Wolf and that will be effective as of the Closing and (vi) facilitating the pledging of collateral securing the financing and the removal of existing Liens (other than Permitted Liens) on such collateral.

Section 4.3 Conduct of Business. Except as set forth in Schedule 4.3, on and after the Execution Date and prior to the Closing, and except as consented to in writing by Blue Wolf or required by the Transaction Documents, each of the DOCHS Members shall operate their business in the ordinary course consistent with past practice and with respect to the operation of the Health Care System:

- (a) carry on its businesses in substantially the same manner as presently conducted and not make any material change in personnel, operations, finance, accounting policies or practices (unless DOCHS is required to adopt such changes under GAAP), Tax elections or Tax returns or real or personal property;
- (b) maintain the Health Care System and all parts thereof in good operating condition and repair in a manner consistent with past practices, ordinary wear and tear excepted;
- (c) perform all of its material obligations under agreements relating to or affecting the Health Care System and its operations, including the terms and conditions of any Indebtedness and the Restricted Investments;
- (d) keep in full force and effect present insurance policies or other comparable self-insurance;

(e) use commercially reasonable efforts to maintain and preserve its business organization intact, retain its present employees at the Health Care System and maintain its relationships with Physicians, suppliers, customers and others having business relationships with the Health Care System; and

(f) operate in compliance with applicable Law.

Section 4.4 Negative Covenants. From the Execution Date until the Closing, the DOCHS Members shall not, without the prior written consent of Blue Wolf or except as may be required by Law or the Transaction Documents take or omit to take any action, or enter into any agreement or commitment to do anything that, if taken or omitted to be taken after the Balance Sheet Date and prior to the date hereof would constitute a breach of Section 2.8 or enter into any agreement or commitment to do anything that, if agreed or committed to after the Balance Sheet Date and prior to the date hereof would constitute a breach of Section 2.8.

Section 4.5 Additional Financial Information. Within 15 calendar days following the end of each calendar month and 30 calendar days following the end of each quarter after the Execution Date and prior to Closing, DOCMSC shall deliver to Blue Wolf complete copies of the unaudited consolidated balance sheet of the DOCHS Members and the related unaudited consolidated statements of operations and changes in net assets and statements of cash flows in accordance with GAAP for each month then ended, together with corresponding year-to-date amounts (collectively, the “Interim Periodic Financial Statements”). Such Interim Periodic Financial Statements, when delivered, will present fairly in all material respects the results of operations of the DOCHS Members for the respective periods covered, and the balance sheets present fairly in all material respects the financial condition of the DOCHS Members as of their respective dates; in each case, subject to the absence of footnotes and to normal, recurring year-end adjustments. In addition, DOCMSC shall deliver to Blue Wolf the weekly and monthly operational reports as are currently produced on a monthly basis for the management of the DOCHS Members and such other reports as are requested by Blue Wolf.

Section 4.6 No-Shop. From and after the Execution Date until the earlier of the Closing Date or the termination of this Agreement, the Existing Sponsors will not, nor will the same permit any of their respective Affiliates (including any members, officers, directors, employees, financial advisors, brokers, shareholders, representatives, agents or any other person acting on their behalf), without the prior written consent of Blue Wolf, directly or indirectly, to: (a) make an offer of any Alternative Proposal to any Person other than Blue Wolf; (b) solicit any Alternative Proposal from any Person other than Blue Wolf; (c) hold discussions with any party (other than Blue Wolf) relating to such an Alternative Proposal; (d) enter into any agreement, arrangement or understanding with any party (other than Blue Wolf) with respect to an Alternative Proposal; or (e) provide a third party with general access to their books, records or employees for the purpose of enabling such third party to conduct a purchase investigation of their legal, financial or business condition. The Existing Sponsors shall promptly (and in any event within 24 hours after receipt) notify Blue Wolf orally and in writing of any Alternative Proposal, or any inquiries, proposals or offers which could lead to an Alternative Proposal received by, or any request for information from or any negotiations sought to be initiated or continued with, any of the DOCHS Members or their respective representatives concerning an Alternative Proposal or that would reasonably be expected to lead to an Alternative Proposal,

and disclose the identity of the other party and the material terms of such inquiry, offer, proposal or request and, in the case of written materials provided to any of the Existing Sponsors (as applicable), provide Blue Wolf copies of such materials as promptly as reasonably practicable. DOCMSC and Existing Sponsors shall keep Blue Wolf informed on a prompt basis of the status, terms and substance of any inquiry, offer, proposal or request concerning an Alternative Proposal.

Section 4.7 Commercially Reasonable Efforts; Consents. (a) On the terms and subject to the conditions of the Transaction Documents, Blue Wolf and the Existing Sponsors shall use their respective commercially reasonable efforts to cause the Closing to occur (provided that for purpose of this Section 4.7, the phrase “commercially reasonable efforts” shall not be construed to require Blue Wolf, except in its discretion, to pay or commit to pay (or to cause the Health Care System following the carry to pay) any amount to, or incur any obligation in favor of, any Person to obtain such consent or approval or to modify any agreement. [If any consent, approval, authorization, or clearances including the Medicare and Medicaid Participation Approval Documents (other than a Governmental Consent or any other consent, approval, authorization or clearance required for Closing as set forth above) is not obtained prior to the Closing Date, the Parties shall use their respective commercially reasonable efforts to obtain such consent as soon as possible after the Closing Date]. In each case, the DOCHS Members, the Existing Sponsors and Blue Wolf shall cooperate with one another in good faith in the preparation of any applications, documents or other material which may be required by any Governmental Authority or Accrediting Entity as a predicate to or result of the transactions contemplated in the Transaction Documents, and to cause its conditions to Closing set forth in Article 5 or Article 6, as applicable, to be satisfied and for the Closing to occur.

(b) [As promptly as practicable, but in no event later than thirty Business Days following the execution and delivery of this Agreement, DOCMSC and Blue Wolf shall file with the United States Federal Trade Commission and the United States Department of Justice the notification and report form, if any, required for the transactions contemplated hereby and any supplemental information requested in connection therewith pursuant to the HSR Act, which such notification and report form and supplemental information shall be in substantial compliance with the requirements of the HSR Act.]<sup>12</sup>

(c) Notwithstanding the foregoing or anything else in the Transaction Documents, nothing contained in the Transaction Documents shall be deemed to require Blue Wolf or any of its Affiliates to (i) agree to sell, divest, dispose of or hold separate any assets or businesses, or otherwise take or commit to take any action that limits its freedom of action with respect to, or its ability to retain, one or more of its businesses, product lines or assets, or (ii) litigate, pursue or defend against any administrative or judicial action or proceeding (including any temporary restraining order or preliminary injunction) challenging any of the transactions contemplated hereby as violative of any antitrust, competition, merger control or similar Law.

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<sup>12</sup> NTD: To confirm whether HSR filing will be required to consummate the transactions contemplated by this Agreement.

Section 4.8 Public Announcements. The Parties shall agree on the terms of the press release that announces the transactions contemplated by the Transaction Documents and thereafter agree to obtain the other Party's prior written consent before issuing any press release or making any public announcement with respect to the Transaction Documents or the transactions contemplated hereby, except for any press releases or public statements the making of which are required by applicable Law in which case the other Party will be notified promptly thereafter.

Section 4.9 Confidentiality. The Parties acknowledge that the information being provided to them in connection with the transactions contemplated hereby is subject to the terms of the Confidentiality Agreement until the Closing, and hereby agree that the term of the Confidentiality Agreement shall be extended until the Closing or the termination of this Agreement by its terms; provided, that, regardless of whether the Closing occurs, the Parties acknowledge that any and all other information provided to them by the other Parties or any of their Affiliates or representatives concerning any of the Parties or any of their Affiliates shall remain subject to the terms and conditions of the Confidentiality Agreement.

Section 4.10 Notification of Actions and Proceedings. (a) From the Execution Date through the Closing Date, DOCMSC shall promptly notify Blue Wolf in writing after becoming aware of any material fact, change in condition, circumstance, or Proceedings commenced or, to the Knowledge of DOCMSC, threatened, involving or affecting the Health Care System and/or the DOCHS Members. From the Execution Date through the Closing Date, DOCMSC shall notify Blue Wolf in writing within ten days (or if less than 20 days prior to Closing, as promptly as practicable) of becoming aware of any material fact, change in condition, circumstance, or Proceedings commenced or, to the Knowledge of DOCMSC, threatened, involving or affecting the Health Care System and/or any DOCHS Member which, in each case, to the Knowledge of DOCMSC, could be reasonably expected to cause a breach of any representation, warranty or covenant of the Existing Sponsors contained herein. In addition, from the Execution Date through the Closing Date DOCMSC shall give prompt notice in writing to Blue Wolf of any material notice or other material communication received by the DOCHS Members from any Governmental Authority or any other third party in connection with the transactions contemplated hereby.

(b) From the Execution Date through the Closing Date, Blue Wolf shall notify DOCMSC in writing of any material fact, change in condition, circumstance, claims, actions, Proceedings, investigations or inquiries commenced or, to the Knowledge of Blue Wolf, threatened, involving or affecting the Blue Wolf or any of its property or assets, or, to the Knowledge of Blue Wolf, which would reasonably be expected to cause a condition in Article 6 hereto to be unable to be satisfied.

(c) Prior to the Closing Date, DOCMSC shall provide to Blue Wolf a copy of any material notice received by any DOCHS Member with respect to any Physician Agreement or other Material Contract promptly upon receipt thereof.

Section 4.11 Updated Disclosure Schedule. DOCMSC shall be permitted, after the Execution Date, to supplement or amend the Disclosure Schedules solely with respect to any matter occurring after the date of the last delivery of the Disclosure Schedules or supplements or

amendments thereto, as applicable, permitted or required to be set forth or described in the Disclosure Schedules (it being understood that DOCMSC shall be permitted to amend or supplement only the portion of the Disclosure Schedules to which such matter relates). Blue Wolf shall have ten Business Days upon receipt to either accept such supplement or amendment or deliver a notice to DOCMSC (a “Deficiency Notice”); provided, that if Blue Wolf does not deliver a Deficiency Notice within such prescribed time period, Blue Wolf shall be deemed to have accepted such Disclosure Schedules. If the Deficiency Notice is sent by Blue Wolf to DOCMSC, the Parties shall discuss and DOCMSC shall attempt to correct any such deficiency. If DOCMSC is unable to correct such deficiency on or before the date that is ten days following the receipt of such Deficiency Notice and such additional supplements or amendments are not individually, or (when taken together with all previous supplements or amendments) in the aggregate, reasonably satisfactory to Blue Wolf, then Blue Wolf may terminate this Agreement within three Business Days after the expiration of such ten-day period. Blue Wolf’s failure to terminate this Agreement within three Business Days after the expiration of such ten-day period shall constitute Blue Wolf’s deemed acceptance of such supplement or amendment to the Disclosure Schedules.

Section 4.12 Overpayments. Prior to the Closing Date, the Existing Sponsors shall pay in full any Overpayments (in case of any amount received from the Medicare Program or Medicaid, to the extent DOCMSC or any DOCHS Member have or had Knowledge that the payment exceeded the amount billed).

Section 4.13 Insurance Cooperation. To the extent permitted under the terms of the insurance policies set forth in Schedule 2.15(a),<sup>13</sup> the Existing Sponsors shall assign and transfer all of their respective rights under such policies to Blue Wolf or an Affiliate thereof. If the Existing Sponsors’ rights under any such insurance policy are not assignable or transferable, to the extent permitted under law and the terms of the insurance policy, from and after the Closing, Blue Wolf shall be entitled to obtain for the Health Care System the benefits under the insurance policies that relate to the Health Care System. The Existing Sponsors shall, at the request and expense of the DOCHS Members, file claims under any such insurance policies that relate to the Health Care System. The Existing Sponsors shall file any such insurance claim within ten Business Days after presentation thereof by Blue Wolf. The form of any such insurance claims shall be prepared by Blue Wolf. Thereafter, the Existing Sponsors shall keep Blue Wolf informed of the status of the insurance claims and shall promptly provide Blue Wolf or the Health Care System with copies of any and all written communications regarding the insurance claims. After an insurance claim has been filed, the Existing Sponsors shall take no action with respect thereto or compromise or settle any insurance claim unless directed to do so by Blue Wolf. At the expense of Blue Wolf, the Existing Sponsors shall take all lawful actions in respect of insurance claims as are reasonably requested by Blue Wolf, including the prosecution of insurance claims against insurers providing the insurance policies, using legal counsel selected by Blue Wolf. From and after the Closing, Blue Wolf shall have the right, as the attorney-in-fact of the Existing Sponsors, to make any filing and to prosecute, settle or compromise any insurance claim under the insurance policies in the name of and on behalf of the Existing Sponsors to the extent related to the Health Care System. Blue Wolf shall ( or cause

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<sup>13</sup> NTD: Schedule to contemplate any insurance held by Existing Sponsors for the benefit of the Health Care System. To discuss current insurance structure and plan with respect to insurance on a go-forward basis.

DOCHS Members) indemnify or hold harmless the Existing Sponsors against any Proceeding arising from any insurance claims made by the DOCHS Members or the Existing Sponsors after the Closing Date at the request of the Blue Wolf; provided that the Existing Sponsors shall not be in breach of their obligations under this Section 4.13. To the extent permitted under applicable Law and the terms of the insurance policies, the Existing Sponsors shall, upon making an insurance claim requested by the Blue Wolf under the insurance policies, notify the relevant insurer(s) that it has assigned to Blue Wolf any amounts to be paid by such insurer(s) pursuant to such insurance claim and that all payments of such insurance proceeds or benefits relating to such insurance claim should be paid directly to Blue Wolf. The Existing Sponsors shall promptly pay to Blue Wolf all insurance proceeds (net of previously unreimbursed expenses) received by the Existing Sponsors in respect of insurance claims under the insurance policies which requested to be made, or otherwise prosecuted, settled or compromised, by Blue Wolf in accordance with this Section 4.13. Notwithstanding the foregoing, nothing shall prevent the Existing Sponsors from pursuing insurance claims under their insurance policies for coverage of claims against them for matters relating to the pre-Closing operation of the Health Care System.

Section 4.14 Management Services Agreement. Without limiting the obligations under Section 4.1, from the Execution Date until the Closing, the Existing Sponsors recognize the importance of Blue Wolf being able to meet and communicate with personnel all across the Health Care System and Hospitals, including to prepare and plan for, and ensure the smooth transition of, new policies, procedures, strategies, contracts and arrangements that Blue Wolf anticipates will be relevant to the operation of the Health Care System pursuant to the Management Services Agreement to be implemented at Closing, and during such period through Closing the Existing Sponsors shall, and shall cause each DOCHS Member to, use all reasonable best efforts to facilitate and accommodate all aspects of the transition to and the implementation of the Management Services Agreement as deemed appropriate by Blue Wolf, including by providing assistance to Blue Wolf, including its employees, accountants, counsel, advisors and other representatives, as they may request, and at the request of Blue Wolf, arranging, attending, and participating in meetings, negotiations and planning discussions with, and otherwise ensuring Blue Wolf maximum accessibility to and ability to communicate and interact with, the Senior Executive Officers, Medical Staff, other employees of any of the DOCHS Members, applicable Governmental Authorities and any other Persons providing goods or services or otherwise involved in providing services by or to the Health Care System or any Hospital (including any third party vendors or independent contractors thereof).

## ARTICLE 5

### CONDITIONS PRECEDENT TO OBLIGATIONS OF EXISTING SPONSORS

The Existing Sponsors' obligation to effectuate the Reaffiliation and to close the Transactions shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing in whole or in part at or prior to the Closing:

Section 5.1 Accuracy of Representations and Warranties and Compliance with Obligations. The representations and warranties of Blue Wolf made in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the

Closing Date (or, if given as of a specific date, at and as of such specific date). Blue Wolf shall have performed in all material respects all obligations required to be performed by it under this Agreement on or prior to the Closing Date.

Section 5.2 Signing and Delivery of Instruments. Blue Wolf shall have caused to be executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to Section 1.7 of this Agreement.

Section 5.3 No Injunction. On the Closing Date, there shall be no permanent injunction, restraining order or decree of any nature of any Governmental Authority that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby, and no suit shall have been instituted by a Governmental Authority seeking the same with at least a reasonable possibility of success.

Section 5.4 Competition Law. Any waiting period (and any extension thereof) under the HSR Act applicable to the transactions contemplated hereby will have expired or will have been terminated.

Section 5.5 Governmental Consents. The Governmental Consents shall have been received or obtained on or prior to the Closing Date.<sup>14</sup>

## ARTICLE 6

### CONDITIONS PRECEDENT TO OBLIGATIONS OF BLUE WOLF

Blue Wolf's obligation to effectuate the Reaffiliation and to close the Transactions shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Blue Wolf in whole or in part at or prior to the Closing.

Section 6.1 Accuracy of Representations and Warranties and Compliance with Obligations. (a) The representations and warranties of DOCMSC and the Existing Sponsors made in this Agreement shall be true and correct, disregarding all qualifiers and exceptions relating to materiality or Material Adverse Effect, as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (or, if given as of a specific date, at and as of such specific date) except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect. The DOCHS Members and the Existing Sponsors shall have performed all obligations required to be performed by each under this Agreement on or prior to the Closing Date.

Section 6.2 Signing and Delivery of Instruments; Effectuation of Transactions. The Existing Sponsors shall have, as appropriate, received, executed and delivered, and shall have caused any and all DOCHS Members to execute and deliver all documents, instruments and certificates required to be obtained, executed and delivered pursuant to Section 1.6 of this Agreement. All third party or Governmental Authority consents and approvals necessary or

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<sup>14</sup> NTD: Treatment of 2014 Bonds to be discussed.

desirable for the consummation of any of the Transactions shall have been obtained, and each of the Transactions shall have either (i) been consummated, or (ii) there shall exist no condition or impediment to the immediate consummation of any of the Transactions at Closing (to the extent any such Transactions are contemplated by the applicable Transaction Document to occur at Closing).

Section 6.3 No Injunction. On the Closing Date, there shall be no permanent injunction, restraining order or decree of any nature of any Governmental Authority that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby, and no suit shall have been instituted by a Governmental Authority seeking the same with at least a reasonable possibility of success.

Section 6.4 Competition Law. Any waiting period (and any extension thereof) under the HSR Act applicable to the transactions contemplated hereby will have expired or will have been terminated.

Section 6.5 Governmental Consents. (a) The Governmental Consents shall have been received or obtained on or prior to the Closing Date, without the imposition of any condition deemed by Blue Wolf in its sole discretion to be materially burdensome.

(b) All material licenses, permits, approvals, registrations, certificates, accreditations and authorizations from Governmental Authorities, if any, that are required of Blue Wolf and are necessary or required to permit the consummation of the Transactions (except for the Medicare and Medicaid Participation Approval Documents which are governed by Section 6.5(c)) and the operation of the Health Care System by Blue Wolf after the Closing shall have been obtained without the imposition of any condition deemed by Blue Wolf in its sole discretion to be materially burdensome, or if not required to have been obtained as of the Closing Date, true, correct and complete applications therefor shall have been timely filed or made.

(c) All necessary applications for Medicare and Medicaid certifications, provider agreements and related provider numbers (the "Medicare and Medicaid Participation Approval Documents"), with respect to each of the Provider Entities, and all necessary applications for the State of California with respect to the Management Services Agreement (management company approval) shall have been filed with and accepted by each Governmental Authority with jurisdiction or authority concerning such matters, and Blue Wolf shall have obtained from each such Governmental Authority assurances reasonably satisfactory to Blue Wolf (which may, in the sole discretion of Blue Wolf, include oral assurances from appropriate Governmental Authorities) that, subject to the successful completion of an applicable survey (as applicable), Blue Wolf and each DOCHS Member, as applicable, will be issued Medicare and Medicaid Participation Approval Documents effective as of the Closing Date for each of the Provider Entities and the State of California will approve the Management Services Agreement.

Section 6.6 DSH Applications. All necessary applications for each of the Hospitals that currently qualifies for and receives Medicare Disproportionate Share Hospital ("DSH") reimbursement adjustments to receive such Medicare DSH under Blue Wolf's ownership from and after the Closing Date shall have been filed with and accepted by Medicare, and Blue Wolf shall have obtained from each of the Governmental Authorities responsible for

Medicare DSH determinations assurances satisfactory to Blue Wolf (which may, in the sole discretion of Blue Wolf, include oral assurances from appropriate Governmental Authorities) that each such Hospital will receive DSH reimbursement adjustments after giving effect to the Reaffiliation and the other Transactions at least as favorable to each Hospital as those received by the DOCHS Members prior to the Closing Date.

Section 6.7 No Material Adverse Effect. No event, occurrence or development shall have occurred since the date of this Agreement and be continuing that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.8 Required Contract Consents. The Contract Consents set forth in Schedule 6.8 shall have been received or obtained on or prior to the Closing Date without the imposition of any conditions deemed by Blue Wolf in its sole discretion to be materially burdensome.

Section 6.9 Tax Exempt Status. Blue Wolf shall have received reasonable assurances (which may include the advice of counsel) that none of the Transactions will cause any DOCHS Member to no longer qualify as an exempt organization under Section 501(c)(3) of the Code that is not a private foundation because it is described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code or (ii) interest on the Bonds to be included in gross income for federal income tax purposes.

Section 6.10 Working Capital. As of the Closing, Final Working Capital shall have been agreed in accordance with Section 1.8. The Existing Sponsors shall contribute an amount equal to \_\_\_\_% of any Working Capital Shortfall on the Closing Date. Any such contribution by the Existing Sponsors shall be in the form of a subordinated loan to the Health Care System upon terms mutually agreed upon by the Existing Sponsors and Blue Wolf.

Section 6.11 Ratification of New Labor Agreements. The New Labor Agreements, in form reasonably acceptable to Blue Wolf, shall have been agreed, accepted, adopted and ratified by the applicable Labor Unions, and evidence of the same shall have been delivered to Blue Wolf.

## ARTICLE 7

### TERMINATION

Section 7.1 Termination. This Agreement may be terminated at any time prior to Closing as follows:

(a) by the mutual written consent of the Parties;

(b) (i) by Blue Wolf, if Closing has not occurred on or before [\_\_\_\_, 2015] (the "Outside Date"); provided, that during the 30 day period prior to the Outside Date either Blue Wolf or DOCMSC shall have the right to extend the Outside Date for a period of up to [\_\_\_\_] (the "Initial Extended Outside Date"), and in addition, during the [\_\_\_\_] day period prior to the Initial Extended Outside Date Blue Wolf shall have the right to extend the Initial Extended Outside Date for a further period of up to [\_\_\_\_] months (the date upon which such further

extended period is scheduled to expire, the “Second Extended Outside Date”) in each case so long as the Party so extending is not then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement to an extent which would give the other Party the right not to close pursuant to Article 5 or Article 6, as the case may be; (ii) by Blue Wolf, if the Closing has not occurred by the Initial Extended Outside Date, so long as Blue Wolf is not then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement to an extent that would give DOCMSC the right not to close pursuant to Article 5; and (iii) by Blue Wolf or DOCMSC, if the Closing has not occurred by the Second Extended Outside Date, so long as the terminating Party is not then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement to an extent that would give the other Party the right not to close pursuant to Article 5 or Article 6, as the case may be. For purposes of this Section 7.1, upon such time, if at all, that the Outside Date or the Initial Extended Outside Date is extended as permitted by the terms of this Section 7.1(b), the termination rights associated with the date which was so extended shall thereby cease, it being understood that the termination rights contained in this Section 7.1, if any, associated with the newly extended date shall then be in force and effect;

(c) by DOCMSC if any event, fact or condition shall occur or exist that shall have made it impossible to satisfy any condition to Closing set forth in Article 5 by the Outside Date or if applicable, the Initial Extended Outside Date or the Second Extended Outside Date, and, if curable, such event, fact or condition shall not have been cured within [30] calendar days after DOCMSC provides Blue Wolf with written notice of the occurrence or existence of such event, fact or condition; provided that DOCMSC shall not have the right to terminate this Agreement pursuant to this Section 7.1(c) if any of the DOCHS Members or Existing Sponsors are then in breach of any of their representations, warranties, covenants or agreements contained in this Agreement to an extent which would give Blue Wolf the right not to close pursuant to Article 6; or

(d) by Blue Wolf if any event, fact or condition shall occur or exist that shall have made it impossible to satisfy any condition to Closing set forth in Article 6 by the Outside Date or if applicable, the Initial Extended Outside Date or the Second Extended Outside Date, and, if curable, such event, fact or condition shall not have been cured within [30] calendar days after Blue Wolf provides DOCMSC with notice of the occurrence or existence of such event, fact or condition; provided that Blue Wolf shall not have the right to terminate this Agreement pursuant to this Section 7.1(d) if Blue Wolf is then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement to an extent which would give DOCMSC the right not to close pursuant to Article 5.

Section 7.2 Termination Consequences. If this Agreement is terminated pursuant to Section 7.1, (i) all further obligations of the Parties under this Agreement shall terminate, except that the obligations in this Section 7.2 and Sections 4.9 (Confidentiality), 11.4 (Governing Law), 11.8 (Confidentiality and Publicity), and 11.10 (Expenses and Attorneys’ Fees) shall survive and (ii) each Party shall pay the fees, costs and expenses incurred by it in connection with this Agreement, except as provided in Section 11.10.

## ARTICLE 8

### POST-CLOSING MATTERS

Section 8.1 Misdirected Payments. After the Closing, the Existing Sponsors shall remit to Blue Wolf, in its capacity as manager of the Health Care System under the Management Services Agreement, with reasonable promptness, and no later than five Business Days after receipt thereof, any monies or other assets received by the Existing Sponsors constituting or in respect of the Health Care System. If any Person determines that funds previously paid or credited to the DOCHS Members in respect of services rendered prior to the Closing Date have resulted in an overpayment or must be repaid, the Existing Sponsors shall be responsible for the repayment of said monies (and the defense of such actions). If the Members of DOCHS suffer any deduction to or offset against amounts due to them of funds previously paid or credited to any of the DOCHS Members in respect of the services rendered prior to the Closing Date, the Existing Sponsors shall immediately pay to Blue Wolf the amounts so billed or offset upon written demand.

Section 8.2 Preservation and Access to Records. (a) From the Closing Date until such time as DOCMSC would have been permitted, under applicable Law, to dispose of such records (the "Document Retention Period"), Blue Wolf shall keep and preserve in paper, digital or electronic form, as legally permitted, all medical records, patient records, medical staff records and other books and records relating to the Health Care System as of the Closing Date. Blue Wolf will afford to the representatives of the Existing Sponsors, including their respective counsel and accountants, full and complete access to, and copies of, such records with respect to time periods prior to the Closing Date (including access to records of patients treated at the facilities within the Health Care System prior to the Closing Date) during normal business hours after the Closing Date, to the extent reasonably needed by the Existing Sponsors for business purposes. Blue Wolf acknowledges that, as a result of entering into the Transaction Documents and operating the Health Care System, it will gain access to patient records and other information which are subject to rules and regulations concerning the privacy, security, and maintenance of such records and information. Notwithstanding the first sentence of this Section 8.2(a) Blue Wolf shall abide by any such rules and regulations relating to the confidential information it acquires as they apply to Blue Wolf or, as applicable, as they would have applied to the Existing Sponsors. Blue Wolf shall maintain the patient and medical staff records at the facilities within the Health Care System in accordance with applicable Law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Blue Wolf intends to destroy or otherwise dispose of any of the documents described in this Section 8.2(a), Blue Wolf shall provide written notice to the Existing Sponsors of Blue Wolf's intention no later than ninety calendar days prior to the date of such intended destruction or disposal.

(b) Blue Wolf and its representatives shall be given access by the Existing Sponsors during normal business hours to the extent reasonably needed by Blue Wolf for business purposes to all documents, records, correspondence, work papers and other documents retained by the Existing Sponsors pertaining to the Health Care System or with respect to the operation of any Hospital prior to the Closing Date.

Section 8.3 [DISCUSS][Employee Matters. (a) Subject to the Pension Obligation Assumption Agreement, for a period of [six] months following the Closing Date, Blue Wolf shall, or shall cause the DOCHS Members to provide each employee of the DOCHS Members (collectively, the “Employees”) who continues to be employed with an Acquired Entity with base salary and bonus opportunity substantially similar to the base salary and bonus opportunity provided to such Employee immediately prior to the date hereof; provided, however, that nothing contained in this Agreement shall change the at-will nature of any Employee’s employment or require that any Employee be employed for any particular period of time.

(b) Subject to the Pension Obligation Assumption Agreement, Blue Wolf shall cause the DOCHS Members to give each Employee full credit for purposes of eligibility, vesting and benefit accrual (other than under a defined benefit pension plan) under the employee benefit plans or arrangements maintained by the Existing Sponsors or DOCHS Members in which such Employees participate for such Employee’s service with any of the DOCHS Members or their predecessors and/or such Employee’s participation in the DOCHS Members’ (or their predecessors’) employee benefit plans or arrangements, as applicable. Subject to the Pension Obligation Assumption Agreement, with respect to any welfare plan maintained by the DOCHS Members for the benefit of Employees on and after the Closing Date, Blue Wolf shall (i) cause there to be waived any eligibility requirements or pre-existing condition limitations and (ii) give effect, in determining any deductible and maximum out-of-pocket limitations, to amounts paid by such Employees with respect to comparable plans maintained by the DOCHS Members.]<sup>15</sup>

Section 8.4 [Indigent and Low Income Care. From and after the Closing Date, with respect to the operation of the Health Care System, Blue Wolf shall cause the Health Care System to adhere to and comply with the then existing policies of the DOCHS Members regarding indigent and charity care, as set forth in Schedule 8.4.]

## ARTICLE 9

### TAX AND COST REPORT MATTERS<sup>16</sup>

Section 9.1 Tax Matters. After the Closing Date, the Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to Tax liabilities or potential Tax liabilities and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The Parties shall also make available to each other as reasonably required, and at the reasonable cost of the requesting Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with Tax matters.

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<sup>15</sup> NTD: Consider these changes in light of proposed changes in the CBAs and the DOCHS Retirement Plan.

<sup>16</sup> NTD: To discuss provisions relating to maintenance of 501(c)(3) status, tax-exempt status of bonds and indemnity for damages resulting from the loss of such status.

## ARTICLE 10

### NON-SURVIVAL OF REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS

Section 10.1 Non-Survival of Representations, Warranties and Certain Covenants. The representations and warranties of the parties hereto contained in this Agreement and the covenants contained in Sections 4.3(f) and 4.10 shall terminate at the Closing, or upon termination of this Agreement pursuant to Section 7.1, and, following the Closing or the termination of this Agreement, as the case may be, no Party hereto shall make any claim whatsoever for any breach of any such representation, warranty or covenant. Except as otherwise provided herein, each covenant and agreement of the parties hereto contained in the Transaction Documents shall survive the execution and delivery of this Agreement and the Closing in accordance with its terms.

## ARTICLE 11

### MISCELLANEOUS PROVISIONS

Section 11.1 Entire Agreement. The Transaction Documents, the Disclosure Schedules, the exhibits and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior agreements, understandings, representations and statements, oral or written, between the Parties on the subject matter hereof (the “Superseded Agreements”), which Superseded Agreements shall be of no further force or effect.

Section 11.2 Further Assurances and Cooperation. Each Party shall execute, acknowledge and deliver to the other Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by the other Party at any time and shall take any and all other actions reasonably requested by the other Party at any time for the purpose of more effecting the Transactions. After consummation of the Transactions, the Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of the Transaction Documents, the documents referred to in this Agreement and the transactions contemplated hereby.

Section 11.3 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the Parties hereto; provided, however, that no Party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other Party and any attempted assignment without the required consents shall be void. Subject to the preceding sentence of this Section 11.3, this Agreement and all the provisions hereof shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 11.4 Governing Law. (a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to the conflicts of law principles thereof. The Parties hereby waive their right to assert in

any proceeding involving this Agreement that the law of any other jurisdiction shall apply to such dispute; and the Parties hereby covenant that they shall assert no such claim in any dispute arising under this Agreement.

(b) Each Party agrees that any suit, action or proceeding brought by such party against the other in connection with or arising from this Agreement (“Judicial Action”) shall be brought solely in the United States District Court for the [\_\_\_\_] District of California (and the appellate courts thereof), and if no jurisdiction exists in such federal court, the [\_\_\_\_] Court of the State of California sitting in [\_\_\_\_] (and the appellate courts thereof). Each of the Parties hereto agrees that a final judgment or order in any such suit, action or proceeding may be enforced (in addition to being enforced in the aforementioned courts) in any other jurisdiction by suit, action or proceeding on the judgment or order or in any other manner provided by law. Each Party hereto irrevocably consents to service of process in the manner provided for notices in Section 11.6. Nothing contained herein will affect the right of any party hereto to serve process in any other manner permitted by law.

(C) NO PARTY OR ANY ASSIGNEE, SUCCESSOR, HEIR OR PERSONAL REPRESENTATIVE OF A PARTY SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION PROCEDURE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER AGREEMENTS OR THE DEALINGS OR THE RELATIONSHIP BETWEEN THE PARTIES. NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS SECTION 11.4(C) HAVE BEEN FULLY DISCUSSED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NO PARTY HERETO HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY HERETO THAT THE PROVISIONS OF THIS SECTION 11.4(C) WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

Section 11.5 Amendments. This Agreement may not be amended other than by a written instrument signed by the Parties hereto.

Section 11.6 Notices. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when (a) in writing and (b) personally delivered, received by facsimile or overnight courier, or five calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

To Blue Wolf:

BW DCHS Management LLC  
c/o Blue Wolf Capital Partners LLC  
One Liberty Plaza, 52<sup>nd</sup> Floor  
New York, NY 10006  
Attn: Chief Compliance Officer

If to the Existing Sponsors or DOCMSC (prior to Closing), to them at:

[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
Attention: [\_\_\_\_\_]
Fax: [\_\_\_\_\_]

with copies to:

[\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
Attention: [\_\_\_\_\_]
Fax: [\_\_\_\_\_]

or at such other address for a Party as such Party may designate by notice hereunder to the other parties.

Section 11.7 Headings. The section and other headings contained in the Transaction Documents, the Disclosure Schedules and the exhibits to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of the Transaction Documents, the Disclosure Schedules and exhibits hereto.

Section 11.8 Confidentiality and Publicity. The Parties hereto shall hold in confidence the information contained in this Agreement, and all information related to this Agreement, which is not otherwise known to the public, shall be held by each Party hereto as confidential and proprietary information and shall not be disclosed without the prior written consent of the other Parties; provided, however, each Party shall be permitted to provide a copy of this Agreement to any applicable Governmental Authorities as reasonably required or necessary. Accordingly, Blue Wolf and the DOCHS Members shall not discuss with, or provide nonpublic information to, any third party (except for such Party's attorneys, accountants, directors, governors, officers and employees, the directors, governors, officers and employees of any Affiliate of any Party hereto who agree to be bound by the confidentiality provisions of this Agreement, and other consultants and professional advisors) concerning this transaction prior to the Closing Date, except: (a) as required in governmental filings or judicial, administrative or arbitration proceedings; (b) pursuant to public announcements made with the prior written approval of DOCMSC and Blue Wolf; or (c) as otherwise required by applicable Law.

Section 11.9 Third Party Beneficiary. Except as provided in Section 11.14, none of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a Party to this Agreement.

Section 11.10 Expenses and Attorneys' Fees. (a) Except as otherwise provided in the Transaction Documents, each Party shall bear and pay its own costs and expenses relating to the preparation of the Transaction Documents and to the transactions contemplated by, or the

performance of or compliance with any condition or covenant set forth in, the Transaction Documents, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of the Transaction Documents (the “Transaction Fees”), whether or not the transactions contemplated hereby are consummated.

(b) Notwithstanding anything to the contrary in this Agreement, if this Agreement is terminated (i) pursuant to Section 7.1(b) and Blue Wolf is not then in breach of any of its representations, warranties, covenants or agreements contained in this Agreement to an extent which would give the Existing Sponsors the right not to close pursuant to Article 5; or (ii) pursuant to Section 7.1(d) then the Existing Sponsors shall, jointly and severally, reimburse Blue Wolf for its Blue Wolf-Related Expenses within five Business Days after DOCMSC’s receipt of supporting documentation for such Blue Wolf-Related Expenses.

(c) Each of the Parties acknowledges that the agreements contained in this Section 11.10 are an integral part of the Transactions. In the event that the Existing Sponsors or DOCMSC, as the case may be, shall fail to pay the amounts required under this Section 11.10, and, in order to obtain such payment, the other party commences a suit that results in a judgment against any of the Existing Sponsors or DOCMSC, as applicable, for the amounts set forth in this Section 11.10, then the Existing Sponsors or DOCMSC shall pay to the prevailing party its costs and expenses (including reasonable attorneys’ fees and expenses) in connection with such suit, together with interest on such unpaid fees, commencing on the date that such fees became due, at a rate equal to the rate of interest publicly announced by Citibank N.A., from time to time, in The City of New York, as such bank’s Prime Rate plus 1.00%.

(d) The parties agree that, in the event Blue Wolf does not seek remedies under Section 11.12 for specific performance, the payments provided for in this Section 11.10 in the event sought by Blue Wolf shall, to the extent applicable, be the sole and exclusive remedies, at law or in equity, or otherwise, of Blue Wolf and its Affiliates against the Existing Sponsors or any of their respective former, current or future members, directors, officers, employees or Affiliates or their representatives for any loss suffered as a result of the failure of the Transactions to be consummated; it being understood that if specific performance is sought by Blue Wolf under Section 11.12 and is denied or such proceeding is terminated, in each case for any reason whatsoever, it shall be without prejudice to the remedies set forth in this Section 11.10.

Section 11.11 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term, covenant or condition. The subsequent acceptance of performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party’s knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

Section 11.12 Specific Performance. The Existing Sponsors acknowledge and agree that irreparable injury to Blue Wolf may occur in the event that any provision of this Agreement was not performed in accordance with its specific terms or was otherwise breached by any of the Existing Sponsors and that such injury would not be adequately compensable in damages because of the difficulty of ascertaining the amount of damages that will be suffered by Blue Wolf in the event that this Agreement was breached by the Existing Sponsors. It is accordingly agreed that Blue Wolf shall each be entitled, in addition to any other remedy to which it is entitled at law or in equity, to specific enforcement of, and injunctive relief, without proof of actual damages, to prevent any violation of the terms hereof by the Existing Sponsors, and the Existing Sponsors will take no action directly or indirectly, in opposition to Blue Wolf seeking such relief on the grounds that any other remedy or relief is available at law or in equity. Any requirements for the securing or posting of any bond with such remedy are hereby waived. Notwithstanding anything to the contrary set forth in this Agreement (including the foregoing sentences of this Section 11.12), the Existing Sponsors acknowledge and agree that none of the Existing Sponsors may seek specific performance for any reason to require Blue Wolf to consummate the transactions (or any portion thereof) contemplated hereby under any circumstance.

Section 11.13 Severability. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The Parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

#### Section 11.14 DOCMSC Representative

(a) Each DOCHS Member has irrevocably appointed and authorized DOCHS as the “DOCMSC Representative” and as its agent and such DOCHS Member ‘s true and lawful attorney-in-fact and agent, with full powers of substitution and resubstitution, in such DOCHS Member ‘s name, place and stead, in any and all capacities, in connection with the transactions contemplated by this Agreement and/or the other Transaction Documents, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection with the Transactions as fully to all intents and purposes as such DOCHS Member might or could do in person. Each DOCHS Member has appointed the DOCMSC Representative as its agent for the purpose of receiving service of process or other legal summons in connection with any proceeding brought by Blue Wolf in any court in connection with or relating to this Agreement and/or the other Transaction Documents. The power-of-attorney granted in this Section 11.14(a) is coupled with an interest and is irrevocable. The DOCMSC Representative may perform its duties as such through sub-agents

and attorneys-in-fact and shall have no liability for any acts or omissions of any such sub-agent or attorney if selected by it with reasonable care. Blue Wolf shall be entitled to deal exclusively with the DOCMSC Representative on behalf of any and all DOCHS Members in connection with all matters relating to this Agreement and/or the other Transaction Documents, and shall be entitled to rely conclusively (without further evidence of any kind whatsoever) on any document executed or purported to be executed on behalf of any DOCHS Member by the DOCMSC Representative, and on any other action taken or purported to be taken on behalf of any DOCHS Member by the DOCMSC Representative, as fully binding upon such DOCHS Member. The DOCMSC Representative shall notify the DOCHS Members within a reasonable time of all material actions taken by it pursuant to this Section 11.14.

(b) Without limiting the generality of the foregoing Section 11.14(a), the DOCMSC Representative, acting alone without the consent of any other DOCHS Member, is hereby authorized by each of the DOCHS Members to (i) take any and all actions under this Agreement and/or the other Transaction Documents without any further consent or approval from any other Person, (ii) effect payments to DOCHS Members hereunder or thereunder, (iii) receive or give notices hereunder or thereunder, (iv) receive or make payment hereunder or thereunder, (v) execute waivers or amendments hereof, and/or (vi) execute and deliver documents, releases and/or receipts hereunder or thereunder.

Section 11.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties hereto.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, this Reorganization, Conversion and Disaffiliation Agreement has been executed and delivered as of the day and year first above written.

DOCHS:

**DAUGHTERS OF CHARITY HEALTH SYSTEM**

By: \_\_\_\_\_  
Name:  
Title:

EXISTING SPONSORS:

**DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:

**DAUGHTERS OF CHARITY ST. VINCENT DEPAUL**

By: \_\_\_\_\_  
Name:  
Title:

BLUE WOLF:

**BW DCHS MANAGEMENT LLC**

By: \_\_\_\_\_  
Name:  
Title: