

In response to Seller's questions seeking more information regarding SGM and SGM's position on the Deposit amount and timing, Purchaser's representation at Section 6.07(b) and Purchaser's commitment on providing similar compensation to hired employees, the following are SGM's further responses:

1. SGM Information: SGM is a venture company used to acquire assets and businesses, through companies which are associated (through common ownership and otherwise) with SGM, but which are not subsidiaries of SGM. SGM and its associated companies (collectively, the "SGM Companies") currently own and operate integrated healthcare systems, including 7 hospitals in Southern California and others outside of the Country. The SGM Companies also own and operate various ancillary providers, including without limitation skilled nursing facilities, recovery centers, rehabilitation centers, diagnostic companies, surgery centers, and urgent care and home health providers. In addition, the SGM Companies own, operate and manage large medical groups, including independent physician associations, multi-specialty medical groups and primary care medical groups. The SGM Companies also run a medical college, nursing college and nutritional college and related operations. Consistent with the manner in which the SGM has structured other acquisitions, and consistent with lender requirements for special purpose borrowing entities, SGM would also have this proposed acquisition accomplished through one or more special purpose acquisition entities.

2. Deposit: SGM is prepared to fund a deposit of \$50 Million. However, there are concerns that once DCHS elects to enter into an APA with a purchaser, one or more third parties might seek to challenge such transaction, through court action which could suspend the parties' ability to proceed for an extended period, during which time the substantial Deposit would be tied up in escrow. In order to mitigate this risk, SGM proposes to fund \$25 Million of the Deposit upon signing of the APA and to fund the remaining \$25 Million of the Deposit within 60 days after signing.

3. Section 6.07(b): In connection with Purchaser's representation at Section 6.07(b), the initial draft of Schedule 6.07(b) would say "None," because SGM has nothing currently to disclose in qualification of such representation.

4. Section 8.02(d): Purchaser is prepared to provide the following commitment regarding compensation for Hired Employees (which would replace the bracketed/reserved language in our September 26, 2014 draft):

Hired Employees which are represented under a Collectively Bargaining Agreement will receive compensation consistent with the applicable Collective Bargaining Agreement and Hired Employees not represented under a Collective Bargaining Agreement shall generally receive salary or wages which are initially similar to those which were provided by DCHS prior to the Closing Date.

5. Other: In answer to footnote 2 in the APA, Purchaser agrees that any adverse effect resulting from the implementation of a Purchaser requested RIF plan would not form the basis of an MAE.

Please let us know if you have any questions or would like to discuss any of these matters further.