

---

**From:** Ligibel, Geoffrey  
**Sent:** Monday, July 21, 2014 12:51 PM  
**To:** Turnbull, Andrew; Jackson, Scott; Ilhardt, Benjamin; Wingkun, Lauren-Nicole  
**Subject:** FW: Update

FYI

**Geoffrey Ligibel**  
Director

**HOULIHAN LOKEY**  
312.456.4782 **Direct**  
312.456.4700 **Main**  
[GLigibel@HL.com](mailto:GLigibel@HL.com)

**From:** Joel Freedman [<mailto:jfreedman@pldn.com>]  
**Sent:** Monday, July 21, 2014 12:07 PM  
**To:** Ligibel, Geoffrey  
**Cc:** Nick Orzano; James MacPherson  
**Subject:** Re: Update

Geoff, sorry it has taken a few days to get back to you but we appreciate the update. We have been waiting patiently for the APA and projections, but are hearing lots of market chatter about other buyers, so we are happy to hear that no one group is "in the lead" from your perspective.

On our end, based on our recent discussions, we have endeavored to assess the issues surrounding "unknown/uninsurable contingent liabilities," have reconciled favorably, and withdraw our request to retain only specified liabilities, so that hurdle is behind us.

We have also worked on language to insert into the APA which would outline the formation and governance of the ESOP and make it clear to the union that we consider them a critical asset of the business going forward and that they will be able to help ensure their long-term involvement with the company by helping to select the ESOP Trustee, who will effectively serve as the non-operational CEO for the ESOP parent which will wholly-own each of the hospital subsidiaries on behalf of the ESOP Trust. We will provide this language to you following our receipt of your APA turn but please rest assured that we are firmly committed to the union, greatly value their contribution going forward, have an interest to intensify their role in meaningful ways, and will not waver from this position. The language will affirm this.

As for our continuing due diligence efforts, we are having some challenges. We have been attempting to arrange a discussion between our actuary and DCHS' actuary, a conversation that you offered up several weeks ago. Our actuary is readily available but feels that we are being stalled for some reason from facilitating this discussion. Also, while we have access to the contract management system, it is nearly impossible to access specific contract types, and we need assistance from your team (e.g., providing specific document numbers). As a result, we still have not reviewed a long list of critical documents such as payor contracts and would like to commence such efforts immediately. For convenience, Nick will soon forward an updated due diligence list to you.

We continue to feel that our management capabilities, deal structure, and certainty of closing positions us as the best buyer for the business, taking account of all of the considerations that you have suggested are important to your client. The receipt of a legitimate turn of the APA, receipt of the requested forecasts, and increased attention and focus on diligence items will certainly go a long way in making us feel that we are being seriously considered. Until that time, we are moving at half speed at best in order to avoid unproductive diligence costs and provide adequate focus and attention on other opportunities that are heating up for us.

Any additional feedback would be appreciated.

All the best,

JOEL

Joel Freedman

President

**Paladin Healthcare Capital, LLC**

2121 Rosecrans Avenue, Suite 2320

El Segundo, CA 90245

