

WITHHELD

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199 Water Street
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May 21, 2014

Joel Freedman
President
Paladin Healthcare Capital, LLC
2121 Rosecrans Avenue, Suite 2320
El Segundo, CA 90245

Dear Joel:

Based on our continued review of the materials you have provided us as well as our review of the materials provided in the virtual data room and our ongoing conversations with you, Healthcare Finance Group, LLC ("HFG") has continued interest in providing senior debt capital in regard to supporting Paladin Healthcare's proposed acquisition of the Daughters of Charity Health System ("DOCHS"). Please further note that this is an indication of interest in pursuing this opportunity and does not constitute a commitment to lend, arrange or provide financing or an agreement or understanding to issue a commitment letter with respect to the transaction set forth herein. The continuation of discussions toward a committed financing would be based upon further due diligence by HFG and access to additional financial and operational data.

Based upon an initial review of the information provided at this time, HFG would seek to provide a [REDACTED] senior secured asset based revolving credit facility with initial proceeds used to support a portion of the total initial purchase price and to provide for DOCHS' ongoing working capital and general corporate needs. The amount of availability on the line would be determined after due diligence, including a field audit, and evaluation of the liquidity related to the DOCHS at the time of the closing of the acquisition.

Additionally, HFG has interest in providing term debt at the OpCo entity based on the operating cash flows provided by the entity inclusive of any QAF moneys determined to be received at the OpCo according to schedules released by CHA. Such amounts of the total facility will be based on continued diligence of the projected cash flows, timing of QAF payments, expected contributions required on the assumed pension liabilities and further business diligence around the operating plan of the OpCo entity. A further review and confirmation of the contemplated capital structure at the OpCo entity at close and plan and execution of ESOP will be further areas of diligence.

Joel, we hold you and the Paladin team in high regard based upon your expertise and proven execution over the years in evaluating, advising and managing various healthcare systems across the United States. We are encouraged by the progress to date and vision Paladin has put forth on the DOCHS opportunity and are excited to continue down the path as a potential financing source for the opportunity.

We hope that the above information serves as a guide to assist you in your evaluation of the proposed acquisition. We look forward to working with you and would be readily available to further speak with you or any representatives or advisors representing DOCHS in the contemplated transaction if so desired.

Sincerely



James L. Gelwicks
Managing Director
Healthcare Finance Group



R. Thomas Ryan
Senior Vice President
Healthcare Finance Group



May 21, 2014

Mr. Joel Freedman, President
Paladin Healthcare Capital, LLC
2121 Rosecrans Avenue, Suite 2320
El Segundo, CA 90245

Joel:

On behalf of H.I.G. Capital, LLC (“H.I.G.”), we are pleased to present this letter of commitment to participate in the potential acquisition of Daughters of Charity Health System (“DCHS” or the “Company”). As you know, we have been interested for a long time in working with you personally and the broader Paladin team to invest in the hospital sector. We believe that our significant experience with healthcare services businesses, as well as our acquisition and operational experience, will make us a strong partner to Paladin and DCHS during and after the transaction.

H.I.G. Capital Overview

H.I.G. is the largest and most active private equity investment firm specializing in acquisitions and recapitalizations of middle market businesses, with particularly strong expertise and experience in healthcare services companies. H.I.G. is able to leverage our expansive portfolio of companies, strategic network, geographic presence and large investment professional network to provide access to and create opportunities for the companies with which we partner. With over \$15 billion of available committed equity capital to support our investment activities, we are also able to close deals quickly and commit additional capital to pursue future strategic initiatives that enhance service quality and drive profitable growth. H.I.G.’s investors, to name a few, include Goldman Sachs, JP Morgan Chase, Morgan Stanley and the endowments of Yale University, Columbia University and MIT. We are proud of our track-record over the past two decades during which period we have completed over 250 investments, and partnered with management to build strong companies, enhance service and product offerings to customers, and achieve successful outcomes for our investors. Importantly, because we have a large investment team with more than 200 investment professionals, we typically move more quickly than other investors and can devote substantial resources to each transaction and portfolio company. H.I.G. has a long history of success investing in companies in the healthcare and health services markets. Below are a few of our relevant investments:

- **Surgery Partners**, based in Chicago, IL, acquires, develops and manages free-standing ambulatory surgical centers (ASC) in partnership with leading physicians. The company owns and operates over forty ambulatory surgical centers. As one of the largest ASC operators in the Southeast, Surgery Partners is dedicated to clinical excellence in outpatient surgery services and provides its centers with experienced operations leadership, development expertise, and practice partnership.
- **CFMG**, based in Monterey, CA, is the leading provider of outsourced healthcare services for county jail inmates in California. The company delivers a full suite of healthcare services for thousands of county jail inmates across California. Since being founded in 1983, the Company has provided responsive, innovative, high quality and cost effective correctional healthcare

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services to California counties. CFMG's programs are accredited through the California Medical Association Institute of Medical Quality for both adult and juvenile correctional facilities.

- **APS Healthcare**, headquartered in Silver Spring, Maryland, is a leading provider of behavioral healthcare and disease management services as well as employee assistance programs (EAP). The company offers a wide range of customized mental and substance abuse healthcare services to more than 12 million covered lives in the United States and Puerto Rico. It has a network of over 29,000 healthcare providers that offers mental health services to individuals for its customers, including corporate employers, healthcare insurers, PPOs, HMOs, Medicaid, Medicare, indemnity plans and other public sector programs. APS is also widely known as a leading innovator within the emerging disease management industry for its proprietary development and utilization of predictive modeling to identify, stratify and effectively intervene with high-risk cases, in particular those with co-morbid medical and behavioral issues.
- **InterDent**, based in Inglewood, California, is a leading dental practice support organization in the United States. The Company supports 145 offices in eight western states primarily under the well-established Gentle Dental brand name. InterDent's highly visible retail locations, which are located in many of the nation's most attractive markets, offer general dentistry, orthodontics, and other specialty services. The Company's network delivers affordable and comprehensive dental care to over one million patients annually.

Our dedicated capital funds, experienced investment professionals and focus on the healthcare sector, allow H.I.G. to offer an accelerated deal timeline and a certainty of closing that consistently differentiate us from our competitors.

Funding Commitment and Approval

- We have appreciated the opportunity to work with your team and diligence advisors over the past month. As we have discussed, we have reviewed the financial performance, operating elements, and legal structure. Based on our work to date, we propose to commit [REDACTED] in equity capital to support the potential acquisition of the Company.
- The equity will be funded using committed capital from H.I.G.'s [REDACTED] LBO Fund V. H.I.G.'s investment is not subject to any outside approvals. The H.I.G. Investment Committee, on which I sit, has already had discussions about this transaction and is supportive of this deal, subject to confirmatory diligence.
- This commitment letter is intended solely to be a non-binding statement of interest by H.I.G. with respect to a possible transaction. A binding commitment will exist only upon execution and delivery of mutually satisfactory definitive agreements, completion of final due diligence satisfactory to H.I.G. in its sole discretion, and final approval by H.I.G.'s investment committee. This commitment letter creates no binding or enforceable rights in favor of any person.

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H.I.G.'s internal transaction team includes the members listed below. We intend to add additional resources as the deal proceeds. All team members can be reached at their respective email addresses and at (415) 439-5500:

H.I.G. Professional	Title	Email
Neil Tuch	Managing Director	[REDACTED]
Jeff Bohl	Principal	[REDACTED]
Amanda Kalin	Vice President	[REDACTED]
Wenjia Zhu	Associate	[REDACTED]

We welcome the opportunity to work with you and Paladin on this potential transaction.

Sincerely,

H.I.G. Capital, LLC:



Neil Tuch
Managing Director