

August \_\_, 2014

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RE: Daughters of Charity Health System MOB Portfolio

Dear \_\_\_\_\_:

This letter (this "Letter of Intent") sets forth the basic terms upon which Blue Wolf Capital Fund III, L.P., through a to be formed affiliate (New Found Health Investment, LLC or an affiliate thereof ("Purchaser") is interested in pursuing the acquisition of the Portfolio (defined below) from [Daughters of Charity Health Systems]<sup>1</sup> ("Seller") (such potential acquisition to be referred to herein as the "Potential Transaction"). This Letter of Intent is intended to serve only as the basis for the negotiation of a definitive real estate purchase and sale agreement providing for the Potential Transaction (the "Purchase Agreement") and other transaction documents as contemplated by the Master Agreement (as defined below). It is agreed by both parties that this Letter of Intent does not purport to include all material or necessary terms to contract for the Potential Transaction. Purchaser agrees to endeavor to cause its counsel to prepare and forward to Seller the initial draft of the Purchase Agreement within ten (10) business days following Purchaser's receipt of a fully executed copy of this Letter of Intent. Upon Seller's receipt of the Purchase Agreement, Seller and Purchaser shall in good faith negotiate the Purchase Agreement with the understanding that the same will be executed prior to the expiration of the Exclusivity Period (as defined below).

The basic terms upon which Seller and Purchaser are willing to pursue the Potential Transaction are as follows:

1. **Portfolio:** The "Portfolio" consists of fee simple title to each and all of the properties (consisting of land and all buildings, structures and other improvements located thereon) identified on Schedule 1 attached hereto and made a part hereof (individually, a "Property" and collectively, the "Properties"), including all tangible personal property, intangible personal property, contracts, leases, lease guaranties, licenses, permits and warranties relating to the Properties.

2. **Purchase Price:** The total purchase price for the Portfolio (free and clear of all encumbrances, except for the existing leases and title exceptions acceptable to Purchaser) shall be [One Hundred Million Dollars (\$100,000,000)](the

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<sup>1</sup> DOCHS to identify the affiliated entities owning each Property, to be named collectively as Seller.

"Purchase Price"), subject to customary adjustments and prorations to be included in the Purchase Agreement or other transaction documents. <sup>2</sup>

3. **Closing and Structure:** The closing (the "Closing") of the Potential Transaction shall occur simultaneously with the closing of the transactions contemplated under that certain 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 (the "Master Agreement").

4. **Due Diligence:** Purchaser shall have a due diligence period (the "Due Diligence Period") from the date of this Letter of Intent until 6:00 p.m., Pacific Time, on the later of (i) \_\_\_\_\_ (\_\_\_\_) business days after the execution of the Purchase Agreement, or (ii) \_\_\_\_\_ (\_\_\_\_) business days after Purchaser's receipt of all title, survey and other due diligence materials and information requested by Purchaser, including without limitation all information, materials, data, documents and other due diligence items for each Property listed on Schedule 2 attached hereto and made a part hereof, to make such review, inquiries, examinations and inspections of the Portfolio and all aspects thereof. At any time prior to the expiration of the Due Diligence Period, and for any or no reason whatsoever, Purchaser shall have the right to terminate the Purchase Agreement. Seller agrees to deliver or make available to Purchaser, promptly after the full execution and delivery of this Letter of Intent, copies of the information and materials listed on Schedule 2 attached hereto and made a part hereof. Additionally, should Purchaser request any information, materials, documents or other items relating to any Property but not set forth on Schedule 2 hereto, then Seller promptly shall deliver the same to Purchaser, to the extent such additional items are within Seller's possession or control. Purchaser will indemnify and defend Seller from and against any loss, cause of action or claim resulting from Purchaser's due diligence inspections of the Properties.

5. **Representations, Warranties and Covenants:** Seller will make the usual representations, warranties and covenants expected of a seller of real estate similar to the Property, including accuracy of documents and other factual matters submitted or required by the Purchase Agreement to be submitted to Purchaser, the absence of pending litigation and violations of applicable laws and ordinances, the absence of contamination of the Property with hazardous materials, and agreement to cooperate as reasonably necessary to create any required easements, access agreements, subdivisions and other applicable land use documents.

6. **Conditions to Closing:** Purchaser's obligation to close the Potential Transaction shall be conditioned upon satisfaction (or waiver by Purchaser) of the following (among other conditions to closing agreed to by Seller and Purchaser and incorporated into the Purchase Agreement:

a. No defaults under any leases or lease guaranties with respect to each Property.

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<sup>2</sup> NB: Seller to confirm that the Properties can be conveyed free and clear of any liens or obligations relating to the existing municipal bond financing. Purchase price is subject to completion of Seller's confirmatory due diligence review.

b. Purchaser's receipt, at least ten (10) business days prior to the date of Closing, of estoppel certificates, in form and substance acceptable to Purchaser and dated no earlier than thirty (30) days prior to Closing, executed by tenants (and any guarantors as applicable) of each Property leasing, in the aggregate, not less than \_\_\_% of the applicable property (and which shall include estoppel certificates from all tenants leasing in excess of \_\_\_\_\_ square feet of the applicable Property). Such estoppel certificates shall not raise any monetary or non-monetary issues that could affect the ownership, operation, leasing, maintenance or repair of any Property, and otherwise shall confirm the terms and provisions of the applicable lease.

c. Other conditions to Closing to be agreed to by Seller and Purchaser.

7. **Brokerage:** Neither Seller nor Purchaser has dealt with any broker or finder with respect to this Letter of Intent or the Potential Transaction, and Seller and Purchaser each agrees to indemnify the other against all claims for fees, commissions or other compensation claimed to be due to any broker, finder or intermediary with whom the indemnifying party may have dealt in connection with this transaction.

8. **Capital Items:** Seller shall be responsible for paying any and all tenant improvement costs and expenses, leasing commissions and fees, and capital improvement costs and expenses relating to leases entered into prior to the effective date of the Purchase Agreement. For all new leases executed after the effective date of the Purchase Agreement and approved by Purchaser, provided that the Potential Transaction shall be consummated, Purchaser will be responsible to reimburse, on each Payment Date, Seller for any amounts for such items funded by Seller. Seller shall obtain Purchaser's written approval before any such capital item is negotiated after the date of this Letter of Intent.

9. **Closing Costs and Prorations:** Seller and Purchaser shall be responsible for their own legal fees in connection with the Potential Transaction. Seller shall be responsible for paying the following costs associated with the Potential Transaction: (a) for each Property, a current commitment for an owner's title insurance policy (including examination fees); (b) for each Property, an ALTA owner's title insurance policy (including endorsements required by Purchaser, including non-imputation) in an amount designated by Purchaser for the applicable Property; (c) for each Property, a current ALTA/ACSM survey; (d) the cost to record the deeds and the cost to cure any title matters objected to by Purchaser prior to the expiration of the Due Diligence Period and with respect to which Seller is obligated or has agreed to cure; and (e) all state, county and municipal transfer/transactions taxes or documentary stamps. Seller and Purchaser shall split equally any closing escrow charges. All other closing costs are to be allocated in the manner typical of similar transactions conducted within the applicable counties in which the Properties are located. All items of income and expense shall be prorated on an accrual basis as of the date of the Closing.

10. **Remedies:** Seller's sole and exclusive remedy for a default by Purchaser under the Purchase Agreement shall be to terminate the Purchase Agreement. Purchaser's remedies for Seller's default under the Purchase Agreement shall be to either (a) terminate the Purchase Agreement, in which event Seller shall, immediately upon demand, reimburse Purchaser for any and all costs

and expenses suffered, paid or incurred by Purchaser in connection with the transaction contemplated under the Purchase Agreement, including without limitation, all costs and expenses incurred by Purchaser in connection with its due diligence review of the Properties, (b) sue Seller for specific performance of the terms of the Purchase Agreement, or (c) if the remedy of specific performance is not available or practical, or Seller's default was intentional or willful, to sue Seller for damages.

11. **Exclusivity:** During the pendency of the Master Agreement (such period, the "Exclusivity Period"), Seller agrees not to (a) market or advertise, or engage or retain any broker to market or advertise, for sale the Portfolio, any single Property or any group of Properties, (b) discuss or enter into negotiations with any person or party (other than Purchaser) regarding the potential sale and transfer of the Portfolio, any single Property or group of Properties, (c) offer or solicit offers for the potential sale and transfer of the Portfolio, any single Property or group of Properties, or (d) respond or reply to or address any offer, solicitation or request for information relating to or referencing the potential sale of the Portfolio, any single Property or group of Properties. During the Exclusivity Period, Seller and Purchaser agree to negotiate the Purchase Agreement (and any other related transaction documents) exclusively and in good faith.

If the foregoing terms are acceptable to Seller, please have the appropriate representative on behalf of Seller acknowledge such acceptance by signing on the line provided below and returning to the undersigned a copy of this Letter of Intent. For the purposes hereof, facsimile transmissions of a signed copy of this Letter of Intent shall be deemed originals and constitute adequate delivery for all intents and purposes. Seller and Purchaser acknowledge and agree that this Letter of Intent represents only the general business terms of the Potential Transaction, and is not intended to address or cover all matters with respect to the Potential Transaction. Except for the obligations set forth in Section 11 above, the terms and provisions set forth in this Letter of Intent are and shall be non-binding, and serve only as the basis for the preparation of the Purchase Agreement and any other definitive agreements embodying the terms described herein. As such, the parties agree that, except as set forth in Section 11 above, the terms and provisions contained in this Letter of Intent shall not be enforceable against any party unless and until a definitive Purchase Agreement is fully executed and delivered in a mutually acceptable form, at which time such Purchase Agreement shall govern the respective rights and obligations of Seller and Purchaser with respect to the Potential Transaction.

Sincerely,

BLUE WOLF CAPITAL FUND III, L.P.

BY: BLUE WOLF CAPITAL ADVISORS III, L.P.  
ITS: GENERAL PARTNER

BY: BLUE WOLF CAPITAL ADVISORS III, LLC  
ITS: GENERAL PARTNER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: August \_\_\_\_, 2014

Seller hereby accepts this Letter of Intent as of the date set forth below its name.

[DAUGHTERS OF CHARITY HEALTH SYSTEMS]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: August \_\_\_\_, 2014

**SCHEDULE 1**

**PORTFOLIO PROPERTIES**

<b><u>Property</u></b>	<b><u>Allocated Purchase Price</u></b>
Huntington Park Medical Office Building 2700 East Slauson Avenue Huntington Park, CA 90255	
Maywood Medical Office Building 5953 South Atlantic Boulevard (a/k/a 5931 and 5957 S. Atlantic Blvd.) Maywood, CA 90270	
Parking Lot 3633 Martin Luther King Jr. Blvd. Lynwood, CA 90262	
St. Vincent Medical Office Building 199 & 201 South Alvarado Street Los Angeles, CA 90057	
Ocean View Pavilion 2222 Ocean View Avenue Los Angeles, CA 90057	
O'Connor Medical Office Building 2101 Forest Avenue San Jose, CA 95128	
Clarmar Building 2030 Forest Avenue San Jose, CA 95128	
Barclay Building Medical Office Condos (3 units) 2039 Forest Avenue San Jose, CA 95128	

<p>45% JV Interest in Health Center One Office Building 455 O'Connor Drive San Jose, CA 95128</p>	
<p>Morgan Hill Medical Office Building 18550 Saint Louise Drive Morgan Hill, CA 95037</p>	
<p>Previous Hospital Facility (vacant) 18500 Saint Louise Drive Morgan Hill, CA 95037</p>	
<p>Serramonte Medical Dental Building 1500 Southgate Avenue Daly City, CA 94015</p>	
<p>SMOC #1 Medical Office Building 1800 Sullivan Avenue Daly City, CA 94015</p>	
<p>SMOC #2 Medical Office Building 1850 Sullivan Avenue Daly City, CA 94015</p>	

## **SCHEDULE 2**

### **PROPERTY INFORMATION**

1. Seller's existing owner's title insurance policy covering each Property.
2. Real estate tax bills for the past 2 years for each Property.
3. Seller's existing Phase I (and if applicable Phase II) environmental report for each Property.
4. Seller's existing survey of each Property.
5. Seller's most current rent roll for the Properties.
6. Existing certificates of occupancy for each Property.
7. Existing leases, amendments and lease guaranties for each Property.
8. List of security deposits held by Seller for the Properties.
9. Existing service contracts, management agreements and leasing commission agreements for the Properties.
10. The current financial statements of the tenants (other than where Seller is the tenant) in Seller's possession.
11. A list of current income and expense items pertaining to each Property.
12. All studies, reports, permits, subdivision and planned unit development plats, approvals and plans, tax statements, surveys, zoning information, topographical and engineering studies and all other data and information relating to the Property or the development thereof, which Seller or any of its agents or representatives or any of their affiliates have in their possession with respect to each Property.
13. A true, correct and complete copy of all governmental licenses and approvals issued in connection with each Property, and a copy of all correspondence between Seller and its agents and representatives and any and all governmental officials concerning each Property.