

REORGANIZATION, CONVERSION AND DISAFFILIATION AGREEMENT

among

DAUGHTERS OF CHARITY HEALTH SYSTEM,

DAUGHTERS OF CHARITY MINISTRY SERVICES CORPORATION,

AND

NEW FOUND HEALTH HOLDINGS, LLC

Dated as of [____], 2014

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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 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”), and NEW FOUND HEALTH HOLDINGS, LLC, a Delaware limited liability company (“NF Holdings”). DOCHS, DOCMSC, and NF Holdings are sometimes collectively referred to herein as the “Parties” and individually referred to herein as a “Party.”

RECITALS:

WHEREAS, DOCHS engages in delivering health care services to the public through the hospitals and medical foundation 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; and

WHEREAS, the Existing Sponsor desires to cease sponsorship of the Health Care System and DOCHS Parent and DOCMSC, the sole corporate member of DOCHS Parent, desires to consummate a series of transactions whereby, pursuant to Section 1.2 hereof, (i) DOCHS Parent will 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 New Governance Documents, and (ii) each other DOCHS Member that is a California nonprofit religious corporation will be converted to a California nonprofit public benefit corporation;

WHEREAS, simultaneously with the Closing, (i) New Found Health Investment, LLC, a Delaware limited liability company and wholly owned subsidiary of NF Holdings (“NF Investment”) or its designee will purchase from the relevant DOCHS Member(s), and such DOCHS Member(s) will sell to NF Investment or its designee, the rights and title to the medical office buildings set forth on Annex III hereto (the “Medical Office Buildings”) 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 Defined Benefit Church Plan will be either (x) merged with the Retirement Plan for Hospital Employees or (y) converted to a single employer ERISA plan; (iv) New Found Health Management Services, LLC, a Delaware limited liability company and wholly owned subsidiary of NF Holdings (“NF Management”) will enter into a Management Services Agreement with the DOCHS Members, the form of which is attached as Exhibit B hereto (the “Management Services Agreement”), whereby NF Management will provide management services to the Health Care System; (v) the

DOCHS Members and NF Investment will enter into an Asset Purchase Option Agreement, the form of which is attached as Exhibit C hereto (the “Asset Purchase Option Agreement”); and (vi) the DOCHS Members and the other applicable person(s) associated with the religious institution known as the Catholic Church will enter into a Continuing Affiliation Agreement, whereby the DOCHS Members will continue to be included as subordinate organizations recognized as exempt under section 501(c)(3) of the Code under the United States Conference of Catholic Bishops’ group tax exemption (GEN: 0928) (the “Continuing Affiliation Agreement”).¹

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 the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) Series 2005A outstanding in the principal amount as of July 30, 2014 of \$256,170,000 and the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System – St. Francis Medical Center) Series 2005F, 2005G and 2005H outstanding in the principal amount as of July 30, 2014 of \$28,305,000, secured by Obligations Nos. 8, 10 and 11 issued under the Master Indenture and by the Deeds of Trust.

“2014 Bonds” means the California Statewide Communities Development Authority Revenue Bonds (Daughters of Charity Health System) 2014 Series A, B and C outstanding in the principal amount of \$125,000,000, secured by Obligations 13, 14 and 15 insured under the Master Indenture.

“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.

¹ NF Holdings did not, and does not, intend to mandate the Existing Sponsors being a party to such an agreement. In fact, NF Holdings’ intention was actually only to offer the Existing Sponsors maximum visibility and deference in connection with the church affiliation arrangement. Please note this matter is being addressed further and directly by NF Holdings and Lazard in the follow up discussions relating to this revised draft and the most updated offer by NF Holdings.

“Affiliation Parties” shall have the meaning set forth in Section 2.1 hereof.

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

“Alternative Proposal” means any contract, proposal, offer or indication of interest relating to any transaction or series of related transactions (other than transactions with NF Holdings 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 membership or 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 expressly named in and 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 Continuing Affiliation Agreement and the Release Agreement.

“Application” shall have the meaning set forth in Section 4.7(b) hereof.

“Asset Purchase Option Agreement” shall have the meaning set forth in the recitals hereof.

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

“Building Signs” shall have the meaning set forth in Section 7.7 hereof.

“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.

“CBS Senior Directors” means the individuals set forth on Schedule 1.1(a)(i).

“CFO’s Certificate” shall have the meaning set forth in Section 1.7.

“Church Approval” shall have the meaning set forth in Section 5.6 hereof.

“Church Law” shall have the meaning set forth in Section 5.6 hereof.

“Closing” shall have the meaning set forth in Section 1.4 hereof.

“Closing Date” shall have the meaning set forth in Section 1.4 hereof.

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

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

“Collective Bargaining Agreements” means the collective bargaining agreements and other labor union contracts listed on Schedule 1.1(a)(ii), including any expired collective bargaining agreement with respect to which a duty to bargain still exists.

“Commitment Letter” shall have the meaning set forth in Section 3.10 hereof.

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

“Continuing Affiliation Agreement” shall have the meaning set forth in the recitals hereof.

“Continuing Senior Leaders” means all of the DOCHS Parent Executives, the Hospital CEOs, the DOCHS Medical Foundation President and Chief Medical Officer, and the CBS Senior Directors who are employed by a DOCHS Member as of the Closing Date.

“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.

“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.

“Deeds of Trust” means each Deed of Trust with Fixture Filing and Security Agreement dated as of December 1, 2001 granted by a Member of the DOCHS Obligated Group to the Master Trustee under the Master Indenture.

“Defined Benefit Church Plan” means the DOCHS Retirement Plan which is a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“Defined Contribution Church Plans” means the Daughters of Charity Health System Retirement Plan Account, the Daughters of Charity Health System Supplemental Retirement Plan (401(a)) and the Daughters of Charity Health System Supplemental Retirement Plan (TSA/403(b)), and any other defined contribution plan that is listed on Schedule 1.1(a)(iii) (whether or not frozen), each of which is a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“D&O and EPL Insurance” shall have the meaning set forth in Section 4.8 hereof.

“Disclosure Schedules” means the schedules which are delivered by DOCHS Parent and/or DOCMSC to NF Holdings designated as such in accordance with the terms of this Agreement.

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

“DOCHS Medical Foundation President” means Ernie Wallerstein as of the Effective Date.

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

“DOCHS Members’ Plans” shall have the meaning set forth in Section 2.12(a) hereof.

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

“DOCHS Parent Executives” means those individuals identified on Schedule 1.1(a)(iv).

“DOCHS Parent Names” means “Daughters,” “Daughters of Charity,” “Daughters of Charity Health System,” “DCHS,” “DOCHS,” “DCHS Medical Foundation,” or any such similar name.

“DOCHS Pre-Closing Communications” shall have the meaning set forth in Section 11.15 hereof.

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

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

“Document Retention Period” shall have the meaning set forth in Section 7.2(a) hereof.

“Employee Pension Benefit Plan” has the meaning set forth in Section 3(2) of ERISA.

“Employee Welfare Benefit Plan” has the meaning set forth in Section 3(1) of ERISA.

“Employees” shall have the meaning set forth in Section 2.13(a) hereof.

“Environmental Laws” means all federal, state, or local laws, rules or regulations (whether now existing or hereafter enacted or promulgated) and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, relating to the protection of human health, safety and environment.

“Environmental Survey” shall have the meaning set forth in Section 2.6(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 Sponsor” means the religious congregation known as Daughters of Charity of St. Vincent de Paul.

“Expiration Date” shall have the meaning set forth in Section 1.11 hereof.

“Fiduciary Liability Insurance” shall have the meaning set forth in Section 4.9 hereof.

“Final Working Capital” shall have the meaning set forth in Section 1.7 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.

“Government Order” means any order, writ, judgment, injunction, decree, stipulation, restriction, ruling, decision, verdict, determination or award made, issued or entered by or with any Governmental Authority.

“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.

“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.

“Hazardous Material” means any (i) toxic or hazardous materials or substances, including mold; (ii) solid wastes, including asbestos, polychlorinated biphenyls, mercury, chemicals, flammable or explosive materials; (iii) radioactive materials (including naturally-occurring radioactive materials); (iv) petroleum or petroleum products (including crude oil); (v) medical waste; and (vi) any other chemical, pollutant, contaminant, substance or waste that is regulated by any Governmental Authority under any Environmental Laws.

“Health Care Laws” means all applicable laws, treaties, statutes, ordinances, decrees, rules, writs, regulations, orders, rulings, judgments, awards, judicial or administrative interpretations, or other requirements of any Governmental Authority relating to healthcare matters, including the Federal Food, Drug and Cosmetic Act (21 U.S.C. §§ 301 et seq.), the Controlled Substances Act (21 U.S.C. §§ 801 et seq.), the federal health care program anti-kickback law (42 U.S.C. § 1320a-7b(b)), the anti-inducement law (42 U.S.C. § 1320a-7a(a)(5)), the civil Federal False Claims Act (31 U.S.C. §§ 3729 et seq.), the criminal false claims law (42 U.S.C. § 1320a-7b(a)), the Stark anti-referral law (42 U.S.C. § 1395nn), the exclusion laws (42 U.S.C. § 1320a-7), Medicare (Title XVIII of the Social Security Act), Medicaid (Title XIX of the Social Security Act), the Veterans Health Care Act of 1992 (38 U.S.C. § 8126), the 340B Drug Discount Program (42 U.S.C. § 256b) and California Business & Professions Code section 650.01 et seq. and related regulations, and California Law to similar effect.

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

“Historical Financial Statements” shall have the meaning set forth in Section 2.10(a) hereof.

“Hospital CEOs” means Gerald Kozai, Catherine Fickes, James Dover and Joanne Allen as of the Closing Date.

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

“Hospital Trademarks” means the following trademarks: “St. Francis Medical Center,” “St. Vincent Medical Center,” “Seton Medical Center,” “Seton Medical Center – Coastside,” “Saint Louise Regional Hospital” and “O’Connor Hospital.”

“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.

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

“JCAHO” shall have the meaning set forth in Section 2.8(d) hereof.

“Knowledge of NF Holdings” means, as of any date of determination, the actual knowledge of Adam Blumenthal, Charlie Miller, Jeremy M. Kogler, Vijay Nandwani, Richard B. Becker and Richard C. Wright.

“Knowledge of DOCHS” means, as of any date of determination, the actual, then-current knowledge of the Chief Executive Officer, the Chief Financial Officer and the General Counsel of DOCHS Parent.

“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)(v), 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.

“Licenses” means licenses issued by or received from a Governmental Authority, provider numbers, permits, approvals, certificates of exemption, franchises, accreditations, registrations, authorizations, filings, consents, permits or other approvals or required waivers.

“Liens” means any mortgage, deed of trust, pledge, assessment, security interest, lease, sublease, lien (including mechanic’s or materialmen’s liens and judgment liens), levy, right of way, easement, covenant, charge or other encumbrance of any kind, whether imposed by contract, Law, equity or otherwise.

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

“Master Indenture” shall have the meaning set forth in Section 6.4 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, (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; (v) events, changes, facts, conditions, circumstances or occurrences generally affecting the health care industry; (vi) events, changes, facts, conditions, circumstances or occurrences generally affecting the United States of America or world economy or the debt, credit or securities markets of the United States of America or world (including any decline in the price of any security or any market index) or the

market or geographical area in which the Hospitals are located, in each case to the extent such events, changes, facts, conditions, circumstances or occurrences do not disproportionately affect the Health Care System; (vii) any outbreak or escalation of hostilities or declared or undeclared acts of war or terrorism or any acts of God, natural disasters; (viii) events, changes, facts, conditions, circumstances or occurrences resulting from actions taken by DOCHS to the extent NF Holdings has requested such actions in writing or to which NF Holdings has consented in writing; (ix) any event, change, fact, condition, circumstance or occurrence to the extent resulting from any actions taken by NF Holdings or its Affiliates other than as contemplated by this Agreement; (x) any failure of DOCHS to meet projections, forecasts or revenue or earning predictions for any period; (xi) any strike or work stoppage or slowdown; or (xii) events, changes, facts, conditions, circumstances or occurrences resulting from the announcement or execution or the existence of, or compliance with, this Agreement; or (b) the ability of DOCHS, DOCHS or the Affiliation Parties to perform their respective obligations under the Transaction Documents.

“Material Contract” shall have the meaning set forth in Section 2.17 hereof.

“Material Payors” shall have the meaning set forth in Section 2.18 hereof.

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

“Medical Office Buildings” shall have the meaning set forth in the recitals hereof.

“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.

“Member of the DOCHS Obligated Group” means each of DOCHS, O’Connor Hospital, Saint Louise Regional Hospital, Seton Medical Center, St. Francis Medical Center and St. Vincent Medical Center.

“Multiemployer Plan” or “Multiemployer Plans” means one or both of the Local 39 Pension Plan and the Retirement Plan for Hospital Employees.

“New Governance Documents” means the Governance Documents for DOCHS Parent in the form attached hereto as Exhibit D.²

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

²NTD: NF Holdings is further considering the proposal that only the governance documents of DOCHS Parent be replaced at closing.

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

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

“Outside Date” shall have the meaning set forth in Section 9.1(d)(i) 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)(vi), 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.

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

“Permitted Exceptions” means the exceptions set forth on Schedule 1.1(a)(vii).

“Permitted Names” shall have the meaning set forth in Section 7.7 hereof.

“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.

“Post-Closing Representation” shall have the meaning set forth in Section 11.15 hereof.

“Pre-Closing Representation” shall have the meaning set forth in Section 11.15 hereof.

“Prior Company Counsel” shall have the meaning set forth in Section 11.15 hereof.

“Proposal Notice” shall have the meaning set forth in Section 1.11 hereof.

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

“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.³

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

“Records” means all files, data, documents, records, correspondence, work papers, operating manuals and other documents, including Employee records, financial records, equipment records, construction plans and specifications, patient records, medical records and medical and administrative libraries, medical staff, peer review and physician credentialing records and files, and on-site regulatory compliance records, including in each case electronically stored files, data, documents and records.

“Release Agreement” shall have the meaning set forth in Section 1.3 hereof.

“Restricted Marks” shall have the meaning set forth in Section 7.7 hereof.

“Retained Assets” shall have the meaning set forth in Section 1.8 hereof.

“Retained Records” means all Records to the extent relating to the Retained Assets.

“Right of First Refusal” shall have the meaning set forth in Section 1.11 hereof.

“Schedule Supplement” shall have the meaning set forth in Section 4.13 hereof.

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

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

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

“Tax” or “Taxes” means any and all foreign or United States federal, state, or local 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, withholding, social security (or similar, including FICA), 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.

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

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

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

³NTD: Form being separately provided of the Real Estate Purchase Agreement.

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

“Transferred Marks” shall have the meaning set forth in Section 7.7 hereof.

“Transition Period” shall have the meaning set forth in Section 7.7 hereof.

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

“Underlying Title Documents” shall have the meaning set forth in Section 2.7(a) hereof.

“WARN Act” shall have the meaning set forth in Section 7.3(b).

“Working Capital” shall be calculated in accordance with the methodology set forth in Annex VI hereto.

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

“Working Capital Target” means the amount set forth on Exhibit G.

(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.”

Section 1.2 Reaffiliation Change of Status. At the Closing, (a) DOCMSC shall cause each of the DOCHS Members to cease to be sponsored by the Existing Sponsor and (b) DOCMSC shall cause each of the applicable DOCHS Members to be converted from a California nonprofit religious corporation to a California nonprofit public benefit corporation (clauses (a) and (b) being referred to herein as the “Reaffiliation”).

Section 1.3 Effect of Reaffiliation. Upon consummation of the Reaffiliation, (i) the individuals whose names are set forth on Annex V hereto shall replace the individuals then serving as the directors of DOCHS Parent, and (ii) except as otherwise set forth in this Agreement, neither DOCMSC nor any director, officer, manager, employee, agent or other representative of DOCMSC (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 E hereto (the “Release Agreement”), releasing each of the Unaffiliated Persons and the other Persons identified in the Release Agreement from liability with respect to their acts and omissions in connection with the 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., Pacific time, on the last business 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 or waived (the date on

which the Closing occurs, the “Closing Date”), except for those to be completed (and which are capable of being completed) on the Closing Date, or such other date and time as the Parties shall mutually agree, through an exchange of consideration and documents using wire transfers, overnight courier service, electronic mail or facsimile transmission.

Section 1.5 Items to be Delivered by DOCHS Parent at Closing. At or before the Closing, DOCHS Parent shall deliver, or cause to be delivered, to NF Holdings, the following, duly executed by the applicable DOCHS Members, the Existing Sponsor or other Person(s) where appropriate:

- (a) the Real Estate Purchase Agreement;
- (b) the Continuing Affiliation Agreement;
- (c) the Release Agreement;
- (d) evidence reasonably satisfactory to NF Holdings that the New Governance Documents have been duly approved and adopted and filed with the California Secretary of State;
- (e) the Governmental Consents (including the approval of the California Attorney General);
- (f) approval of the Transactions by the Holy See, in customary form and in a form reasonably satisfactory to NF Holdings (including with respect to approval of the Continuing Affiliation Agreement and the continuation of the DOCHS Members’ inclusion in the United States Conference of Catholic Bishops group tax exemption until a new 501(c)(3) determination letter is obtained);
- (g) 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 (10) calendar days prior to the Closing Date;
- (h) 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;
- (i) an opinion of Ropes & Gray LLP (but only if and to the extent required to be provided to a lender in connection with the financing under the Commitment Letter);
- (j) a certificate of DOCHS Parent, executed by an officer of DOCHS Parent, certifying to NF Holdings that the conditions set forth in Section 6.1 have been satisfied;
- (k) a certificate of each DOCHS Member executed by an officer of such DOCHS Member certifying to NF Holdings (i) the due adoption and text of the resolutions

of the applicable board of directors and corporate member, authorizing the execution, delivery and performance of the Transaction Documents by each DOCHS Member (ii) that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date and (iii) that no event of default with respect to the Bonds has occurred and is continuing;

(l) consents to the Transactions set forth on Schedule 1.5(l);

(m) immediately available funds provided by DOCMSC to an account of DOCHS Parent designated by NF Holdings in an amount equal to the Working Capital Shortfall, if any; and

(n) 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 Items to be Delivered by NF Holdings at Closing. At or before the Closing, NF Holdings shall execute and deliver or cause to be delivered to DOCHS Parent the following, duly executed by NF Holdings, NF Investment or NF Management where appropriate:

(a) the Real Estate Purchase Agreement;

(b) the Continuing Affiliation Agreement;

(c) a certificate of NF Holdings, executed by an officer of NF Holdings, certifying to DOCHS Parent and DOCMSC that the conditions set forth in Section 5.1 have been satisfied;

(d) a certificate of NF Holdings, executed by an officer of NF Holdings, certifying to DOCHS Parent and DOCMSC 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 NF Holdings, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(e) a certificate of good standing, or comparable status, issued by its state of organization dated no earlier than a date which is ten (10) calendar days prior to the Closing Date; and

(f) 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 (10) Business Days prior to the Closing, DOCHS shall prepare in good faith and deliver to NF Holdings 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 NF Holdings

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 NF Holdings' determination of Working Capital. Following delivery of the CFO's Certificate and prior to Closing, DOCMSC and NF Holdings 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").

Section 1.8 Retained Assets. Notwithstanding anything to the contrary in this Agreement, the DOCHS Members shall have the right to transfer to DOCMSC at or prior to Closing the following assets (collectively, the "Retained Assets"):

(a) (i) the Retained Records and (ii) all procedures, marketing materials, standard operating procedures, studies, analyses and software to the extent (A) relating to the Retained Assets or the operations of the Existing Sponsor or DOCMSC other than the operation of the Health Care System, (B) protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other privilege or protection recognized under Law to the extent it may be invoked by Existing Sponsor or DOCMSC; (C) proprietary to DOCMSC or (D) DOCMSC is required to retain such by Law;

(b) all trademarks, domain names and website content listed on Schedule 1.8(b) and any other trademark or domain name that contains, uses or references the name "Daughters," "Daughters of Charity," "Daughters of Charity Health System," "DOCHS," "DOCHS Medical Foundation," or any such similar name;

(c) amounts sufficient to discharge intercompany accounts payable in favor of DOCMSC and any non-DOCHS entities affiliated with DOCMSC;⁴

(d) the religious artifacts, sacred objects and other religious assets listed on Schedule 1.8(d);

(e) the Lease Agreement between Daughters of Charity of St. Vincent de Paul, Province of the West and DOCHS Parent dated October 1, 2001 for the building at 26000 Altamont Road, Los Altos Hills, California; and

(f) the property located at 25 San Fernando Way, Daly City, CA 94015; the property located at 253 Lake Street, Los Angeles, CA 90057; and all furniture, fixtures and equipment at the Los Altos Hills corporate office located at 26000 Altamont Road, Los Altos Hills, CA 94022.⁵

Section 1.9 Closing Date Payment. NF Holdings shall deliver or cause to be delivered immediately available funds to appropriate accounts or payees designated by DOCHS Parent in an aggregate amount and manner sufficient to redeem, prepay or defease the 2014 Bonds as of the Closing Date in full to the earlier of their first optional call date or maturity date

⁴NTD: These are acceptable subject to final amounts being confirmed.

⁵NTD: These should be acceptable subject to confirmation of lot details as provided to NF Holdings.

in accordance with their governing documents and the necessary fees and expenses of the issuer related to the redemption, prepayment or defeasance and the establishment of the necessary escrows, the release of all security including the related Deeds of Trust, the discharge of each related trust indenture to each series of the 2014 Bonds, and all other matters incident thereto.

Section 1.10 Disclaimer of Warranties.

(a) Except as expressly provided in this Agreement, neither DOCMSC nor any DOCHS Member has made, and each of DOCMSC and each DOCHS Member does not make and specifically disclaims, any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to: (i) the nature, quality, sufficiency or condition of the Health Care System; (ii) the income to be derived from the Health Care System; or (iii) the compliance of or by the Health Care System or its operation in compliance with any Law. Except as expressly provided in this Agreement, the Health Care System will be in its physical condition on the Closing Date, “AS IS,” “WHERE IS” AND “WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS,” THAT IS, IN THEIR PRESENT CONDITION AND WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY KIND, WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION with respect to the Real Property, including, without limitation, the land, the buildings and the improvements and fixtures thereon, and WITH NO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE with respect to the physical condition of the Real Property and the Personal Property, any and all of which warranties (both express and implied) each of DOCMSC and each DOCHS Member hereby disclaims. All of the Real Property and Personal Property shall be further subject to wear and tear.

(b) NF Holdings acknowledges, covenants and agrees, on behalf of itself and its Affiliates: (i) that it has completed to its satisfaction its own due diligence investigation, and based thereon, formed its own independent judgment with respect to the Health Care System; (ii) that it has been furnished with or given full access to such documents and information about the DOCHS Members and their respective businesses and operations as it and its representatives have deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement and the Transactions; (iii) that in entering into this Agreement, it has relied solely upon its own investigation and analysis and the representations, warranties, covenants and agreements set forth in this Agreement; and (iv) that (A) no representation or warranty has been or is being made by DOCHS Parent or any other Person as to the accuracy or completeness of any of the information provided or made available to NF Holdings except as expressly set forth in this Agreement, and (B) there are uncertainties inherent in attempting to make estimates, projections, forecasts, plans, budgets and similar materials and information, NF Holdings is familiar with such uncertainties, NF Holdings is taking full responsibility for making its own evaluations of the adequacy and accuracy of any and all estimates, projections, forecasts, plans, budgets and other similar materials or information that may have been delivered or made available to it or any of its respective agents or representatives, NF Holdings has relied or will rely on such information, and NF Holdings will not assert, and will cause its affiliates not to assert, any claims against DOCMSC, DOCHS

Parent or any of their Affiliates, members, directors, officers, employees and agents with respect thereto.

Section 1.11 Grant of Right of First Refusal. If, on or after the Closing Date, any DOCHS Member desires to sell any religious asset or object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase on at least the same terms such religious asset or object (each such right and option, a “Right of First Refusal”). As soon as practicable, such DOCHS Member shall provide DOCMSC with written notice of the proposal (the “Proposal Notice”). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide such DOCHS Member with written notice of such exercise no later than sixty (60) days following DOCMSC’s receipt of the Proposal Notice (the “Expiration Date”). In the event that DOCMSC does not exercise the Right of First Refusal prior to the Expiration Date, then the DOCHS Member may sell or donate the religious asset or object to any other Person.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF DOCHS PARENT

Except as set forth in the Disclosure Schedules delivered by DOCHS Parent to NF Holdings in accordance with the terms of this Agreement, including any documents attached to or incorporated by reference in such Disclosure Schedules, DOCHS Parent hereby represents and warrants to NF Holdings that the statements contained in this Article 2 are true and correct as of the date hereof, except to the extent that any such representation and warranty expressly relates to any other specified date or time:

Section 2.1 Authorization. Each of DOCMSC, each DOCHS Member and each of the Persons that are parties to the Continuing Affiliation Agreement identified on Schedule 2.1 (the “Affiliation Parties”) has all necessary power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party, and to carry out and perform the Transactions.

Section 2.2 Binding Agreement. All actions required to be taken by DOCMSC, each DOCHS Member and each Affiliation Party to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Transactions have been duly and properly taken or obtained by them. No other corporate or other action on the part of either of them is necessary to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Transactions. This Agreement and each Ancillary Agreement has been, or will be, as applicable, duly and validly executed and delivered by DOCMSC, each DOCHS Member and each Affiliation Party and, assuming due and valid execution by NF Holdings or any other third party thereto, this Agreement and each Ancillary Agreement to which it is a party constitutes a valid and binding obligation of DOCMSC, each DOCHS Member and each Affiliation Party enforceable in accordance with its terms.

Section 2.3 Organization and Good Standing; No Violation.

(a) Marillac Insurance Company, Ltd. is duly organized and existing under the laws of Cayman Islands. De Paul Ventures, LLC is a limited liability company duly organized and existing under the laws of the State of California. Each other DOCHS Member is a nonprofit religious or public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California.

(b) (i) DOCHS Parent is the sole owner of the equity interests in Marillac Insurance Company, Ltd. and De Paul Ventures, LLC and has not assigned any of its rights related to the equity interests that it holds in Marillac Insurance Company, Ltd. or De Paul Ventures, LLC to any Person, and (ii) no DOCHS Member owns any other equity or other security of any Person or any direct or indirect equity or other ownership in any other business other than for investment purposes in the ordinary course of business.

(c) True, correct and complete copies of the Governance Documents of each DOCHS Member, as in effect on the Execution Date, have been provided to NF Holdings.

(d) DOCMSC is the sole corporate member of DOCHS Parent, and 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 or the disposition of its assets or any other DOCHS Member's assets.

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 DOCMSC, any DOCHS Member or any Affiliation Party of their duties and obligations in connection therewith, will (a) violate, conflict with or result in a breach of (i) any material provision of the articles of incorporation or bylaws of DOCMSC, any DOCHS Member or any Affiliation Party, (ii) any material state or federal Law applicable to DOCMSC, the DOCHS Members or any Affiliation Party, or (iii) any material indebtedness, mortgage, lien, restriction, charge, security interest, claim, right of another, or other encumbrance upon any of the assets of the Health Care System whatsoever, under any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, lease, license, franchise, agreement or other instrument or obligation to which any DOCHS Member is a party or by which any of the assets of the Health Care System are or will be bound, or (b) except for those consents or approvals required from (i) the California Attorney General,⁶ (ii) the California Department of Health Care Services, (iii) if required, the Secretary of the U.S. Department of Health and Human Services, (iv) the Holy See, and (v) as set forth in Schedule 2.4 with respect to the DOCHS Members (each of the preceding clauses (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.

⁶NTD: To include approval of the California Attorney General to this Agreement, the Management Services Agreement, the Real Estate Purchase Agreement, the Asset Purchase Option Agreement, the Continuing Affiliation Agreement and other material aspects of the Transactions.

Section 2.5 Compliance with Law.

(a) Except as set forth in Schedule 2.5(a)(i) each DOCHS Member is in compliance with all Laws, including Health Care Laws, except where the failure to be in such compliance would not have a Material Adverse Effect. Except as set forth in Schedule 2.5(a)(ii) and except as would not have a Material Adverse Effect, to the Knowledge of DOCHS, each DOCHS Member has not been given written notice of, and is not under investigation with respect to, any violation of any applicable Law. Each of the DOCHS Members is and has been in compliance in all material respects with any and all Government Orders governing the conduct or operation of its business and all of its Licenses. Each of the DOCHS Members is, and has been, in compliance with all applicable Laws applicable to such DOCHS Member by virtue of, and as needed to maintain, the status of such DOCHS Member as exempt from taxation, including pursuant to Section 501(c)(3) of the Code.

(b) 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 Environmental Matters.

(a) DOCHS Parent has provided NF Holdings with the Phase I environmental site assessments for the Real Property (the "Environmental Survey").

(b) Except as disclosed on Schedule 2.6(b), to the Knowledge of DOCHS Parent, the operations of the Health Care System are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws or any related orders of any court or other Governmental Authority.

(c) There are no pending or, to the Knowledge of DOCHS Parent, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against any DOCHS Member that pertain or relate to (i) any material remedial obligations under any applicable Environmental Laws, (ii) material violations by any DOCHS Member of any Environmental Laws, or (iii) material personal injury or property damage claims relating to a release of or exposure to Hazardous Materials.

Section 2.7 Title; All Assets of the Health Care System.

(a) Prior to the Execution Date, DOCHS Parent has delivered at its own expense (i) for all of the Real Property preliminary title reports issued by Chicago Title Company (the "Title Commitments"), (ii) for all of the Real Property all underlying title

documents listed on the Title Commitments (the “Underlying Title Documents”), and (iii) for all of the Hospitals the existing as-built ALTA Surveys prepared by Mollenhauer Group or Bock & Clark (the “Surveys”, and collectively with the Title Commitment and the Underlying Title Documents, the “Title Documents”).

(b) The DOCHS Members have good and clear, record and marketable fee simple title to the Owned Real Property, subject to the matters set forth in Schedule 2.7(b) and to the Permitted Exceptions. The DOCHS Members have good and valid title to the Personal Property which is material to the operations of the Hospitals and Medical Office Buildings.

(c) The Owned Real Property and the Personal Property are held by the DOCHS Members free and clear of all Liens, except for the Permitted Exceptions. None of the Real Property is subject to a pending or, to the Knowledge of DOCHS Parent, threatened, condemnation or similar proceeding or action or any proceeding or action to modify the zoning of, or other governmental rules or restrictions applicable to, the Real Property or the use or development thereof.

(d) The assets of the Health Care System and the Retained Assets comprise substantially all of the property and assets used in the conduct of the Hospitals and Health Care System. The assets of the Health Care System and the Retained Assets comprise all property and assets owned by the DOCHS Members, except as set forth in Schedule 2.7(d).

Section 2.8 Certain Other Representations with Respect to the Hospitals.

(a) All Licenses which are material to the operation of the Hospitals held by DOCHS Members are valid and in good standing.

(b) The Hospitals are certified for participation in the Medicare, Medi-Cal and TRICARE programs, and have current and valid provider contracts with each such program, except where the failure to have such provider contracts would not have a Material Adverse Effect.

(c) The DOCHS Members have not been excluded from Medicare, Medi-Cal or any federal or state health care program, and there is no pending or, to the Knowledge of DOCHS Parent, threatened exclusion, suspension or termination action by a Governmental Authority against any DOCHS Member or investigation which could result in such exclusion, suspension or termination.

(d) Each Hospital is duly accredited by the Joint Commission on Accreditation of Healthcare Organizations (“JCAHO”) for the period set forth in Schedule 2.8(d). Except as set forth in Schedule 2.8(d), no DOCHS Member has received any notices of deficiency from JCAHO with respect to the Hospitals’ current accreditation period which require or request any action or response by DOCHS Member or the Hospitals.

(e) 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.

(f) DOCHS has delivered to NF Holdings a true, correct and complete 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.

(g) During the three (3) 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.

(h) Except as set forth on Schedule 2.8(h), 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 2.9 Brokers and Finders. Neither DOCMSC, any DOCHS Member nor any officer or director thereof has engaged or incurred any liability to any finder, broker or agent in connection with the Transactions, except as set forth on Schedule 2.9.

Section 2.10 Financial Statements; Liabilities.

(a) Schedule 2.10(a) contains the following financial statements (collectively, the "Historical Financial Statements"): (i) the audited balance sheets of the Hospitals dated as of June 30, 2011, June 30, 2012, and June 30, 2013, (ii) the audited income statements of the Hospitals for the twelve-month periods ended on June 30, 2011, and June 30, 2012 and June 30, 2013, and (iii) the unaudited income statements of the Hospitals for the twelve-month periods ended on June 30, 2013 and June 30, 2014.

(b) Except as set forth on Schedule 2.10(b) the income statements contained in the Historical Financial Statements present, and the income statements contained in the Interim Periodic Financial Statements shall present, fairly in all material respects the results of the operations of the Hospitals for the periods covered therein and, except as set forth on Schedule 2.10(b), the balance sheets contained in the Historical Financial Statements present, and in the Interim Periodic Financial Statements shall present, taken together as a whole, fairly in all material respects the financial condition of DOCHS Members as of the dates indicated thereon, in each case in accordance with GAAP.

(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 liabilities set forth in Schedule 2.10(c) hereto.

(d) 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 2.10(d).

(e) Except as set forth on Schedule 2.10(e), there exists no breach or default, nor, to the Knowledge of DOCHS, 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 Bonds.

Section 2.11 Legal Proceedings.

(a) Except as set forth on Schedule 2.11(a)-1, there are no claims, proceedings or investigations (including, to the Knowledge of DOCHS Parent, any alleged qui tam relator action) pending or, to the Knowledge of DOCHS Parent, threatened, with respect to the operation of the Hospitals by the DOCHS Members before any Governmental Authority in which an adverse determination would have a Material Adverse Effect. Except as set forth on Schedule 2.11(a)-2, no DOCHS Member is subject to any Government Order with respect to the operation of the Hospitals or the rest of the Health Care System (including the assets of the Health Care System). Except as set forth on Schedule 2.11(a)-3, the DOCHS Members are in substantial compliance with respect to each Government Order noncompliance with which could be expected to have a Material Adverse Effect.

(b) Except as disclosed on Schedule 2.11(b), there are no pending or, to the Knowledge of DOCHS Parent, threatened disciplinary or corrective actions or appeals therefrom involving physician applicants, active medical staff members (including Medical Staff) or affiliated health professionals under the medical staff by Law at each Hospital. DOCHS Parent has provided to NF Holdings a true, correct and complete copy of the bylaws, rules and regulations of the medical staff at each Hospital and its executive committee.

(c) There is no claim, proceeding, or investigation pending or, to the Knowledge of DOCHS Parent, threatened, relating to or affecting any DOCHS Member, DOCMSC, or any Affiliation Party before any court or other Governmental Authority (whether judicial, executive or administrative) which: (i) materially adversely affects or seeks to prohibit, restrain or enjoin the execution and delivery of this Agreement or any Ancillary Agreement; (ii) materially adversely affects or questions the validity or enforceability of this Agreement; (iii) questions the power or authority of any DOCHS Member, DOCMSC or any Affiliation Party to carry out and perform the transactions contemplated by, or to perform its obligations under, this Agreement or any Ancillary Agreement; or (iv) would result in any change which would materially adversely affect the ability of any DOCHS Member, DOCMSC or any Affiliation Party to perform any of its obligations hereunder or under any Ancillary Agreement.

Section 2.12 Employee Benefits.

(a) Schedule 2.12(a) contains a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of the DOCHS Members or to which they contribute, whether oral or written, which constitutes an Employee Pension

Benefit Plan, (ii) each medical, health, disability, insurance or other plan or arrangement of the DOCHS Members or to which they contribute, whether oral or written, which constitutes an Employee Welfare Benefit Plan, and (iii) each other material employee benefit, bonus, incentive, deferred compensation, severance, change in control, fringe benefit, performance or retention plan, in each case, that is maintained, contributed to or provided by the DOCHS Members and that covers any current or former officers, directors, employees, independent contractors or consultants of DOCHS Members (collectively, the “DOCHS Members’ Plans”).

(b) DOCHS Parent has made available to NF Holdings true, complete and correct copies of: (i) each DOCHS Members’ Plan (or, in the case of any unwritten DOCHS Members’ Plan, a description thereof); (ii) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each DOCHS Members’ Plan (if any such report was required); (iii) the most recent summary plan description for each DOCHS Members’ Plan for which such summary plan description is required; and (iv) each trust agreement and group annuity contract relating to any DOCHS Members’ Plan, if any.

(c) Except as otherwise provided on Schedule 2.12(c), to the Knowledge of DOCHS Parent, (i) no DOCHS Member has any direct or indirect, actual or contingent liability with respect to any DOCHS Members’ Plan, other than to make payments for contributions, premiums or benefits when due, all of which payments that are due having been made, and (ii) there are no pending or threatened administrative agency investigations of any DOCHS Members’ Plan (including by the IRS, the Department of Labor or the Pension Benefit Guaranty Corporation). The Hospitals are not subject to any lien under ERISA or the Code.

(d) All of the DOCHS Members’ Plans have been administered in material compliance with ERISA and the Code, to the extent applicable. There are no “accumulated funding deficiencies” in respect of any DOCHS Members’ Plan or any federal excise Tax or other liability on account of any deficient funding in respect of the DOCHS Members’ Plan.

(e) Except as otherwise provided on Schedule 2.12(e) no DOCHS Members’ Plan provides retiree medical or other retiree welfare benefits to any person (other than health care continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or analogous state law).

(f) No DOCHS Members’ Plan contains any provisions, or is subject to any restrictions, that would preclude its assumption in connection with the transactions contemplated by this Agreement.

Section 2.13 Personnel.

(a) Schedule 2.13(a) sets forth a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates, bonus and other compensation and/or benefit arrangements, and the accrued paid time off pay (and period of service credited for vesting) of all employees of the DOCHS Members immediately prior to the Execution Date, whether such employees are full-time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to DOCHS Parent’s policies,

the Family and Medical Leave Act of 1993 or other similar Laws (the “Employees”) and indicating whether the Employee is full-time or part-time. DOCHS Parent shall have the right to update Schedule 2.13(a) to reflect changes in employment status and/or new hires and terminations occurring after the Execution Date by providing a revised schedule to NF Holdings no later than five (5) Business Days before the date schedule for the Closing.

(b) Except as listed in Schedule 2.13(b), there is no unfair labor practice complaint against any DOCHS Member pending, or to the Knowledge of DOCHS Parent threatened, before the National Labor Relations Board with respect to the operation of the Hospitals, and there is no labor strike, arbitration, dispute, slowdown or stoppage, and no union organizing campaign, pending or, to the Knowledge of DOCHS, threatened, by or involving the Employees.

(c) Schedule 2.13(c) sets forth a complete list of the names and positions of all full-time Employees that have been laid-off or terminated during the ninety (90) calendar days immediately preceding the Execution Date. DOCHS Parent shall update Schedule 2.13(c) at Closing to reflect such terminations occurring during the ninety (90) calendar days immediately preceding the Closing Date.

(d) Except as provided in Schedule 2.13(d), since January 1, 2012 (i) to the Knowledge of DOCHS Parent, the DOCHS Members have substantially complied with all applicable Laws relating to employee health and safety in all material respects and (ii) no DOCHS Member has received any written notice from any Governmental Authority that past or present conditions of the Hospitals or the assets of the Health Care System violate any applicable Law or otherwise will be made the basis of any claim, proceeding, or investigation based on violations of the Occupational Safety and Health Act of 1970 or otherwise related to employee health and safety.

Section 2.14 Insurance. The DOCHS Members maintain, and have maintained, without interruption and at all times during the DOCHS Members’ ownership of the Hospitals prior to the Closing Date, self-insurance or policies or binders of insurance covering such risks and events, including personal injury, property damage, malpractice and general liability, to provide adequate and sufficient insurance coverage for the assets of the Health Care System and operation of the Hospitals. Schedule 2.14 contains a list of all such insurance maintained by the DOCHS Members with respect to the assets of the Health Care System and the operation of the Hospitals and Health Care System as of the Execution Date.

Section 2.15 Health Care Compliance.

(a) Since January 1, 2011, no DOCHS Member has received any subpoenas, demands or other notices from any Governmental Authority investigating, inquiring into or otherwise relating to any material violation of any Law, including any Health Care Law, and, to the Knowledge of DOCHS Parent, no DOCHS Member is under investigation by any Governmental Authority for a violation of any Law, including any Health Care Law.

(b) Since January 1, 2011, there have been (i) no material statements of deficiencies filed against any DOCHS Member by the California Department of Public Health or

the Centers for Medicare & Medicaid Services, and (ii) no penalties asserted against any DOCHS Member issued under California Health and Safety Code Section 1280.1, except as set forth and described (including status and resolution of any such statements of deficiencies) on Schedule 2.15(b).

(c) No DOCHS Member has ever been denied approval (or asked to withdraw an application) to acquire control or licensure of a hospital or long-term care facility by a Governmental Authority, except as set forth on Schedule 2.15(c).

(d) Neither any DOCHS Member nor any officer, director or, to the Knowledge of DOCHS Parent, any managing employee of any DOCHS Member, has engaged or is engaging in any activities which are cause for civil monetary penalties or mandatory or permissive exclusion from any Government Reimbursement Program. To the Knowledge of DOCHS Parent, neither any DOCHS Member, nor any officer, manager or employee of any DOCHS Member having direct patient-care responsibilities, is currently excluded, debarred, suspended or otherwise ineligible to participate in any Government Reimbursement Program, or has been convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a), nor, to the Knowledge of DOCHS Parent, are any such exclusions, sanctions or charges threatened or pending.

(e) Neither any DOCHS Member nor, to the Knowledge of DOCHS Parent, any officer, director or employee of any DOCHS Member has now or in the past three (3) years been subject to or bound by a corporate integrity agreement with the United States Department of Health and Human Services Office of the Inspector General or other similar agreement (e.g., deferred prosecution agreement) with any Governmental Authority.

Section 2.16 Taxes.

(a) Each DOCHS Member has duly filed all federal, state and local Tax returns required to be filed by it (all of which are true and correct in all material respects) and has duly paid or made provision for the payment of all Taxes (including any interest or penalties and amounts due state unemployment authorities) which are due and payable, whether or not in connection with such returns. Each DOCHS Member has withheld proper and accurate amounts from its employees' compensation, and made deposits of all such withholdings, in material compliance with all withholding and similar provisions of the Code and any and all other applicable Laws. There are no Liens for Taxes upon the Real Property, except for statutory liens for current Taxes not yet due and payable or which may hereafter be paid without penalty or which are being contested in good faith by appropriate proceedings. Except as set forth in Schedule 2.16, none of the DOCHS Members is a party to any action or proceeding, nor to the Knowledge of DOCHS Parent, is any such action or proceeding contemplated or threatened against or involving any DOCHS Member, for the assessment or collection of any Taxes, and no deficiency notices or reports have been received by any of the DOCHS Members in respect of any Tax (including relating to the assets of the Health Care System or the Bonds).

(b) Each of the 2005 Bonds is a "qualified 501(c)(3) bond" and a "qualified hospital bond" under Section 145 of the Code.

(c) No Bond proceeds were allocated to the Medical Office Buildings that are subject to the Real Estate Purchase Agreement.

Section 2.17 Material Contracts. Schedule 2.17 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. As used herein, “Material Contract” means any Contract that: (i) contains a covenant not to compete or otherwise significantly restricts business activities of the Health Care System; (ii) limits the ability of any DOCHS Member to conduct its business, including as to manner or place; (iii) grants a power of attorney, agency or similar authority to another person or entity; (iv) contains a right of first refusal or right of first offer; (v) constitutes a collective bargaining agreement, including any collective bargaining agreement with Physicians or any other referral source; (vi) constitutes an employment or severance agreement with any director, officer or employee of any DOCHS Member; (vii) represents a Contract the absence or termination of which would have a Material Adverse Effect; or (viii) was not made in the ordinary course of business.

Section 2.18 Material Payors. Schedule 2.18 lists the names of the ten (10) largest third party payors for the Health Care System (based on net patient service revenues, as determined in accordance with the DOCHS Members’ historical accounting policies) (the “Material Payors”). None of the Material Payors has provided written notice to any DOCHS Member of cancellation, termination or a material reduction or other modification of its relationship with the Health Care System during the past twelve (12) months.

Section 2.19 HIPAA/Privacy. Except as provided in Schedule 2.19, the DOCHS Members are, and during the ten (10) 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, any 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 2.20 Controlled Substances. No employee of any DOCHS Member, or to the Knowledge of DOCHS, 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 2.21 Anti-Kick Back; Absence of Certain Commercial Practices. None of the DOCHS Members, DOCMSC or the Existing Sponsor, nor, to the Knowledge of DOCHS, 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, DOCMSC or the 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 or proposed or offered to make or receive any such illegal payments.

Section 2.22 No DOCMSC or Existing Sponsor Representations or Warranties. Neither DOCMSC nor the Existing Sponsor has made, or makes, and each expressly disclaims, 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. Except to the extent set forth in Article 2 or in any Ancillary Agreement, DOCHS Parent has not made and does not make and expressly disclaims, 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 NF HOLDINGS

NF Holdings hereby represents and warrants to DOCMSC and DOCHS Parent that the statements contained in this Article 3 are true and correct as of the date hereof, except to the extent that any such representation and warranty relates to any other specified date or time:

Section 3.1 Power and Authorization. NF Holdings has all necessary power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party, and to carry out and perform the Transactions.

Section 3.2 Binding Agreement. All actions required to be taken by NF Holdings to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Transactions have been duly and properly taken or obtained by it. No other company or other action on the part of NF Holdings is necessary to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Transactions. This Agreement and each Ancillary Agreement has been, or will be, as applicable, duly and validly executed and delivered by NF Holdings and, assuming due and valid execution by DOCMSC, any DOCHS Member or any other third party thereto, this Agreement and each Ancillary Agreement to which it is a party constitutes a valid and binding obligation of NF Holdings enforceable in accordance with its terms.Organization and Good Standing. NF Holdings is a limited liability company duly organized, validly existing and in good standing

under the laws of Delaware. NF Holdings 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 or the performance and satisfaction by NF Holdings of its duties and obligations in connection therewith, will (a) violate, conflict with or result in a breach of (i) any material provision of the certificate of formation or limited liability company agreement of NF Holdings, (ii) any material state or federal Law applicable to NF Holdings, or (iii) any material indebtedness, mortgage, lien, restriction, charge, security interest, claim, right of another, or other encumbrance upon any of the assets NF Holdings whatsoever, under any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, lease, license, franchise, agreement or other instrument or obligation to which any NF Holdings is a party or by which any of the assets of the NF Holdings are or will be bound, or (b) assuming receipt of all Governmental Consents, require the consent of any Governmental Authority, Accrediting Entity or religious authority to consummate the transactions contemplated by the Transaction Documents.

Section 3.5 Legal Proceedings. There is no claim, proceeding, or investigation pending or, to the Knowledge of NF Holdings, threatened, relating to or affecting NF Holdings before any court or other Governmental Authority (whether judicial, executive or administrative) which: (i) materially adversely affects or seeks to prohibit, restrain or enjoin the execution and delivery of this Agreement or any Ancillary Agreement; (ii) materially adversely affects or questions the validity or enforceability of this Agreement; (iii) questions the power or authority of NF Holdings to carry out and perform the transactions contemplated by, or to perform its obligations under, this Agreement or any Ancillary Agreement; or (iv) would result in any change which would materially adversely affect the ability of NF Holdings to perform any of its obligations hereunder or under any Ancillary Agreement.

Section 3.6 Solvency. NF Holdings 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 NF Holdings’ tangible assets is in excess of the total amount of its liabilities; (b) NF Holdings is able to pay its debts or obligations in the ordinary course as they mature; and (c) NF Holdings has capital sufficient to carry on its business and all businesses which it is about to engage.

Section 3.7 Financing; Availability of Funds. NF Holdings has, and will have immediately 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 Required Consents. No Governmental Consent is necessary or required for the execution and delivery of this Agreement by NF Holdings or for the consummation by NF Holdings of the Transactions, except for such Governmental Consent set forth in Schedule 3.8 or as may be required by the California Attorney General and under the HSR Act, and any other applicable Antitrust Laws.

Section 3.9 Brokers and Finders. Neither NF Holdings nor any Affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transaction contemplated thereunder.

Section 3.10 Commitment Letter. Attached as Exhibit F hereto is a true, complete and accurate copy of the fully executed commitment letter(s) (the "Commitment Letter"), subject to the express terms and conditions set forth therein, to provide the financing described therein to NF Holdings in the amount specified therein. Other than the Commitment Letter and customary fee letters, joinder documentation and non-disclosure agreement, there are no other agreements between NF Holdings, on the one hand, and any of the counterparties to the Commitment Letter, on the other hand, with respect to any of the financing arrangements contemplated thereby or with respect to the transactions contemplated hereby. The Commitment Letter is, subject to the terms and conditions included therein, the legal, valid and binding obligation of NF Holdings and, to the Knowledge of NF Holdings, has not been modified, amended, supplemented, withdrawn and/or terminated prior to the date hereof in any respect and no provision thereof has been waived prior to the date hereof. There are no other agreements to which NF Holdings or any Affiliate of NF Holdings is a party that would reasonably be expected to adversely affect or impair the availability of the financing contemplated by the Commitment Letter. To the Knowledge of NF Holdings there is no event that, with or without notice or lapse of time or both, would constitute a default or breach by NF Holdings under the Commitment Letter or that would reasonably be expected to result in the Commitment Letter not being satisfied or any financing contemplated by the Commitment Letter not being provided to NF Holdings on the Closing Date.

Section 3.11 Health Care Compliance.

(a) Since January 1, 2011, neither NF Holdings nor any Affiliate of NF Holdings has received any subpoenas, demands or other notices from any Governmental Authority investigating, inquiring into or otherwise relating to any material violation of any Law, including any Health Care Law, and, to the Knowledge of NF Holdings, neither NF Holdings nor any Affiliate of NF Holdings is under investigation by any Governmental Authority for a violation of any Law, including any Health Care Law.

(b) Since January 1, 2011, there have been (i) no material statements of deficiencies filed against NF Holdings or any Affiliate of NF Holdings by the California Department of Public Health or the Centers for Medicare & Medicaid Services, and (ii) no penalties asserted against NF Holdings or any Affiliate of NF Holdings issued under California Health and Safety Code Section 1280.1.

(c) Neither NF Holdings nor any Affiliate of NF Holdings has ever been denied approval (or asked to withdraw an application) to acquire control or licensure of a hospital or long-term care facility by a Governmental Authority.

(d) Neither NF Holdings nor any Affiliate of NF Holdings nor any officer, director, nor to the Knowledge of NF Holdings, any managing employee of NF Holdings or any Affiliate of NF Holdings, has engaged or is engaging in any activities which are cause for civil monetary penalties or mandatory or permissive exclusion from any Government

Reimbursement Program. To the Knowledge of NF Holdings, neither NF Holdings nor any Affiliate of NF Holdings, nor any officer, manager or employee of NF Holdings or any Affiliate of NF Holdings having direct patient-care responsibilities, is currently excluded, debarred, suspended or otherwise ineligible to participate in any Government Reimbursement Program, or has been convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a), nor, to the Knowledge of NF Holdings, are any such exclusions, sanctions or charges threatened or pending.

(e) Neither NF Holdings nor any Affiliate of NF Holdings nor, to the Knowledge of NF Holdings, any officer, director or employee of NF Holdings or any Affiliate of NF Holdings has now or in the past three (3) years been subject to or bound by a corporate integrity agreement with the United States Department of Health and Human Services Office of the Inspector General or other similar agreement (e.g., deferred prosecution agreement) with any Governmental Authority.

Section 3.12 NF Holdings' Experience and Investigation.

(a) NF Holdings has, and has available to it, extensive knowledge and experience in financial, regulatory and business matters relating to owning and operating general acute care Hospitals. NF Holdings has reviewed all information it deems necessary to its satisfaction with respect to the Health Care System. NF Holdings has relied solely upon its own investigation of the business, assets, risks and prospects of the business (which, except as herein provided, it has completed prior to entering into this Agreement) and those express representations, warranties, covenants and agreements set forth in this Agreement or in any instrument or document delivered by DOCHS Parent pursuant to this Agreement. NF Holdings acknowledges that neither DOCHS Parent nor any of its officers, directors, employees, representatives, Affiliates or agents assumes any responsibility for the accuracy or adequacy of any information heretofore or hereafter furnished to the NF Holdings by or on behalf of DOCHS Parent with respect to the Health Care System, except as expressly provided in this Agreement and the Disclosure Schedules. Without limiting the generality of the foregoing, NF Holdings understands that any cost estimates, projections or other forward-looking information provided to NF Holdings by or on behalf of DOCHS Parent are not and shall not be deemed to be representations and warranties of DOCHS Parent, except to the extent reflected in the express representations and warranties of DOCHS Parent made in this Agreement or in any instrument or document delivered by DOCHS Parent pursuant to this Agreement. Except with respect to the express representations and warranties of DOCHS Parent made in this Agreement or in any instrument or document delivered by DOCHS Parent pursuant to this Agreement, NF Holdings acknowledges that: (a) there are uncertainties inherent in attempting to make such estimates, projections and other predictions; (b) NF Holdings is familiar with such uncertainties; and (c) NF Holdings is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections or other predictions so furnished to it.

(b) Neither NF Holdings, nor to the knowledge of the NF Holdings, any employees or agents of NF Holdings or any Affiliate of NF Holdings, has directly or indirectly (i) made any contribution or gift which contribution or gift is in violation of any applicable Laws, (ii) made any bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or

services (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, (C) to obtain special concessions or for special concessions already obtained for or in respect of NF Holdings or any Affiliate thereof, (iii) in violation of any Laws, including the Health Care Laws, established or maintained any fund or asset of NF Holdings that has not been recorded in the books and records of NF Holdings thereof, or (iv) established, operated or maintained any program, scheme, practice, policy or system that would reward or compensate employees or contractors for marketing or promotion activities, in each case that violate or violates any Laws, including the Health Care Laws.

Section 3.13 No Other Representations or Warranties. Except to the extent set forth in this Article 3, neither NF Holdings nor any Affiliate of NF Holdings has made, or makes, and each expressly disclaims, any representation or warranty of any kind or character, express or implied, oral or written, past, present or future, with respect to the transactions contemplated hereby or the matters set forth herein, including any warranty of merchantability or fitness for a particular purpose.

ARTICLE 4

COVENANTS

Section 4.1 Access and Information. From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, DOCHS Parent shall afford to the officers and agents of NF Holdings (which shall include accountants, attorneys, bankers and other consultants and agents of NF Holdings) 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, DOCHS Parent shall furnish NF Holdings 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 NF Holdings or its representatives may from time to time reasonably request, without regard to where such information may be located, but excluding information the sharing of which with NF Holdings would in the opinion of legal counsel cause a DOCHS Member to lose attorney-client privilege with respect thereto. Such access may include reasonable, scheduled consultations with the personnel of the DOCHS Members, officers and directors and managers, agents and consultants. Further, NF Holdings 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. NF Holdings agrees that, after performing any inspections, tests or surveys, NF Holdings shall restore the facilities within the Health Care System and the Real Property as nearly as possible to their original condition and repair any damage to same caused by the performance of such inspections, tests, or surveys. NF Holdings agrees that, prior to NF Holdings' 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, NF Holdings 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. From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, DOCHS Parent shall reasonably cooperate with and reasonably assist NF Holdings 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 reasonable, scheduled 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 NF Holdings' 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 NF Holdings and its financing sources with financial and other pertinent information and materials regarding the Health Care System as may be reasonably requested by NF Holdings (iv) cooperating with the marketing efforts of NF Holdings and its financing sources for any such debt raised by NF Holdings, (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 NF Holdings 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 on such collateral.

Section 4.3 Conduct of Business. Except as set forth in Schedule 4.3, from and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, and except as listed on Schedule 4.3, consented to in writing by NF Holdings, DOCHS Parent shall cause each of the DOCHS Members to 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 their respective businesses, including operation of the Health Care System, consistently with applicable Laws and in substantially the same manner as presently conducted and not make any material change in personnel, operations, finance, accounting policies or practices (unless the DOCHS Members are required to adopt such changes under GAAP), Tax elections or Tax returns or real or personal property;

(b) maintain in effect the insurance and equipment replacement coverage as in effect on the Closing Date;

(c) 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;

(d) perform all of its material obligations under material agreements relating to or affecting the Health Care System and its operations;

(e) use reasonable efforts to preserve intact the DOCHS Members' business organization and relationships with third parties (including lessors, lessees, licensors, suppliers, distributors and patients); and

(f) pay any retention bonus agreed to prior to the Execution Date as listed on Schedule 4.3(f) and provide reasonable compensation, including reasonable retention bonuses, which retention bonuses collectively in the aggregate will not exceed Three Million Five Hundred Thousand Dollars (\$3,500,000) to certain key DOCHS Members' employees in order to retain such DOCHS Members' employees as DOCHS Parent deems necessary in order to effectively operate the Hospitals, DOCHS Parent or any Affiliate of DOCHS Parent.

Section 4.4 Negative Covenants. From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, without the prior written consent of NF Holdings, which consent shall not be unreasonably withheld, conditioned or delayed, DOCHS Parent shall not take or permit any other DOCHS Member to take any of the following actions:

- (a) amend the Governance Documents of any DOCHS Member;
- (b) merge or consolidate any DOCHS Member with any other Person;
- (c) increase any benefits under any DOCHS Members' Plans or increase the compensation payable or paid, whether conditionally or otherwise, to any Employee or other employee of any DOCHS Member, other than any such increase in benefits or compensation required by Law or required pursuant to the terms of an existing DOCHS Members' Plan or an existing employment, consulting, indemnification, change of control, severance, retention or similar agreement with any current or former director, officer, employee or consultant of the Health Care System;
- (d) establish, adopt, enter into, amend or terminate any Employee Pension Benefit Plan, Employee Welfare Benefit Plan or any plan, agreement, program, policy, trust, fund or other arrangement that would be a DOCHS Members' Plan if it were in existence on the date hereof or change in any material respect any employment practices or policies;
- (e) sell, lease, license or otherwise dispose of any of the material assets;
- (f) enter into any transaction with DOCMSC, the Existing Sponsor or any of their respective Affiliates;
- (g) make or authorize capital expenditures other than capital expenditures in an amount not to exceed \$250,000 individually and \$1,000,000 in the aggregate; provided, however, that with respect to any capital expenditures for replacement of essential equipment or for compliance with material life-safety requirements, notification to but not approval of NF Holdings shall only be required;
- (h) make any acquisition (including by merger, consolidation or amalgamation) of the capital stock or other securities of any other Person;

(i) make any changes in financial accounting methods, principles or practices (or change an annual accounting period), except insofar as may be required by GAAP or by applicable Law;

(j) waive, release, settle or compromise any pending or threatened claim, proceeding, action or other similar matter, other than waivers, releases, settlements or compromises of any pending or threatened claim, proceeding, action or other similar matter (i) that do not exceed \$250,000 in any single instance or in excess of \$500,000 in the aggregate, (ii) that do not involve any injunctive or equitable relief or impose restrictions on the business activities of any DOCHS Member, and (iii) that do not relate to the transactions contemplated hereby;

(k) enter into any Contract that, if executed prior to the date hereof, would constitute a Material Contract or terminate or materially amend or otherwise modify any such Contract or any Material Contract;

(l) enter into, terminate or materially amend or otherwise modify any Contract with a Material Payor or any other third party payor, except to the extent required to do so in connection with a Government Reimbursement Program;

(m) enter into, terminate or materially amend or otherwise modify any material Contract by which any DOCHS Member contracts for physician or other clinical services; or

(n) take, or agree or otherwise commit to take, any of the foregoing actions.

In addition, DOCHS Parent shall cause the medical foundation that is a DOCHS Member not to acquire the assets of any independent practice association or other physician group or practice without the prior written consent of NF Holdings, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 4.5 Additional Financial Information. From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, within thirty (30) calendar days following the end of each calendar month and forty-five (45) calendar days following the end of each quarter after the Execution Date and sixty (60) days following the end of each fiscal year, DOCHS Parent shall deliver to NF Holdings 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, subject to GAAP exceptions, for each month then ended, together with corresponding year-to-date amounts (collectively, the “Interim Periodic Financial Statements”). In addition, DOCHS Parent shall deliver to NF Holdings 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 NF Holdings.

Section 4.6 No-Shop. From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, each of DOCMSC and DOCHS Parent will not, nor will DOCHS Parent 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 NF Holdings, directly or indirectly, to: (a) make an offer of any Alternative Proposal to any Person other than NF Holdings; (b) solicit any Alternative Proposal from any Person other than NF Holdings; (c) hold discussions with any party (other than NF Holdings) relating to such an Alternative Proposal; (d) enter into any agreement, arrangement or understanding with any party (other than NF Holdings) 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. DOCHS Parent shall promptly notify NF Holdings 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. DOCHS Parent shall keep NF Holdings informed on a prompt basis of the status, terms and substance of any inquiry, offer, proposal or request concerning an Alternative Proposal.Closing Efforts; Consents.

(a) On the terms and subject to the conditions of the Transaction Documents, NF Holdings, DOCMSC and DOCHS Parent 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 NF Holdings, 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. in the preparation of any document or other material which may be required by any Governmental Authority or accrediting or certifying bodies as a predicate to or result of the Transaction).

(b) In addition to the foregoing, DOCHS Parent shall (i) use diligent efforts, as reasonably requested by NF Holdings, to assist NF Holdings in the securing of, as promptly as practicable and before the Closing Date, all Governmental Authority approvals, and (ii) will provide such other information and communications to Governmental Authorities and accrediting and certifying bodies as NF Holdings or such authorities and bodies may reasonably request. DOCHS Parent shall also reasonably assist NF Holdings to complete change of ownership applications and notices and any other document or material with respect to Licenses, billing numbers, provider applications and other permits relating to the Hospitals for each of the functions at Hospitals which require approval of the change of ownership by a Governmental Authority or by an accrediting or certifying body or a third party payor as a predicate to or result of the Transactions (each. an “Application”). DOCHS Parent shall provide NF Holdings in a timely manner with such information about the Hospitals as may be needed for the completion and filing of each Application.

(c) Within fifteen (15) days after the Execution Date, DOCHS Parent shall file all necessary regulatory filings set forth on Schedule 4.7(c) which shall include at a minimum the filing required by the California Attorney General for approval of the Transaction pursuant to California Corporations Code Section 5914, and any other such filings as NF

Holdings and DOCHS Parent may determine are necessary or desirable in connection with receiving California Attorney General approval. As promptly as is practicable after receiving any request from the California Attorney General for information, documents, or other materials in connection with the review of the request for California Attorney General approval, DOCHS Parent shall use reasonable efforts to comply with such request. DOCHS Parent shall promptly inform NF Holdings of any material communication with, and any proposed understanding, agreement or undertaking with, the California Attorney General relating to the California Attorney General approval. DOCHS Parent shall give NF Holdings reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, the California Attorney General relating to the California Attorney General approval. DOCHS Parent shall deliver to NF Holdings within five (5) Business Days following the filing thereof, a complete and accurate copy of any materials filed with the California Attorney General by DOCHS Parent in connection with the California Attorney General approval.

(d) 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.

(e) Without limiting any other provision of this Section 4.7, the DOCHS Members, DOCMSC and NF Holdings 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.

(f) DOCHS Parent and NF Holdings shall each use reasonable efforts and cooperate in good faith to obtain any additional consents, approvals, authorizations, accreditations, certifications, clearances and Licenses in addition to those listed on Schedule 1.5(j) and Schedule 2.4 for which DOCHS Parent and NF Holdings agree to be necessary or appropriate and which have not been obtained as of the Closing Date.

(g) Notwithstanding the foregoing or anything else in the Transaction Documents, nothing contained in the Transaction Documents shall be deemed to require NF Holdings, DOCHS Parent or any of their respective 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.

Section 4.8 D&O and EPL Insurance. Prior to Closing, DOCHS Parent shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “D&O and EPL Insurance”) the details of which are set forth on Schedule 4.8 for claims made after the

Closing Date with respect to matters existing or occurring prior to the Closing Date from a D&O and EPL Insurance carrier and broker that is acceptable to NF Holdings, and that has the same or better credit rating as DOCHS Parent's current D&O and EPL Insurance carrier, for the persons who, as of the Execution Date, are covered by DOCHS Parent's existing D&O and EPL Insurance with terms the same as or similar to DOCHS Parent's existing D&O and EPL Insurance with respect to matters existing or occurring prior to the Closing Date.

Section 4.9 Fiduciary Liability Insurance. Prior to Closing, DOCHS Parent shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the "Fiduciary Liability Insurance") the details of which are set forth on Schedule 4.9 for claims made after the Closing Date with respect to matters existing or occurring prior to the Closing Date from a Fiduciary Liability Insurance carrier and broker that is mutually acceptable to DOCHS Parent and NF Holdings, and that has the same or better credit rating as DOCHS Parent's current Fiduciary Liability Insurance carrier, for the persons who, as of the Execution Date, are covered by DOCHS Parent's existing Fiduciary Liability Insurance with terms the same as or similar to DOCHS Parent's existing Fiduciary Liability Insurance.

Section 4.10 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 4.11 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 4.12 Notification of Actions and Proceedings.

(a) From and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, DOCHS Parent shall promptly notify NF Holdings in writing after becoming aware of any material fact, change in condition, circumstance, claims, actions, proceedings, investigations or inquiries commenced or, to the Knowledge of DOCHS, threatened, involving or affecting the Health Care System and/or the DOCHS Members. From the Execution Date through the Closing Date, DOCHS Parent shall notify NF Holdings in writing within ten (10) days (or if less than twenty (20) days prior to Closing, as promptly as practicable) of becoming aware of any material fact, change in condition, circumstance, claims, actions, proceedings, investigations or inquiries commenced or, to the Knowledge of DOCHS Parent, threatened, involving or affecting the Health Care System and/or any DOCHS Member which, in each case, to the Knowledge of DOCHS Parent, could be reasonably expected to cause

a breach of any representation or warranty of DOCHS Parent contained herein or any covenant of DOCHS Parent or DOCMSC contained herein. In addition, from and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, DOCHS Parent shall give prompt notice in writing to NF Holdings 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 and after the Execution Date until the earlier to occur of the Closing Date and the termination of this Agreement, NF Holdings shall notify DOCHS Parent in writing of any material fact, change in condition, circumstance, claims, actions, proceedings, investigations or inquiries commenced or, to the Knowledge of NF Holdings, threatened, involving or affecting the NF Holdings or any of its property or assets, or, to the Knowledge of NF Holdings, 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, DOCHS Parent shall provide to NF Holdings a copy of any material notice received by any DOCHS Member with respect to any material Contract (including any Material Contract) promptly upon receipt thereof or of any execution of a material contract (including any Material Contract) promptly after execution thereof.

Section 4.13 Updated Disclosure Schedule. From time to time prior to the Closing, DOCHS Parent shall have the right (but not the obligation) to supplement or amend the Disclosure Schedules hereto with respect to any matter hereafter arising or of which it becomes aware after the date hereof (each a “Schedule Supplement”) such Schedule Supplement shall be deemed to be incorporated into and to supplement and amend the Disclosure Schedules as of the Closing Date; provided, however, that in the event such event, development or occurrence which is the subject of the Schedule Supplement constitutes or relates to something that has had or would reasonably be expected to have a Material Adverse Effect, then NF Holdings shall have the right to terminate this Agreement for failure to satisfy the closing condition set forth in Section 7.1 provided, further, that if NF Holdings has the right to, but does not elect to terminate this Agreement within fifteen (15) Business Days of its receipt of such Schedule Supplement, then NF Holdings shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter under Section 9.1(c).

Section 4.14 Contact with Unions. From and after the Execution Date until the earlier to occur of the Closing Date and the termination of this Agreement, NF Holdings shall keep DOCHS Parent reasonably informed regarding any contact or communication with any union in connection with the Transactions to which any DOCHS Member is a party or by which any DOCHS Member is otherwise bound. Prior to agreeing to any changes to the collective bargaining agreements between the Execution Date and the earlier to occur of the Closing Date and the termination of this Agreement, DOCHS Parent shall (i) provide NF Holdings with the opportunity to evaluate and comment on any such changes, and (ii) shall use reasonable efforts to cooperate with NF Holdings in connection with the terms agreed to with the unions prior to Closing.

Section 4.15 Management Services Agreement. Without limiting the obligations under Section 4.1, from and after the Execution Date until the earlier of the Closing Date and the termination of this Agreement, DOCMSC and DOCHS Parent recognize the importance of NF Holdings 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 NF Holdings 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 DOCHS Parent shall, and shall cause each other 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 after Closing as deemed appropriate by NF Holdings, including by providing assistance to NF Holdings, including its employees, accountants, counsel, advisors and other representatives, as they may request, and at the request of NF Holdings, arranging, attending, and participating in meetings, negotiations and planning discussions with, and otherwise ensuring NF Holdings 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 DOCMSC AND DOCHS PARENT

DOCMSC's and DOCHS Parent's obligations 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 NF Holdings 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). NF Holdings 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. NF Holdings shall have caused to be executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to Section 1.6 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 Pension Obligations. DOCHS Parent shall have received evidence reasonably satisfactory to DOCHS Parent that existing pension obligations under the Defined Benefit Church Plan will be either (i) merged with the Retirement Plan for Hospital Employees or (ii) converted into a single employer ERISA plan.

Section 5.5 Governmental Consents. The Governmental Consents shall have been received or obtained on or prior to the Closing Date.

Section 5.6 Other Approvals. DOCHS Parent shall have obtained a letter in customary form or other confirmation that all required approvals under applicable law of the Roman Catholic Church ("Church Law") for the alienation of the Real Property and any other aspects of the Transactions subject to Church Law have been obtained and are in force and effect (the "Church Approval").

Section 5.7 Defeasance of 2014 Bonds. The 2014 Bonds shall have been defeased in full to the earlier of their first optional call date or maturity date in accordance with their governing documents and all security for the 2014 Bonds (other than a defeasance escrow) shall have been released by the bond trustee, including the related Deeds of Trust, the discharge of each related trust indenture to each series of the 2014 Bonds.

ARTICLE 6

CONDITIONS PRECEDENT TO OBLIGATIONS OF NF HOLDINGS

NF Holdings' 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 NF Holdings in whole or in part at or prior to the Closing.

Section 6.1 Accuracy of Representations and Warranties and Compliance with Obligations. The representations and warranties of DOCHS Parent 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. DOCSMC and DOCHS Parent shall have performed all obligations required to be performed by them under this Agreement on or prior to the Closing Date.

Section 6.2 Signing and Delivery of Instruments; Effectuation of Transactions. DOCSMC, DOCHS Parent, each DOCHS Member and each Affiliation Party shall have, as appropriate, received, executed and delivered all documents, instruments and certificates required to be obtained, executed and delivered pursuant to Section 1.5 of this Agreement. All third party or Governmental Authority consents and approvals necessary or 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 Financial Information. DOCHS Parent shall have delivered to NF Holdings the audited consolidated financial statements of DOCHS (inclusive of each Member of the Obligated Group (as such term is defined in the Master Indenture)) for the fiscal year ended June 30, 2014 conforming to the requirements of Section 3.10(b)(1) of the Master Indenture no later than the earlier to occur of (i) the Closing Date and (ii) December 31, 2014. For purposes hereof, "Master Indenture" shall mean that certain Master Indenture of Trust, dated as of December 1, 2001, from Daughters of Charity Health System and the Initial Members of the Obligated Group (as defined therein) to U.S. Bank Trust National Association, as amended and supplemented.

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 NF Holdings in its sole discretion (acting reasonably) to be materially burdensome.

(b) All material licenses, permits, approvals, registrations, certificates, accreditations and authorizations from Governmental Authorities, if any, that are required of NF Holdings 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 DOCHS Parent after the Closing shall have been obtained without the imposition of any condition that is or is reasonably likely to be materially burdensome to the Health Care System, 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 each Governmental Authority with jurisdiction or authority concerning such matters, and NF Holdings shall have obtained from each such Governmental Authority assurances reasonably satisfactory to NF Holdings (which may, in the sole discretion of NF Holdings, include oral assurances from appropriate Governmental Authorities) that, subject to the successful completion of a survey (as applicable), NF Holdings and each DOCHS Member, as applicable, will be issued Medicare and Medicaid Participation Approval Documents effective as of the Closing Date and the State of California will approve the Management Services Agreement.

Section 6.6 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 6.7 Working Capital. As of the Closing, the Final Working Capital shall have been agreed in accordance with Section 1.7 and on the Closing Date DOCMSC shall have paid the amount of any Working Capital Shortfall to NF Holdings.

Section 6.8 Collective Bargaining Agreement. The current collective bargaining agreement with California Nurses Associations is not extended beyond the Closing Date.

Section 6.9 Defeasance of 2014 Bonds. The 2014 Bonds shall have been defeased in full to the earlier of their first optional call date or maturity date in accordance with their governing documents and all security for the 2014 Bonds (other than a defeasance escrow) shall have been released by the bond trustee, including the related Deeds of Trust, the discharge of each related trust indenture to each series of the 2014 Bonds.

ARTICLE 7

POST-CLOSING MATTERS

Section 7.1 Misdirected Payments. After the Closing, DOCMSC shall remit to NF Holdings, in its capacity as manager of the Health Care System under the Management Services Agreement, with reasonable promptness, and no later than five (5) Business Days after receipt thereof, any monies or other assets received by DOCMSC or any of its Affiliates 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, DOCMSC shall be responsible for the repayment of said monies (and the defense of such actions). If the DOCHS Members 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, DOCMSC shall immediately pay to NF Holdings the amounts so billed or offset upon written demand.

Section 7.2 Preservation and Access to Records.

(a) From the Closing Date until the earlier of (x) six (6) years after the Closing and (y) such time as DOCMSC would have been permitted, under applicable Law, to dispose of such records (the "Document Retention Period"), DOCHS Parent shall keep and preserve, or cause to be kept and preserved, 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. DOCHS Parent will afford to the representatives of DOCMSC, including its 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 DOCMSC for business purposes. After the expiration of the Document Retention Period, if DOCHS Parent or its successor intends to destroy or otherwise dispose of any of the documents described in this Section 7.2, DOCHS shall provide, or shall ensure that its successor provides, written notice to DOCMSC of its intention no later than ninety (90) calendar days prior to the date of such intended destruction or disposal.

(b) NF Holdings 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. NF Holdings shall abide by any such rules and regulations relating to the confidential information it acquires as they apply to NF Holdings or, as applicable, as they would have applied to DOCMSC or the Existing Sponsor. NF Holdings 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.

(c) Each of DOCHS Parent and NF Holdings and their respective representatives shall be given access by DOCMSC during normal business hours to the extent reasonably needed by DOCHS Parent, any DOCHS Member or NF Holdings for business purposes to all documents, records, correspondence, work papers and other documents retained by DOCMSC or the Existing Sponsor pertaining to the Health Care System or with respect to the operation of any Hospital prior to the Closing Date.

Section 7.3 Employee Matters.

(a) From and after the time of Closing, each DOCHS Member shall adhere to and abide by the severance obligations set forth in the employment agreements of the Continuing Senior Leaders and employees employed by a DOCHS Member as of the Closing Date (collectively, the “Continuing Employees”), and for those Continuing Employees or Continuing Senior Leaders who do not have a written employment agreement, all as set forth on Schedule 7.3(a)⁷, each DOCHS Member shall abide by the severance obligations as set forth on the policies attached to Schedule 7.3(a) for a period of [eighteen (18) months] following the Closing Date; provided, however, if a Continuing Senior Leader or Continuing Employee executes or confirms a new written employment agreement with a DOCHS Member the severance obligations in such agreements with such DOCHS Member shall govern and consequently such Continuing Senior Leader or Continuing Employee will no longer be entitled to the severance benefits set forth in his or her pre-Closing DOCHS Parent employment agreement.

(b) Each DOCHS Member will indemnify, defend and hold DOCMSC and its Affiliates harmless from and against any loss, damage, liability, claim, cost or expense (including, without limitation, reasonable attorneys’ fees) that may be incurred by, or asserted against, DOCMSC and its Affiliates (i) as a result of any severance obligations owed as a result of the change of control set forth on Schedule 7.3(b) caused by the Transactions; and (ii) under the federal Worker Adjustment and Retraining Notification Act (29 U.S.C. §§ 2101 et seq.), the

⁷ NTD: To review/confirm final amounts.

California Worker Adjustment and Retraining Notification Act (Assembly Bill 2957, Chapter 4, Part 4, Sections 1400-1408, California Labor Code et seq.), or any other federal, state, or local legal requirement regarding mass employment separations (together, the “WARN Act”) to the extent it involves a past or present employee of any DOCHS Member and concerns acts or omissions occurring, in whole or in part, on or after the Closing Date, or as a result of the Transactions. The DOCHS Members, NF Holdings and DOCHS Parent shall not cause a violation of the WARN Act, in whole or in part, as of the Closing Date or during the ninety (91) days thereafter.

(c) Each DOCHS Member shall cause all pre-existing conditions that any Continuing Employee or Continuing Senior Leader or his or her covered dependents has as of the Closing Date, and all proof of insurability provisions to which such employee or dependent would be otherwise subject, to be waived or satisfied for all conditions covered by any new plan established at or immediately after Closing by each DOCHS Member or its Affiliates in which any such employee participates, in each case to the same extent waived or satisfied under the corresponding plan. Each DOCHS Member shall cause all waiting periods applicable to Continuing Employees and Continuing Senior Leaders under each new plan maintained by each DOCHS Member or its Affiliates to be waived with respect to Continuing Employees and Continuing Senior Leaders and their covered dependents to the extent that any such waiting periods were waived or satisfied under the corresponding plan.

(d) Each DOCHS Member shall cause any eligible expenses incurred by a Continuing Employee and Continuing Senior Leader and his or her covered dependents during the portion of the plan year prior to the Closing Date to be accounted for in the corresponding new or existing employee benefit plan of each DOCHS Member or their Affiliates for purposes of satisfying all deductibles, coinsurance and maximum out-of-pocket requirements applicable to such employee and/or his or her covered dependents for the plan year in which the Closing Date occurs if such amounts had been paid for the corresponding benefit in accordance with such new or existing employee benefit plan.

(e) Each DOCHS Member will make available group health plan continuation coverage required under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to employees and former employees of any DOCHS Member who are eligible for such coverage.

Section 7.4 Pension Liabilities.

(a) As soon as practicable after the Closing Date, DOCHS Parent shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to satisfy the requirements of ERISA and the Code.

(b) DOCHS Parent and each DOCHS Member shall take the following actions following Closing with respect to the Multiemployer Plans to which each DOCHS Member has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements, or pursuant to obligations under the National Labor Relations Act:

(i) DOCHS Parent and or each DOCHS Member shall continue to contribute to such Multiemployer Plans for substantially the same number of contribution base units for which DOCHS Parent or such DOCHS Member had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date. The determination of the number of contribution base units and the duration of the obligation to maintain such contribution base units necessary to satisfy Section 4204 of ERISA shall be made in accordance with Section 4204 of ERISA.

(ii) During the period commencing on the first day of the first plan year of each applicable Multiemployer Plan beginning after the Closing Date and ending on the expiration of the fifth such plan year of the applicable Multiemployer Plan (the “Contribution Period”), if required, DOCHS Parent and or each DOCHS Member shall provide to each Multiemployer Plan either a bond, letter of credit or an escrow in an amount and manner meeting the requirements of Section 4204 of ERISA. The Parties agree to cooperate to obtain a waiver of any requirement for a bond, letter of credit or escrow.

(iii) If DOCHS Parent or a DOCHS Member withdraw from any Multiemployer Plan in a complete or partial withdrawal during the Contribution Period, then DOCHS Parent and or such DOCHS Member agree that they shall pay the Multiemployer Plan any and all withdrawal liability on account of such withdrawal when due. To the extent required by Section 4204 of ERISA, DOCMSC shall be secondarily liable to the Multiemployer Plan for any withdrawal liability that DOCHS Parent and or each DOCHS Member would have had to the Multiemployer Plan but for Section 4204 of ERISA. If all or substantially all of DOCMSC’s assets are distributed, or if DOCMSC is liquidated, during the Contribution Period, then DOCMSC agrees to provide a bond or amount in escrow equal to the present value of the withdrawal liability that DOCMSC would have had but for Section 4204 of ERISA, unless DOCMSC timely secures a waiver of such requirement from the Pension Benefit Guaranty Corporation. Such bond or escrow shall be paid to the Multiemployer Plan if DOCMSC becomes secondarily liable to the Multiemployer Plan as described in the preceding sentence and fails or refuses to pay its withdrawal liability.

(iv) Each DOCHS Member agrees to indemnify, defend and hold harmless DOCMSC and its Affiliates (including for this purpose any Person, whether or not otherwise an Affiliate, that is determined to have ever been a member of the same “controlled group” as DOCHS Parent for purposes of Section 414(b), (c), (m) or (o) of the Code or Section 302(d)(3) or 4001(b)(1) of ERISA) against any and all liability, including interest, penalties and attorney’s fees, that is incurred or assessed against DOCMSC and its Affiliates by reason of DOCHS Parent’s and or the DOCHS Member’s failure or refusal to comply with any provision of this Section 7.4(b), including, but not limited to, the withdrawal by DOCHS Parent and or the DOCHS Member from a Multiemployer Plan during the Contribution Period coupled with the failure or refusal by DOCHS Parent and or the DOCHS Member to pay the resulting withdrawal liability.

Section 7.5 Charity Care; Other Related Matters. To the extent of its rights, authorities and powers under the Management Services Agreement (while in effect), NF Holdings shall use commercially reasonable efforts to cause each DOCHS Member that provides

health care services to treat indigent patients and provide charity care in the service area of the Hospitals as follows:

(a) for a period of not less than five (5) years following the Closing Date, each DOCHS Member shall maintain policies for the treatment of indigent patients at the Hospitals similar to those currently in effect at such Hospitals (or replacement policies that are intended to provide a similar or greater benefit to the community), provided that for purposes of determining the amount of charity and indigent care provided at the Hospitals, the DOCHS Members must adhere to the definitions and methodology for calculating charity care costs established by the California Office of Statewide Health Planning and Development as set forth in the Accounting and Reporting Manual for California Hospitals and applicable Hospital Technical Letters issued in connection therewith;

(b) ensure adequate access to Medicare and Medi-Cal patients, for a period of not less than five (5) years following the Closing Date, the DOCHS Members shall continue to operate the Hospitals as general acute care hospitals under California Health & Safety Code Section 1250 and shall continue to offer an open emergency room at such Hospitals which have an emergency room as of the Closing Date, subject to the availability of physicians on the respective Hospital's medical staff qualified to support such services and subject further to such changes as may be necessary or appropriate based on community needs, market demand and the financial viability of such services;

(c) the DOCHS Members shall operate the Hospitals in accordance with all Laws, including adopting a policy to provide for an appropriate medical screening examination to any patient presented to a Hospital emergency room who has a medical emergency, or who, in the judgment of the staff physician, has an immediate emergency need. No such patient shall be turned away because of age, race, religion, gender, sexual orientation, payment source or inability to pay; and

(d) for at least five (5) years following the Closing, the DOCHS Members shall maintain the existing chapels at the Hospitals to be used for the celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

For the avoidance of doubt, for purposes of the commitments in this Section 7.5, the DOCHS Members shall not be in breach of these covenants based on a closure of any Hospital, in whole or in part, even if it affects the continued operation of, and access to, the Hospital's emergency department and other services, as the result of any retrofit, remediation, construction or similar project at such Hospital, or the closure of a Hospital provided such closure is for the purpose of replacement with a new acute care hospital or portion thereof.

Section 7.6 Capital Commitment. DOCHS Parent and each DOCHS Member covenants and agrees that the DOCHS Members collectively will spend within five (5) years from Closing a minimum of Three Hundred Million Dollars (\$300,000,000) in aggregate capital expenditures at the Hospitals.

Section 7.7 Intellectual Property.⁸

(a) DOCHS Parent and each DOCHS Member covenants not to use the Hospital Trademarks in any manner and in any medium (i) from and after the end of the Transition Period with respect to Building Signs; and (ii) from and after ___ days after the Closing Date in all other cases, except that DOCHS Parent and each DOCHS Member shall have the right to use the Hospital Trademarks if the usage incorporates, integrates or is in conjunction with the name “[●],” solely as set forth in Schedule 7.7 or as otherwise pre-approved in writing by DOCMSC (the “Permitted Names”; together with any abbreviations, variations, logos or symbols associated or used in connection with the Permitted Names, the “Transferred Marks”). For avoidance of doubt, but subject to the preceding sentence, any and all use of the Transferred Marks in any manner and in any medium (including, without limitation, use in domain names, websites, signage, and any marketing or promotional materials) must include the name “[●]” (other than ordinary course business or legal communications that describe the Transaction).

(b) During the period commencing at the Closing Date and continuing for one hundred eighty (180) days thereafter (the “Transition Period”), DOCHS Parent and each DOCHS Member shall use commercially reasonable efforts to promptly (i) remove all exterior and interior fixtures that contain or comprise building signs displaying the Hospital Trademarks (including at all hospitals, offices, buildings and other Real Property) (“Building Signs”) or (ii) change all Building Signs to conform to the Permitted Names

(c) DOCHS Parent and each DOCHS Member covenant not to use the Hospital Trademarks or any marks that are confusingly similar thereto in any manner and in any medium (collectively, including with the DOCHS Parent Names, the “Restricted Marks”) except as otherwise permitted herein.

Section 7.8 Corporate and Trade Names. The DOCHS Members shall on the Closing Date discontinue the use of all corporate and trade names that contain any Restricted Marks (including, without limitation, the DOCHS Parent Names), including by filing appropriate name change amendments with the California Secretary of State, and shall not subsequently change such names to (or otherwise use or employ) any names which contain any Restricted Marks.

Section 7.9 DOCMSC Lease. Concurrently with the Closing, DOCMSC or its designee shall be entitled to enter into a lease of the Seton Hall residences located at 262 S. Lake Street, Los Angeles, CA 90057 for five (5) years at a rate of \$1.00 per year.

Section 7.10 NF Holdings’ Obligations with Respect to DOCHS Members’ Post-Closing Covenants. To the extent of its rights, authorities and powers under the Management Services Agreement (while in effect), NF Holdings shall use commercially reasonable efforts to cause DOCHS Parent and each other DOCHS Member to perform each and every covenant and other obligation of such Persons required by this Agreement to be performed by such Persons from and after the Closing Date.

⁸Note to Ropes & Gray: The IP changes proposed are acceptable in principle, but some of the re-drafting and defined terms proposed just need to be clarified.

ARTICLE 8

TAX AND COST REPORT MATTERS

Section 8.1 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.

Section 8.2 Filing Cost Reports; Amounts Due To or From Third Party Payors; Cost Report Audits and Contests. After the Closing Date, the DOCHS Members shall prepare and timely file, in a manner that complies with applicable Laws, all Cost Reports (including, without limitation, terminating cost reports) and all other filings which are required to be filed with Medicare, any other payors or any Governmental Authority with respect to the operations of the Health Care System, as applicable, for any and all periods ending on, after or prior to the Closing Date.

ARTICLE 9

TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to Closing:

- (a) by the mutual written consent of the Parties to this Agreement;
- (b) by DOCHS Parent in the event of a failure of any condition set forth in Article 5 if failure has not been (i) waived in writing by DOCHS Parent or (b) cured by NF Holdings within thirty (30) calendar days after service by DOCHS Parent upon NF Holdings of a written notice which describes the nature of such breach; provided, however, that DOCHS Parent shall not be permitted to terminate the Agreement pursuant to this Section 9.1(b) if such failure was caused by DOCHS Parent or if DOCHS Parent is in material breach of this Agreement;
- (c) by NF Holdings in the event of a failure condition set forth in Article 6 if such failure has not been (i) waived in writing by NF Holdings or (ii) cured by DOCHS Parent within thirty (30) calendar days after service by NF Holdings upon DOCHS Parent of a written notice which describes the nature of such breach; provided, however, NF Holdings shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if such failure was caused by NF Holdings or if NF Holdings is in material breach of this Agreement; or

(d)

(i) Subject to Section 9.1(d)(ii), by NF Holdings or DOCHS Parent if the Closing has not occurred on or before the date (the “Outside Date”) which is one hundred fifty (150) calendar days following the date hereof by providing written notice to the other at any time on or after the Outside Date; provided, however, that no Party may terminate this Agreement under this Section 9.1(d)(i) if on the Outside Date all conditions to the obligations of NF Holdings or DOCHS Parent at Closing set forth in Article 5 and Article 6, as applicable, have been satisfied; or

(ii) If the Closing has not occurred on or before the Outside Date because a Governmental Consent or Church Approval that must be received prior to the consummation of the Transactions has not been received before or on the Outside Date, then such Outside Date shall be extended until thirty (30) calendar days following the date on which such Governmental Consent or Church Approval is obtained; provided, however, that either NF Holdings or DOCHS Parent may terminate this Agreement in writing if such date is more than one hundred and eighty (180) calendar days after the Execution Date. Notwithstanding any of the foregoing of this Section 9.1(d), the right to terminate this Agreement under this Section 9.1(d) shall not be available to a Party whose material breach of this Agreement has been the cause of the failure of the Transactions to have been consummated on or before the Outside Date without the mutual written consent of the other Parties;

(e) by NF Holdings or DOCHS Parent if a Governmental Authority of competent jurisdiction, including the California Attorney General, shall have issued a judgment or taken any other action (including without limitation withholding any legally required consent), in each case, which has become final and non-appealable and which enjoins or otherwise prohibits the Transactions, subject to Section 9.1(d) above.

Section 9.2 Termination Consequences. If this Agreement is terminated pursuant to Section 9.1, this Agreement will thereupon become void and of no effect and all further obligations of the Parties under this Agreement shall terminate, except for the obligations which by their terms explicitly survive termination.

ARTICLE 10

NO SURVIVAL POST-CLOSING OF REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS

Section 10.1 Non-Survival of Representations, Warranties and Certain Covenants. The representations, warranties, covenants and agreements of the Parties contained in this Agreement shall terminate at the Closing, and, following the Closing, no Party hereto shall make any claim whatsoever for any breach of any such representation, warranty, covenant or agreement, on the part of such Party, its Affiliates or any of their respective officers, directors, agents or other representatives, except for those covenants and agreements that by their terms expressly apply or are to be performed in whole or in part at or after the Closing Date. Each covenant and agreement of the Parties contained in the Transaction Documents shall survive the execution and delivery of this Agreement and the Closing in accordance with the applicable terms of the Transaction Documents.

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. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of California applicable to agreements made and to be performed entirely within such State, without regard to the conflicts of law principles of such State. The Parties hereto agree that any action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the Transactions may only be brought in the United States District Court for the Northern District of California or any California State court sitting in the county of San Francisco, California, and each of the Parties hereby consents to the exclusive jurisdiction of such courts in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any Party anywhere in the world, and each party agrees that, in addition to any method of service of process otherwise permitted by law, service of process on each Party may be made by any method for giving such Party notice as provided in Section 11.7, and shall be deemed effective service of process on such Party.

Section 11.5 Enforcement Expenses. Except as otherwise provided in this Agreement, each Party will pay its own respective financial advisory, legal, accounting and other expenses incurred by it or for its benefit in connection with the preparation and execution of this Agreement and the Ancillary Agreements. Notwithstanding the foregoing, in the event of any action or proceeding for enforcement of any of the terms or conditions of this Agreement, any alleged disputes, breaches, defaults or misrepresentations in connection with any provision of this Agreement or any action or proceeding in any way arising out of this Agreement, the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, will be entitled to recover, from the non-prevailing party, its reasonable costs and expenses, including reasonable attorneys' fees and costs of defense paid or incurred in good faith. The "prevailing party," for purposes of this Agreement, will be deemed to be that Party who obtains substantially the result sought, whether by settlement, dismissal or judgment. The Parties shall cause any judgment or settlement of any such action to specify the prevailing and non-prevailing parties for such purposes. In the event of a decision in which no Party prevails in all regards, the Parties' reasonable and documented costs and expenses shall be allocated in a manner reflecting the degree to which the decision in such proceeding falls between the Parties' initial positions in the proceeding.

Section 11.6 Amendments. This Agreement may not be amended other than by a written instrument signed by the Parties hereto.

Section 11.7 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 NF Holdings:

New Found Health Holdings, LLC
c/o Blue Wolf Capital Fund III, L.P.
One Liberty Plaza, 52nd Floor
New York, NY 10006
Attn: Chief Compliance Officer

If to the Existing Sponsor or DOCMSC or DOCHS Parent (but only prior to Closing with respect to DOCHS Parent), to them at:

Daughters of Charity Health System
26000 Altamont Road, Los Altos Hills, CA 94022-4317
Telephone number: 650-917-4528
Facsimile number: _____
Attn: Robert Issai, Chief Executive Office

with copies to:

Ropes & Gray LLP
3 Embarcadero Center, Suite 300
San Francisco, CA 94111
Telephone number: 415-315-6394
Facsimile number: 415-315-4801
Attn: John O. Chesley, Partner

Daughters of Charity Health System
26000 Altamont Road, Los Altos Hills, CA 94022-4317
Telephone number: 650-917-4522
Facsimile number: 650-941-6309
Attn: Pascale Roy, General Counsel

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

Section 11.8 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 11.9 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, NF Holdings 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 DOCHS Parent and NF Holdings; or (c) as otherwise required by applicable Law.

Section 11.10 Third Party Beneficiary. Except as provided in Section 11.15, 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 11.11 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. Each of the Parties acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the Parties agrees that, without posting a bond or other undertaking, each other Party will be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in addition to any other remedy to which such other Party may be entitled, at law or in equity. Each Party further agrees that, in the event of any action for specific performance in respect of such breach or violation, it will not assert that the defense that a remedy at law would be adequate.

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 hereby irrevocably appoints and authorizes DOCHS Parent 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 hereby irrevocably appoints 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 NF Holdings 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. NF Holdings 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 Advance Conflict Waiver. [Each of NF Holdings and each DOCHS Member hereby waives and agrees to not assert any actual or potential conflict of interest arising out of or relating to the representation, after the Closing, of DOCMSC or any of its Affiliates (which from and after the Closing shall not include any DOCHS Member), or any of their respective officers, directors, employees, members or managers, in any dispute with NF Holdings, any DOCHS Member, or any of its or their respective Affiliates, or any other matter arising out of or relating to this Agreement or the Transaction (each, a “Post Closing Representation”), by Ropes & Gray LLP or any other internal or external legal counsel who have been or are representing any of the DOCHS Members or any of their respective Affiliates (which prior to the Closing, but not from and after the Closing, shall include any DOCHS Member) (each, a “Prior Company Counsel”) in matters arising out of or relating to this Agreement or the Transactions (each such matter, a “Pre-Closing Representation”), even though Prior Company Counsel have been and are acting as legal counsel to any of the DOCHS Members in connection with this Agreement and the Transaction, and even though Post-Closing Representation by any Prior Company Counsel may be substantially related to a Pre-Closing Representation. Each of NF Holdings and each DOCHS Member further agrees that all rights with respect to any attorney-client privilege (including the right to control such privilege), and all rights with respect to any expectation of client confidence, in each case with respect to any communication between any Prior Company Counsel, on the one hand, and any of DOCMSC, any DOCHS Member, or any of its or their respective Affiliates (which prior to the Closing, but not after the Closing, shall include the DOCHS Members), or any of their respective officers, directors, employees, members or managers, on the other hand, that relates to any Pre-Closing Representation (any such communication, a “DOCHS Pre-Closing Communication”) shall belong solely to DOCMSC, and without limiting the generality of the preceding sentence, from and after the Closing, none of NF Holdings, any DOCHS Member or their respective Affiliates or representatives, shall have access to any DOCHS Pre-Closing Communications or to the files of Prior Company Counsel arising out of or relating to any Pre-Closing Representation, and all

books, records and other materials of any DOCHS Member or its Affiliates or representatives in any medium (including electronic copies) containing or reflecting any DOCHS Pre-Closing Communications or the work product of legal counsel with respect thereto, including any related summaries, drafts or analyses, any copies thereof in any medium, and all rights with respect to any of the foregoing (including all property rights), are hereby assigned and transferred to DOCMSC effective as of the Closing and shall be delivered (or if not actually delivered, shall be deemed delivered) to DOCMSC immediately prior to the Closing. From and after the Closing, to the extent any such material or information has not been delivered to DOCMSC pursuant to the preceding sentence NF Holdings and the DOCHS Members shall maintain the confidentiality thereof, it will be held for the benefit of DOCMSC and its Affiliates, and NF Holdings and its Affiliates (including, from and after the Closing, the DOCHS Members) will deliver all such material and information to DOCMSC promptly upon discovery thereof, without retaining copies thereof. From and after the Closing, none of NF Holdings or its Affiliates (which from and after the Closing shall include the DOCHS Members) and their respective Representatives shall access or in any way, directly or indirectly, use or rely upon any such material or information, and Prior Company Counsel shall have no duty whatsoever to reveal or disclose to NF Holdings or any of its Affiliates (including, from and after the Closing, the DOCHS Members), any Pre-Closing DOCHS Communications, or any such material or information, by reason of any attorney-client relationship between Prior Company Counsel and any DOCHS Member or any of its Affiliates or otherwise. Notwithstanding the foregoing, in the event that a dispute arises after the Closing between NF Holdings or any DOCHS Member and a third party who is not a party to this Agreement, a DOCHS Member may assert the attorney-client privilege to prevent disclosure of any privileged DOCHS Pre-Closing Communications to such third party; provided, however, that neither the DOCHS Member nor any other Person may waive such privilege without the prior written consent of DOCMSC.]⁹

Section 11.16 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)

⁹NTD: Section remains under review.

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

DOCHS:

**DAUGHTERS OF CHARITY HEALTH
SYSTEM**

By: _____
Name:
Title:

DOCMSC:

**DAUGHTERS OF CHARITY MINISTRY
SERVICES CORPORATION**

By: _____
Name:
Title:

NF HOLDINGS:

NEW FOUND HEALTH HOLDINGS, LLC

By: _____
Name:
Title:

**ANNEX I
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
DOCHS MEMBERS**

**ANNEX II
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
HOSPITALS**

**ANNEX III
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
MEDICAL OFFICE BUILDINGS**

**ANNEX IV
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
[BLANK]**

**ANNEX V
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
DIRECTORS UPON REAFFLIATION**

**ANNEX VI
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
WORKING CAPITAL CALCULATION**

NET WORKING CAPITAL SCHEDULE

(\$ in thousands)

	Projected Balance Sheet At Close
Cash and cash equivalents	\$44,932
Patients accounts receivable, net	159,143
Due from government agencies	21,051
Interest in pooled investments - short-term	921
Interest in pooled investments - long-term	16,499
Other current assets	47,709
Total current assets	\$290,255
Accounts Payable	\$46,701
Current Portion of Long-Term Debt	5,977
2014 Bridge Facility Draw	83,828
Accrued liabilities/other	142,743
Due to government agencies	11,006
Total current liabilities	\$290,255
Net working capital	\$0

**NOTE: SCHEDULE ABOVE IS TO INFORM THE BALANCE SHEET CATEGORIES
THAT WILL FACTOR INTO THE CALCULATION OF NET WORKING CAPITAL AS
PER DCHS' HISTORICAL NORMS. EXACT AMOUNTS ARE ILLUSTRATIVE**

Net Working Capital means an amount (which may be positive or negative) equal to (i) the current assets minus (ii) the current liabilities, in each case, determined in a manner consistent with the calculations above used in DCHS' unaudited June 30, 2014 balance sheet and determined in accordance with GAAP. For the avoidance of doubt, Accrued Liabilities on the Closing Date will include any fees and expenses payable by DCHS, the Existing Sponsor or their affiliates and any other liabilities not accrued for on the 6/30/2014 consolidated balance sheet of DCHS including, but not limited to, severance obligations to executives of DCHS, unfunded contributions on the 401(a)(17) plan and any other amounts owed by DCHS to the Existing Sponsors and its affiliates as of the closing or in connection with the transaction contemplated herein. Notwithstanding the clause above, the following items will be excluded from the calculation of Net Working Capital: (i) any receivable (or the proceeds of any receivable) related to the Quality Assurance Fee program; (ii) any increase in current assets or decrease in current liabilities arising from the sale or other form of disposition of any long-term assets; (iii) any transactions or deposits made in connection with the Mellon Bank reserve or similar item, provided, however, if DCHS is able to demonstrate to Blue Wolf's reasonable satisfaction, that deposits associated with the Mellon Bank reserve made after June 30, 2014 are likely to be returned to DCHS within the six month period following the closing of the transaction, then those deposits may be included in the calculation of current assets; and (iv) any other transactions out of the ordinary course that would negatively impact net working capital.

**EXHIBITS A TO F
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
SEPARATELY PROVIDED**

EXHIBIT G
TO
RESTRUCTURING, CONVERSION AND DISAFFILIATION AGREEMENT
WORKING CAPITAL TARGET

\$0