

ASSET PURCHASE AGREEMENT
BY AND AMONG
DAUGHTERS OF CHARITY HEALTH SYSTEM,
O'CONNOR HOSPITAL,
SAINT LOUISE REGIONAL HOSPITAL,
ST. FRANCIS MEDICAL CENTER,
ST. VINCENT MEDICAL CENTER,
SETON MEDICAL CENTER,
CARITAS BUSINESS SERVICES,
DCHS MEDICAL FOUNDATION,
ST. VINCENT DIALYSIS CENTER,
PROSPECT MEDICAL HOLDINGS, INC.,
DCH HOSPITALS SYSTEM, LLC
PROSPECT MEDICAL SYSTEMS, INC.
PMG-DCH PHYSICIANS, INC.,
PROSPECT OCH, LLC,
PROSPECT SLRH, LLC,
PROSPECT SFMC, LLC,
PROSPECT SVMC, LLC,
PROSPECT SMC, LLC,
PROSPECT SMCC, LLC,
PROSPECT SMMOB, LLC,
PROSPECT LAMOB, LLC,
and
PROSPECT SCMOB, LLC

Dated as of [●], 2014

TABLE OF CONTENTS

	Page
ARTICLE I. DEFINITIONS	2
Section 1.01. Definitions.....	2
Section 1.02. Certain Matters of Construction.....	12
ARTICLE II. TRANSFERRED ASSETS	13
Section 2.01. Transferred Assets	13
Section 2.02. Retained Assets	16
ARTICLE III. OBLIGATIONS AND LIABILITIES	17
Section 3.01. Assumed Liabilities	17
Section 3.02. Excluded Liabilities	18
ARTICLE IV. CONSIDERATION	19
Section 4.01. Consideration	19
Section 4.02. Closing Date Payments	19
Section 4.03. [Intentionally Omitted]	19
Section 4.04. [Intentionally Omitted]	19
Section 4.05. Good Faith Deposit	19
Section 4.06. Transfer Taxes	20
Section 4.07. The Closing	20
Section 4.08. Items to be Delivered by Sellers at Closing.....	20
Section 4.09. Items to be Delivered by Purchasers at Closing	22
Section 4.10. Disclaimer of Warranties	22
Section 4.11. Risk of Loss	25
ARTICLE V. REPRESENTATIONS AND WARRANTIES OF SELLERS.....	25
Section 5.01. Power and Authorization	25

Section 5.02. Binding Agreement.....	25
Section 5.03. Organization and Good Standing.....	25
Section 5.04. Non-Contravention	25
Section 5.05. Compliance with Legal Requirements.....	25
Section 5.06. Environmental Matters.....	26
Section 5.07. Title	26
Section 5.08. Certain Other Representations with Respect to the Hospitals	26
Section 5.09. Brokers and Finders	27
Section 5.10. Financial Statements	27
Section 5.11. Legal Proceedings.....	27
Section 5.12. Employee Benefits	28
Section 5.13. Personnel.....	29
Section 5.14. Insurance	30
Section 5.15. Required Consents	30
Section 5.16. Health Care Compliance.....	31
Section 5.17. Accounts Receivable.....	31
Section 5.18. Payer Contracts	32
Section 5.19. Standards of Care.....	32
Section 5.20. Medical Records	32
Section 5.21. Credentialing.....	33
Section 5.22. Incentive Programs	33
Section 5.23. Certain Payments	33
Section 5.24. Privacy Laws.....	33
Section 5.25. Health Care Laws.....	33
Section 5.26. Investigations and Audits.....	34

Section 5.27. Excluded Individuals	34
ARTICLE VI. REPRESENTATIONS AND WARRANTIES OF PURCHASERS.....	34
Section 6.01. Power and Authorization	34
Section 6.02. Binding Agreement.....	34
Section 6.03. Organization and Good Standing.....	35
Section 6.04. Noncontravention.....	35
Section 6.05. Brokers and Finders	35
Section 6.06. Legal Proceedings	35
Section 6.07. Health Care Compliance	35
Section 6.08. [Intentionally Omitted]	36
Section 6.09. Required Consents	36
Section 6.10. [Intentionally Omitted]	36
Section 6.11. Commitment Letter	36
Section 6.12. Available Funds	37
Section 6.13. Solvency.....	37
ARTICLE VII. PRE-CLOSING COVENANTS	37
Section 7.01. Required Approvals	37
Section 7.02. Consents to Assignment.....	39
Section 7.03. Conduct of the Business Generally.....	39
Section 7.04. Conduct of Business	40
Section 7.05. Additional Financial Information	42
Section 7.06. Notice to Purchasers	42
Section 7.07. Confidentiality	43
Section 7.08. Termination of Hospital Employees	43
Section 7.09. No-Shop	43

Section 7.10. Supplement to Disclosure Schedules / Notification of Certain Matters	44
Section 7.11. D&O Insurance	44
Section 7.12. Fiduciary Liability Insurance	45
Section 7.13. Seller Retirement Plans	45
Section 7.14. Consulting Agreement	46
Section 7.15. Closing Conditions.....	46
Section 7.16. Access to Information	46
Section 7.17. Communications with Medical Staff	46
Section 7.18. Title	46
Section 7.19. Self-Disclosure.....	46
Section 7.20. Sellers' Employees.....	47
Section 7.21. Conversion and Qualification of the Defined Benefit Church Plan	47
ARTICLE VIII. COVENANTS OF PURCHASERS.....	47
Section 8.01. Required Governmental Approvals and Accrediting Approvals	47
Section 8.02. Employees.....	48
Section 8.03. Pension Liabilities.....	51
Section 8.04. Consents to Assignment.....	52
Section 8.05. Contact with Unions	52
Section 8.06. Performance	52
Section 8.07. Confidentiality	52
Section 8.08. Waiver of Bulk Sales Law Compliance.....	52
Section 8.09. Charity Care	53
Section 8.10. Subsequent Sale	53
Section 8.11. Closing Conditions.....	53

Section 8.12. Intellectual Property.....	54
Section 8.13. Capital Commitment.....	54
ARTICLE IX. CONDITIONS TO SELLERS' OBLIGATIONS AT CLOSING.....	54
Section 9.01. Representations and Warranties.....	54
Section 9.02. Performance.....	55
Section 9.03. Absence of Litigation.....	55
Section 9.04. Governmental Approvals.....	55
Section 9.05. Antitrust Approvals.....	55
Section 9.06. Collective Bargaining Agreements.....	55
Section 9.07. Church Approvals.....	55
Section 9.08. Other Instruments and Documents.....	55
ARTICLE X. CONDITIONS TO PURCHASERS' OBLIGATIONS AT CLOSING.....	55
Section 10.01. Representations and Warranties.....	55
Section 10.02. Performance.....	56
Section 10.03. Absence of Litigation.....	56
Section 10.04. Governmental Approvals.....	56
Section 10.05. Antitrust Approvals.....	56
Section 10.06. Title Matters.....	56
Section 10.07. Collective Bargaining Agreements.....	56
Section 10.08. Other Instruments and Documents.....	56
ARTICLE XI. TERMINATION.....	57
Section 11.01. Termination.....	57
Section 11.02. Termination Consequences.....	58
Section 11.03. Survival.....	58
ARTICLE XII. TAX AND COST REPORT MATTERS.....	58

Section 12.01. Tax Matters	58
Section 12.02. Filing Cost Reports	59
ARTICLE XIII. POST-CLOSING MATTERS.....	60
Section 13.01. Retained Assets and Excluded Liabilities.....	60
Section 13.02. Preservation and Access to Records After the Closing	61
Section 13.03. Consents.....	61
Section 13.04. Closing of Financials	62
Section 13.05. DOCMSC Lease	62
Section 13.06. Use of Names	62
Section 13.07. Assumed Contracts	62
Section 13.08. Additional Acts	63
ARTICLE XIV. MISCELLANEOUS	63
Section 14.01. Enforcement Expenses.....	63
Section 14.02. Notices	63
Section 14.03. Succession and Assignment.....	64
Section 14.04. Exhibits, Schedules and Disclosure Schedules	65
Section 14.05. Amendments and Waivers	65
Section 14.06. Entire Agreement	65
Section 14.07. Counterparts	65
Section 14.08. Severability	66
Section 14.09. Governing Law	66
Section 14.10. Publicity	66
Section 14.11. Specific Performance	66
Section 14.12. Service of Process	67
Section 14.13. Attorney-Client Privilege.....	67

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Description of Exhibit</u>
A	Deposit Escrow Agreement
B	Bill of Sale
C	Real Estate Assignments
D	Personal Property Assignments
E	Commitment Letter
F	Form of Consulting Agreement
G	Form of Unsecured Promissory Note

LIST OF SCHEDULES

<u>Schedule</u>	<u>Description of Schedule</u>
1.01(a)	Ancillary Agreements
1.01(b)	Collective Bargaining Agreements
1.01(c)	DCHS Executives
1.01(d)	Defined Contribution Church Plans
2.01(a)	Owned Real Property
2.01(c)	Leased Real Property
2.01(e)	Personal Property Leases
2.01(f)	Personal Property
2.01(h)	Prepaid Expenses
2.01(p)	Licenses and Medicare Provider Numbers
2.01(r)	Information Technology
2.01(v)	Contracts
2.02(d)	Retained Marks
2.02(f)	Ancillary Community Benefit Services
2.02(g)	Religious Artifacts
2.02(j)	Retained Assets
3.01(a)	Balance Sheet
4.02	Closing Date Payments / Designated Account
5.05(a)	Compliance with Legal Requirements
5.05(b)	Notice of, or Investigation with Respect to, Violation of Legal Requirements
5.06(a)	Environmental Assessments
5.06(b)	Violations of Environmental Laws
5.06(c)	Environmental Claims
5.09	Brokers and Finders
5.10	Historical Financial Statements
5.10(c)	Exceptions to Historical Financial Statements
5.11(a)	Legal Proceedings
5.11(b)	Government Orders - Sellers
5.11(c)	Compliance with Government Orders - Sellers
5.12(a)	Sellers' Plans
5.12(c)	Liability with Respect to Sellers' Plans
5.12(e)	Retiree Welfare Benefits with Respect to Sellers' Plans
5.13(a)	Hospital Employees
5.13(b)	Unfair Labor Practice Complaints
5.13(c)	Laid-Off or Terminated Hospital Employees
5.13(d)	Compliance with Legal Requirements Relating to Employee Health and Safety
5.14	Insurance
5.15	Governmental Approvals
5.16(b)	Statements of Deficiencies
5.16(c)	Hospital or Long-Term Care Licensure Denials
5.18	Payor Contracts

5.24	Privacy Laws
5.25	Health Care Laws
5.26	Investigations and Audits
5.27	Excluded Individuals
6.06(a)	Claims, Proceedings or Investigations
6.06(b)	Government Orders - Purchasers
6.06(c)	Compliance with Government Orders - Purchasers
6.07(b)	Statements of Deficiencies
6.07(c)	Hospital or Long-Term Care Licensure Denials
6.07(e)	Government Agreements
6.09	Required Consents
7.01(b)(i)	Regulatory Approvals
7.03	Conduct of the Business
7.03(b)	Insurance and Equipment Replacement Coverage
7.04	Specific Prohibitions
8.02(a)(ii)	DCHS Policies
8.09	Policies for Treatment of Indigent Patients
8.12(a)	Permitted Names
10.04	Government Approvals

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of the [DAY] day of [MONTH], 2014 (the “Effective Date”) by and among Daughters of Charity Health System, a California nonprofit religious corporation (“DCHS”), O’Connor Hospital, Saint Louise Regional Hospital, St. Francis Medical Center, St. Vincent Medical Center and Seton Medical Center, each a California nonprofit religious corporation (each, a “Hospital” and collectively the “Hospitals”), Caritas Business Services, a California corporation (“CBS”), DCHS Medical Foundation, a California nonprofit [religious] corporation (“DCHSMF”), St. Vincent Dialysis Center, a California _____ (“SVDC” and together with DCHS, the Hospitals, CBS and DCHSMF, “Sellers”), and Prospect Medical Holdings, Inc., a Delaware corporation (“Prospect”), DCH Hospitals System, LLC, a California limited liability company (“DCHHS”), Prospect Medical Systems, Inc., a Delaware corporation (“PMS”), PMG-DCH Physicians, Inc., a California professional medical corporation (“PMG-DCH”), Prospect OCH, LLC, a California limited liability company (“Prospect OCH”), Prospect SLRH, LLC, a California limited liability company (“Prospect SLRH”), Prospect SFMC, LLC, a California limited liability company (“Prospect SFMC”), Prospect SVMC, LLC, a California limited liability company (“Prospect SVMC”), Prospect SMC, LLC, a California limited liability company (“Prospect SMC”), Prospect SMCC, LLC, a California limited liability company (“Prospect SMCC”), Prospect SMMOB, LLC, a California limited liability company (“Prospect SMMOB”), Prospect LAMOB, LLC, a California limited liability company (“Prospect LAMOB”), and Prospect SCMOB, LLC, a California limited liability company (“Prospect SCMOB” and, together with Prospect, DCHHS, PMS, PMG-DCH, Prospect OCH, Prospect SLRH, Prospect SFMC, Prospect SVMC, Prospect SMC, Prospect SMCC, Prospect SMMOB, Prospect LAMOB and Prospect SCMOB, “Purchasers”). Sellers and Purchasers are sometimes referred to in this Agreement collectively as the “Parties” or individually as a “Party.”

RECITALS

WHEREAS, DCHS is the sole corporate member of various Affiliates that, together with DCHS, own and operate the Business (including but not limited to the Hospitals and Marillac), and together own or control the rights, titles and assets comprising the Business.

WHEREAS, DCHS has determined that it is in the best interest of DCHS to consider strategic alternatives for the ownership and operation of the Business, including the sale of the Transferred Assets to a qualified and experienced hospital operating company that will continue to operate the Hospitals.

WHEREAS, Purchasers desire to purchase from Sellers and Sellers desire to sell to Purchasers, at the Closing, the Transferred Assets, for the consideration, upon the terms and subject to the conditions set forth in this Agreement.

WHEREAS, concurrently with the execution and delivery of this Agreement, Sellers and Purchasers are entering into a Consulting Agreement, in the form attached hereto as Exhibit F, pursuant to which Purchasers agree to provide consulting services to Sellers and the Hospitals, subject to certain conditions, as set forth therein.

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties hereby agree as follows:

ARTICLE I.

DEFINITIONS; CERTAIN RULES OF CONSTRUCTION

Section 1.01. Definitions. In addition to the other terms defined throughout this Agreement, the following terms shall have the following meanings when used in 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.

“Accreditation Organization” means any organization engaged in accrediting or certifying the Hospitals, including The Joint Commission.

“Action” means any claim, controversy, action, cause of action, suit, litigation, inquiry, arbitration, investigation, opposition, interference, audit (including, without limitation, any audit initiated by the Centers for Medicare & Medicaid Services, such as those initiated by a Recovery Audit Contractor or similar audits), assessment, hearing, complaint, demand or other legal proceeding (whether sounding in contract, tort or otherwise, whether civil or criminal and whether brought at law or in equity) that is commenced, brought, conducted, tried or heard by or before, or otherwise involves, any Governmental Authority.

“Affiliate” means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with such specified Person. For purposes of the foregoing, a Person shall be deemed to control a specified Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of management policies of such Person, provided that, with respect to DCHS and Purchasers, “Affiliate” shall not include members, stockholders, officers or directors of DCHS or Purchasers.

“AG Approval” has the meaning given in Section 5.15 of this Agreement.

“Agreement” has the meaning given in the preamble of this Agreement.

“Ancillary Agreements” means the Deposit Escrow Agreement and each of the agreements, certificates, instruments and documents to be executed and delivered by the Parties in connection with the Contemplated Transactions as set forth on Schedule 1.01(a).

“Antitrust Filings” has the meaning given in Section 7.01(b)(i) of this Agreement.

“Antitrust Laws” has the meaning given in Section 5.15 of this Agreement.

“Application” has the meaning given in Section 7.01(a) of this Agreement.

“A/R Bank Accounts” has the meaning given in Section 5.17 of this Agreement.

“Asset Due Date” has the meaning given in Section 13.01(b) of this Agreement.

“Assumed Liabilities” has the meaning given in Section 3.01 of this Agreement.

“Balance Sheet” has the meaning given in Section 3.01 of this Agreement.

“Bill of Sale” has the meaning given in Section 4.08(a) of this Agreement.

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

“Business” means the business as conducted by DCHS and Sellers, including ownership and operation of the Hospitals, the medical office buildings and other Real Property and the other Transferred Assets, as of the Effective Date.

“Business Day” means any day other than a Saturday, Sunday or day on which banks are permitted to close in the State of California.

“CBS” has the meaning given in the preamble of this Agreement.

“Cash Purchase Price” has the meaning given in Section 4.01 of this Agreement.

“Church Approvals” has the meaning given in Section 9.09 of this Agreement.

“Church Law” has the meaning given in Section 9.07 of this Agreement.

“Closing” has the meaning given in Section 4.07 of this Agreement.

“Closing Date” means the date on which the Closing actually occurs.

“Closing of Financials” has the meaning given in Section 13.04 of this Agreement.

“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 1.01(b), including any expired collective bargaining agreement with respect to which a duty to bargain still exists.

“Commitment Letter” has the meaning given in Section 6.11 of this Agreement.

“Confidential Information” has the meaning given in Section 7.07 of this Agreement.

“Confidentiality Agreement” means that certain Confidentiality Agreement, by and between DCHS and Prospect, dated as of February 12, 2014.

“Contemplated Transactions” means the transactions contemplated by this Agreement, including (a) the purchase and sale of the Transferred Assets; and (b) the execution, delivery and performance of the Ancillary Agreements.

“Contracts” has the meaning given in Section 2.01(v) of this Agreement.

“Controlled Group” means any “controlled group” for purposes of Sections 4.4(b), (c), (m) or (o) of the Code or Section 302(d)(3) or 4001(b)(i) of ERISA.

“Cost Reports” means all cost and other reports filed by Purchasers for payment or reimbursement from Government Payment Programs and other payors.

“DCHS” means the legal entity described in the preamble of this Agreement.

“DCHS Executives” means those individuals set forth on Schedule 1.01(c).

“DCHS IP” has the meaning given in Section 2.02(d) of this Agreement.

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

“DCHS Trustee” means [].

“Debt Financing” has the meaning given in Section 6.11.

“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 DCHS Obligated Group to the Master Trustee under the Master Indenture.

“Defined Benefit Church Plan” means the Daughters of Charity Health System Retirement Plan, which has been consistently treated and administered by DCHS as 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 1.01(d) (whether or not frozen), each of which has been consistently treated and administered by DCHS as a non-electing “church plan” as defined in Section 3(33) of ERISA and Section 414(e) of the Code.

“Deposit Escrow Agreement” has the meaning given in Section 4.05 of this Agreement.

“Disagreement Notice” has the meaning given in Section 8.02 of this Agreement.

“Disclosure Schedules” means those schedules attached to this Agreement and referred to in one or more sections or subsections of this Agreement.

“DOCMSC” means the Daughters of Charity Ministry Services Corp.

“DOCMSC Lease” has the meaning given in Section 13.05 of this Agreement.

“DPH Approvals” has the meaning given in Section 8.01(c) of this Agreement.

“DSH Payments” means all disproportionate share replacement payments from any Government Payment Program, including Medi-Cal and Medicare, accrued by Sellers before or on the Closing Date.

“D&O Insurance” has the meaning given in Section 7.11 of this Agreement.

“Effective Date” has the meaning given in the preamble of this Agreement.

“Encumbrance” 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.

“Environmental Law” 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.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Agent” has the meaning given in Section 4.05 of this Agreement.

“Excluded Individual” has the meaning given in Section 5.27 of this Agreement.

“Excluded Liabilities” has the meaning given in Section 3.02 of this Agreement.

“Fiduciary Liability Insurance” has the meaning given in Section 7.12 of this Agreement.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time.

“Good Faith Deposit” has the meaning given in Section 4.05 of this Agreement.

“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 Payment Programs” means the federal Medicare program, TRICARE, the State of California Medi-Cal program, and similar or successor health care payment programs with or for the benefit of Governmental Authorities.

“Governmental Approval” has the meaning given in Section 5.15 of this Agreement.

“Governmental Authorities” means any and all agencies, authorities, bodies, boards, bureaus, commissions, courts, departments, directorates, instrumentalities, legislatures, officials, tribunals and offices of any nature whatsoever of any United States federal, state, or local government unit or political subdivision and any self-regulatory organization.

“Hazardous Materials” 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 any and all Legal Requirements of any Governmental Authorities pertaining to health regulatory matters including, without limitation, (a) fraud and abuse (including without limitation the following statutes, as amended, modified or supplemented from time to time and any successor statutes thereto and regulations promulgated from time to time thereunder: the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)); the civil False Claims Act (31 U.S.C. § 3729 et seq.); Sections 1320a-7, 1320a-7a and 1320a-7b of Title 42 of the United States Code; the federal physician self-referral (“Stark”) law (42 U.S.C. Section 1395nn); the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub. L. No. 108-173); California Business and Professions Code Sections 650 and 650.01; Welfare and Institutions Code Section 14107.2; and Labor Code Section 139.3); (b) Medicare, Medicaid, TRICARE or other governmental health care or payment program; (c) the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et. seq.; (d) quality, safety certification and accreditation standards and requirements; (e) the billing, coding or submission of claims or collection of accounts receivable or refund of overpayments; (f) all Legal Requirements concerning the privacy and/or security of personal data of or concerning an individual; (g) Legal Requirements regulating data mining; and (h) any other Legal Requirement or regulation of any Governmental Authority which regulates kickbacks, physician self-referrals, patient or Government Payment Programs, Government Payment Program claims processing, medical record documentation requirements, the hiring of employees or acquisition of services or products from those who have been excluded from governmental health care programs, licensure, accreditation or any other aspect of providing health care applicable to the operations of Sellers.

“Hired Employee” has the meaning given in Section 8.02(b) of this Agreement.

“Historical Financial Statements” has the meaning given in Section 5.10 of this Agreement.

“HITECH Payments” means any Health Information Technology for Economic and Clinical Health payments made by Medicare and Medicaid to Purchasers after the Closing Date

with respect to meaningful use of electronic health records at the Hospitals for all periods ending on or prior to the Closing Date.

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

“Hospital Employees” has the meaning given in Section 5.13(a) of this Agreement.

“Hospitals” has the meaning given in the preamble of this Agreement.

“HSR Act” has the meaning given in Section 5.15 of this Agreement.

“Intellectual Property” has the meaning given in Section 2.01(o) of this Agreement.

“Interim Financial Statements” has the meaning given in Section 7.05 of this Agreement.

“Inventory” has the meaning given in Section 2.01(g) of this Agreement.

“Latest Balance Sheet” has the meaning given in Section 5.10 of this Agreement.

“Leased Real Property” has the meaning given in Section 2.01(c) of this Agreement.

“Leases” has the meaning given in Section 2.01(e) of this Agreement.

“Legal Requirements” means, with respect to any Person, all constitutional provisions, statutes, laws, ordinances, bylaws, codes, rules, regulations, restrictions, Government Orders, judgments, orders, writs, permits, Licenses, injunctions, decrees, determinations, resolutions, rulings, promulgations, policies, interpretations, contractual obligations, awards or any similar provision having the force or effect of law of, or any guideline adopted or issued by, any Governmental Authority having jurisdiction over such Person or any of such Person’s assets or businesses.

“Licenses” has the meaning given in Section 2.01(p) of this Agreement.

“Local 39 Pension Plan” means the Stationary Engineers Local 39 Pension Plan.

“Losses” has the meaning given in Section 4.10(d) of this Agreement.

“Management and Other Employees” has the meaning given in Section 8.02 of this Agreement.

“Marillac” has the meaning given in Section 2.01(aa).

“Master Indenture” means the Master Indenture of Trust dated as of December 1, 2001 among the Members of the DCHS Obligated Group and the Master Trustee, as amended and supplemented.

“Master Trustee” means U.S. Bank Trust National Association.

“Material Adverse Effect” means any event, change, fact, condition, circumstance or occurrence that, individually or in the aggregate with other events, changes, facts, conditions, circumstances, or occurrences, has had or would reasonably be likely to result in a material adverse effect on (i) the Business, taken as a whole or (ii) the ability of Sellers to perform their material obligations under this Agreement; provided, however, that none of the following (or the results thereof) shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been a Material Adverse Effect: (a) events, changes, facts, conditions, circumstances or occurrences generally affecting the health care industry; (b) 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; (c) any outbreak or escalation of hostilities or declared or undeclared acts of war or terrorism; (d) changes or proposed changes in Legal Requirements or the interpretation thereof by a Governmental Authority; (e) changes or proposed changes in GAAP or other accounting requirements or principles (or interpretations thereof); (f) events, changes, facts, conditions, circumstances or occurrences resulting from actions taken by Sellers which actions Purchasers have requested or to which Purchasers have consented; (g) events, changes, facts, conditions, circumstances or occurrences resulting from Purchasers’ failure to provide consent with respect to any actions for which Purchasers’ consent is required under this Agreement; (h) any event, change, fact, condition, circumstance or occurrence resulting from any actions taken by Purchasers or their Affiliates other than as contemplated by this Agreement; (i) any failure of Sellers to meet projections, forecasts or revenue or earning predictions for any period; (j) any strike or work stoppage or slowdown; or (k) events, changes, facts, conditions, circumstances or occurrences resulting from the announcement or execution or the existence of, or compliance with, this Agreement and the Contemplated Transactions.

“Member of the DCHS Obligated Group” means each of DCHS, 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 RPHE.

“Nonassignable Contract” has the meaning given in Section 13.07 of this Agreement.

“Note” means the unsecured promissory note of Purchasers in the form of Exhibit G attached hereto.

“Ordinary Course of Business” means the ordinary course of the operation of the Business consistent with the past customs and practices of Sellers; *provided that*, that if Sellers take an action in order to comply with any Legal Requirement, such action shall be deemed to have been taken by Sellers in the Ordinary Course of Business.

“Outside Date” has the meaning set forth in Section 11.01(d)(i) of this Agreement.

“Owned Real Property” has the meaning given in Section 2.01(a) of this Agreement.

“Parties” has the meaning given in the preamble of this Agreement.

“Payer Contracts” has the meaning given in Section 5.18 of this Agreement.

“PBGC” means the Pension Benefit Guaranty Corporation.

“Permitted Exceptions” means and includes any: (i) liens existing under any Real Property Leases and Personal Property Leases; (ii) the Master Indenture and the Deeds of Trust; (iii) Encumbrances existing on the date hereof which will be discharged at Closing; (iv) Encumbrances incurred and pledges and deposits made in the ordinary course of business in connection with obligations for worker’s compensation, unemployment insurance, old-age pensions and other social security benefits; (v) Encumbrance for Taxes or other governmental charges or assessments not yet due and payable as of the Closing Date, or being contested in good faith; (vi) any Encumbrance of any landlord, carrier, warehouseman, workmen, repairmen, mechanic or materialman and other like encumbrance arising in the ordinary course of business, or deposits to obtain the release of such Encumbrances; (vii) any Encumbrances for which either title insurance coverage or bonding reasonably satisfactory to Purchasers has been obtained; (viii) those standard printed exceptions customarily set forth in title reports or title policies; (ix) those matters arising from any failure by DCHS to comply with any Legal Requirements, including any Health Care Laws; (x) zoning restrictions, recorded easements, licenses, rights of way, declarations, reservations, provision, covenants, conditions, waivers, restrictions on the use of property or other Encumbrances that, individually or in the aggregate, do not impair the the use of such property in the operation of the Business of DCHS as currently operated; (xi) such imperfections in titles that, individually or in the aggregate, do not materially impair the use of Real Property in the operation of the Business of DCHS as currently operated; (xii) Legal Requirements regulating the use or enjoyment of the applicable property; (xiii) Encumbrances and other matters set forth or referenced on or in any one or more of the Title Documents; (xiv) restrictions on transfer of securities imposed by any applicable Legal Requirements; (xv) Encumbrances created, suffered or approved by or through Purchasers; and (xvi) extensions renewals and replacements of Encumbrances referred to in (i) through (xvi) of this sentence.

“Permitted Names” has the meaning given in Section 8.12 of this Agreement.

“Person” means any individual or any corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, Governmental Authority or other entity of any kind.

“Personal Property” has the meaning given in Section 2.01(f) of this Agreement.

“Personal Property Leases” has the meaning given in Section 2.01(e) of this Agreement.

“Post-Closing CFO” has the meaning given in Section 13.04 of this Agreement.

“Post-Closing Representation” has the meaning given in Section 14.13 of this Agreement.

“Pre-Closing Representation” has the meaning given in Section 14.13 of this Agreement.

“Prepaid Expenses” has the meaning given in Section 2.01(h) of this Agreement.

“Prior Company Counsel” has the meaning given in Section 2.02(i) of this Agreement.

“Privacy Laws” has the meaning given in Section 5.24 of this Agreement.

“Prospect” has the meaning given in the preamble of this Agreement.

“Provider” means any Person who is duly licensed, certified or otherwise authorized or permitted under applicable laws to provide medical care and services, including all physicians, physician assistants, nurses, nurse practitioners, pharmacists, laboratory technicians, medical aids, and any other Person who provides under arrangement with Sellers, or assists in the provision of, services on behalf of Sellers, including in the Hospitals.

“Purchase Price” has the meaning given in Section 4.01 of this Agreement.

“Purchasers” has the meaning given in the preamble of this Agreement.

“QA Payments” means any quality assurance and supplemental Medi-Cal payments made by the California Department of Health Care Services to Purchasers after the Closing Date as licensee of the Hospitals at the time of payment pursuant to Section 14167 et seq., Section 14168 et seq. or Section 14169 et seq. of the California Welfare and Institutions Code in connection with “quality assurance fees” paid prior to or after the Closing Date with respect to services provided by Sellers prior to the Closing Date.

“Real Estate Assignments” has the meaning given in Section 4.08(b) of this Agreement.

“Real Property” has the meaning given in Section 2.01(c) of this Agreement.

“Real Property Leases” has the meaning given in Section 2.01(d) of this Agreement.

“Real Property (Tenant) Leases” has the meaning given in Section 2.01(c) of this Agreement.

“Records” means all files, data, documents, records, correspondence, work papers, operating manuals and other documents including without limitation Hired 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.

“Related IP” has the meaning given in Section 2.02(d) of this Agreement.

“Retained IP” has the meaning given in Section 2.02(d) of this Agreement.

“Released Parties” has the meaning given in Section 4.10(d) of this Agreement.

“Restricted Cash” has the meaning set forth in Section 2.02(b) of this Agreement.

“Retained Asset Due Date” has the meaning given in Section 13.01(a) of this Agreement.

“Retained Assets” has the meaning given in Section 2.02 of this Agreement.

“Retained Marks” has the meaning given in Section 2.02(d) of this Agreement.

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

“RPHE” means the Retirement Plan for Hospital Employees, as Amended and Restated Effective January 1, 2006.

“Schedule Supplement” has the meaning given in Section 7.10 of this Agreement.

“Section 1542” has the meaning given in Section 4.10(c) of this Agreement.

“Seller Pre-Closing Representation” has the meaning given in Section 14.13 of this Agreement.

“Sellers” has the meaning given in the preamble of this Agreement.

“Sellers Accounts Receivable” has the meaning given in Section 2.01(i) of this Agreement.

“Sellers’ Plans” has the meaning given in Section 5.12(a) of this Agreement.

“Senior Leaders” has the meaning given in Section 8.02 of this Agreement.

“Similar Provision” has the meaning given in Section 4.10(c) of this Agreement.

“Software” has the meaning given in Section 2.01(q) of this Agreement.

“Surveys” has the meaning given in Section 5.07 of this Agreement.

“System Office Employees” has the meaning given in Section 8.02 of this Agreement.

“Tax” 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, 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 including any interest, penalty, or addition thereto.

“Tax Return” means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Title Commitments” has the meaning given in Section 5.07 of this Agreement.

“Title Company” means Chicago Title Company.

“Title Documents” has the meaning given in Section 5.07 of this Agreement.

“Title Policy” has the meaning given in Section 10.06 of this Agreement.

“Transfer Taxes” has the meaning given in Section 4.06 of this Agreement.

“Transferred Assets” has the meaning given in Section 2.01 of this Agreement.

“Transferred Intellectual Property” has the meaning given in Section 2.01(q) of this Agreement.

“Transferred Marks” has the meaning given in Section 8.12 of this Agreement.

“Transferred Records” has the meaning given in Section 2.01(o) of this Agreement.

“TSA Plan” has the meaning given in Section 7.13(a) of this Agreement.

“Underlying Title Documents” has the meaning given in Section 5.07 of this Agreement.

“WARN Act” has the meaning given in Section 8.02(b) of this Agreement.

Section 1.02. Certain Matters of Construction.

(a) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

(b) Section and subsection headings contained in this Agreement are not to be considered part of this Agreement, are included solely for convenience, are not intended to be full or accurate descriptions of the content of the sections or subsections of this Agreement and shall not affect the construction of this Agreement.

(c) Except as otherwise explicitly specified to the contrary in this Agreement, (i) the words “hereof,” “herein,” “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular section or subsection of this Agreement and reference to a particular section of this Agreement shall include all subsections thereof; (ii) references to a section, Disclosure Schedule, other schedule, or annex means a section of, or Disclosure Schedule, other schedule, or annex to this Agreement, unless another agreement is specified; (iii) definitions shall be equally applicable to both the singular and plural forms of the terms defined, and references to the masculine, feminine or neuter gender shall include each other gender; (iv) the word “including” means including without limitation; (v) any reference to “\$” or “dollars” means United States dollars; and (vi) references to a particular statute or regulation include all rules and regulations thereunder and any successor statute, rule or regulation, in each case as amended or otherwise modified from time to time.

(d) References in this Agreement to “Sellers’ knowledge,” “knowledge of Sellers” or words of substantially similar import, mean the actual then current knowledge of the Chief Executive Officer or the Chief Financial Officer or the chief legal and compliance officer

of DCHS or the Hospital CEOs as of the Effective Date and as of the Closing based on reasonable inquiry. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

(e) References in this Agreement to “Purchasers’ knowledge,” “knowledge of Purchasers” or words of substantially similar import, mean the actual then current knowledge of Chief Executive Officer or the Chief Financial Officer or the chief legal and compliance officer of Prospect as of the Closing based on reasonable inquiry. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

(f) Unless the context clearly requires otherwise, when used herein “or” shall not be exclusive (*i.e.*, “or” shall mean “and/or”).

(g) Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement.

ARTICLE II.

TRANSFERRED ASSETS

Section 2.01. Transferred Assets. As of the Closing Date and subject to the terms and conditions of this Agreement, Sellers agree to sell, assign, transfer, convey and deliver to Purchasers, free and clear of all liens and encumbrances, other than the Permitted Exceptions and the Assumed Liabilities, and Purchasers agree to purchase, acquire, receive and accept, all of the right, title and interest of Sellers in and to the Transferred Assets, the transfer of which Transferred Assets will occur on the Closing Date. “Transferred Assets” shall mean all of the rights, titles and interests of Sellers on the Closing Date in the following:

(a) all of the ownership interests of each Seller in real property, together with all plant, buildings, structures, installments, improvements, fixtures, betterments and additions situated thereon, including the real property identified on Schedule 2.01(a) (collectively, the “Owned Real Property”);

(b) all construction in progress related to the Real Property;

(c) all of the leasehold interests of each Seller, to the extent assignable or transferable by each Seller, in all real property that is leased to such Seller as lessee or tenant, including the leasehold interests identified on Schedule 2.01(c) (collectively, the “Leased Real Property” and together with the Owned Real Property, the “Real Property”) pursuant to any lease, sublease, or other contractual obligation (collectively, the “Real Property (Tenant) Leases”);

(d) all of the interests of each Seller as lessor, to the extent assignable or transferable by such Seller, in and to each lease, sublease, or other contractual obligation under which the Real Property is occupied or used by a third party (together with the Real Property (Tenant) Leases, the “Real Property Leases”).

(e) all of the interests of each Seller as lessee, to the extent assignable or transferable by such Seller, in and to each lease, sublease, License or other contractual obligation under which the Personal Property is used by such Seller primarily with respect to the Business, including those identified on Schedule 2.01(e) (collectively, the “Personal Property Leases” and together with the Real Property Leases, the “Leases”);

(f) all of the tangible personal property owned, or to the extent assignable or transferable by each Seller, leased, subleased or licensed by such Seller and used primarily with respect to the Business, including, without limitation, equipment, furniture, fixtures, machinery, vehicles, office furnishings, and leasehold improvements, except for the tangible personal property identified on Schedule 2.01(f) (collectively, the “Personal Property”);

(g) all of the interests of each Seller in inventories of usable supplies, drugs, medical supplies, food, janitorial and office supplies and other disposables and consumables, wherever located (collectively, the “Inventory”);

(h) to the extent assignable or transferable by each Seller under applicable Legal Requirements, all advance payments, prepayments, prepaid expenses and deposits (other than such payments, prepayments or deposits in respect of Taxes or prepaid insurance premiums, if any) made by each Seller with respect to the Transferred Assets or the Business as of the Closing Date, including those set forth on Schedule 2.01(h) (collectively the “Prepaid Expenses”);

(i) all current assets described or reflected on the Balance Sheet and all accounts, notes, interest, health care receivables and other receivables generated in connection with the operation of the Hospitals or the business by Sellers before or on the Closing Date, whether billed or unbilled, recorded or unrecorded, or payable by a Government Payment Program, medically indigent assistance program, private payors or any other payor (including an insurance company), health care provider, independent practice association network (such as a health maintenance organization, preferred provider organization or any other managed care program), any fiscal intermediary of the foregoing, private pay patients, private insurance or any other source, including, without limitation, DSH Payments, QA Payments, HITECH Payments and payments under the Medi-Cal Hospital Provider Rate Stabilization Act (Welfare & Institutions Code Sections 14167.1 et seq.), whether made on a fee-for-service, per diem, capitated, case rate, percentage of premium or other prepaid basis, including risk sharing and gain sharing payments, payments on liens in cases of third party liability and workers’ compensation, and accounts, notes or other amounts receivable from physicians (collectively “Sellers Accounts Receivable”) and the A/R Bank Accounts;

(j) all rights, claims and choses of action of Sellers related to or arising out of the Sellers Accounts Receivable, and any payments, awards or other proceeds arising therefrom;

(k) all claims, rights and interests of Sellers and proceeds with respect to any Tax refund or credit or other recovery (including, without limitation, refunds, credits or other receivables related to real property and personal property Taxes), together with interest thereon, with respect to taxable periods (or portions thereof) ending on or before the Closing Date, and the right to pursue appeals of same;

(l) all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to all Cost Reports filed by Sellers for payment or reimbursement from Government Payment Programs and other payors with respect to periods prior to the Closing Date;

(m) all insurance proceeds arising in connection with the ownership or operation of the Transferred Assets or the Business before or on the Closing Date;

(n) all surpluses arising out of any risk pools, shared savings program or accountable care organization arrangement to which any Seller is party on the Closing Date;

(o) all Records except the Retained Records (collectively, the “Transferred Records”);

(p) to the extent assignable or transferable by Sellers under applicable Legal Requirements, all licenses (including Software licenses and all licenses issued by or received from a Governmental Authority), provider numbers, permits, approvals, certificates of exemption, franchises, accreditations, certifications, registrations, authorizations, filings, consents, permits or approvals issued to Sellers and used by Sellers with respect to the operation of the Business, together with all waivers which Sellers have of any such requirements, if any (collectively, the “Licenses”), including, without limitation, the licenses and Medicare and Medicaid provider numbers listed on Schedule 2.01(p);

(q) to the extent assignable or transferable by Sellers under applicable Legal Requirements (i) all patents, patent applications, trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets and the corporate or company names of Sellers and the names of the Hospitals (collectively, the “Intellectual Property”) and (ii) all computer software and code (collectively, the “Software” and together with the Intellectual Property, the “Transferred Intellectual Property”), together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any Transferred Intellectual Property; provided, however, that such transfer of Transferred Intellectual Property is subject to the conditions set forth in Section 8.12;

(r) all systems, servers, computers, hardware, firmware, middleware, telecom equipment, networks, data communications lines, routers, hubs, switches and all other information technology equipment, and all associated documentation owned or licensed by Sellers and used by Sellers with respect to the operations of the Hospitals or the Business, including those identified on Schedule 2.01(r);

(s) all telephone numbers, facsimile numbers and uniform resource locators that are used exclusively with respect to the operation of the Hospitals;

(t) all goodwill of Sellers evidenced by or associated with the Transferred Assets;

(u) all transferable unclaimed property of any Person in Sellers' possession as of the Closing Date, including, without limitation, property which is subject to applicable escheat laws;

(v) all right and interest of Sellers, to the extent assignable or transferable by Sellers, in and to all contracts and agreements, including those identified on Schedule 2.01(v) (collectively, the "Contracts");

(w) to the extent assignable or transferable by Sellers without out-of-pocket expense to Sellers, all warranties on the Transferred Assets in favor of the Hospitals;

(x) all cash and cash equivalents, including, without limitation, investments in marketable securities, certificates of deposit, bank accounts, financial accounts, investment accounts, debt service reserve funds and promissory notes owned or held by, or on behalf or for the benefit, of Sellers and the Hospitals on the Closing Date other than Restricted Cash;

(y) all claims, rights, interests and proceeds with respect to any Tax refund or credit or other recovery (including, without limitation, refunds, credits or other receivables related to real property and personal property Taxes), together with interest thereon, with respect to taxable periods (or portions thereof) ending on or before the Closing Date, and the right to pursue appeals of same;

(z) all of the membership interests of De Paul Ventures, LLC, a California limited liability company;

(aa) all of the stock of Marillac Insurance Company, Ltd., a Cayman Islands company ("Marillac");

(bb) all of the membership and partnership interest in St. Vincent CT Company, LLC, a California limited liability company, and O'Conner Health Center I, LP, a California limited partnership [***ADD ANY OTHER PARTIALLY OWNED ENTITIES***];

(cc) all regulatory settlements, rebates, adjustments, refunds or group appeals, including without limitation pursuant to any cost reports arising out of time periods prior to or after the Closing Date; and

(dd) to the extent assignable or transferable, all other assets and property, whether tangible or intangible, other than the Retained Assets.

Section 2.02. Retained Assets. Notwithstanding anything to the contrary in Section 2.01, Sellers shall retain the following assets of Sellers (collectively, the "Retained Assets"): ¹

(a) any gift or grant, and the proceeds therefrom made to or for the benefit of Sellers or Hospitals, whether before, on or after the Closing Date;

¹ Note to Prospect: Please see the schedules for certain retained assets, including the (a) property at SMC; (b) property at SVMC and (c) furniture and fixtures at Los Altos Hills.

(b) to the extent not assignable or transferable by Sellers under applicable Legal Requirements, all cash and cash equivalents, including, without limitation, investments in marketable securities, certificates of deposit, bank accounts, financial accounts, investment accounts, debt service reserve funds and promissory notes owned or held by, or on behalf or for the benefit, of Sellers and the Hospitals on the Closing Date (collectively, “Restricted Cash”);

(c) subject to Purchasers’ rights under Section 13.02, the Retained Records;

(d) all Intellectual Property listed on Schedule 2.02(d) and any other mark, domain name, website content and copyright that contains, uses or references the name “Daughters,” “Daughters of Charity,” “Daughters of Charity Health System,” “DCHS,” “DCHS Medical Foundation,” or any such similar name (together with any abbreviations, variations, logos or symbols associated or used in connection with such Intellectual Property or the Retained Assets, collectively, the “DCHS IP”), and any mark, domain name, website content, copyright and domain name that contains, uses or references the name of a Person belonging to or affiliated with DCHS (together with any abbreviations, variations, logos or symbols associated or used in connection with such Intellectual Property, the “Related IP”). (The DCHS IP and the Related IP are collectively, the “Retained IP”);

(e) receivables payable in favor of DCHS by Daughters of Charity Ministry Services Corporation and any non-DCHS Affiliates;

(f) all assets integral to the operations of the ancillary community benefit services identified in Schedule 2.02(f).

(g) any religious artifacts, including any sacred object, and the assets and donor-restricted assets listed on Schedule 2.02(g);

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

(i) for the avoidance of doubt, (1) all communications between or among Ropes & Gray LLP, Seyfarth, Shaw LLP, Dumas & Clark LLP or any other internal or external legal counsel currently representing DCHS or its Affiliates (each, a “Prior Company Counsel”), on the one hand, and any of Sellers or any of their Affiliates, on the other hand, that are related in any way to this Agreement or the Contemplated Transactions and (2) the attorney-client privilege and expectation of client confidence; and

(j) any asset listed on Schedule 2.02(j).

ARTICLE III.

OBLIGATIONS AND LIABILITIES

Section 3.01. Assumed Liabilities. At the Closing, the Purchasers shall, on a joint and several basis, assume and agree to pay, perform and discharge when due any and all liabilities and obligations of any kind or nature whatsoever of Sellers and their Affiliates whether known or

unknown, absolute, accrued, contingent or otherwise, other than the Excluded Liabilities. (collectively, the “Assumed Liabilities”). Without limiting the generality of the foregoing, Assumed Liabilities shall include any and all liabilities related to: (i) all of the liabilities as more particularly described in the unaudited June 30, 2014 balance sheet attached hereto as Schedule 3.01(a) (the “Balance Sheet”) and those liabilities not described, reflected or included in the Balance Sheet, including any and all off-balance sheet items pension liabilities; (ii) pension plans; (iii) Collective Bargaining Agreements; (iv) taxes, including Transfer Taxes and any non-delinquent, unpaid real estate Taxes; and (v) Government Payment Program liabilities, if any, including any overpayments, and the following:

- (a) accounts payable;
- (b) long-term debt;
- (c) amounts due to government agencies;
- (d) accrued liabilities, including accrued and unused paid time-off of the Hospital Employees;
- (e) all of the retirement benefit plan liabilities of DCHS arising under the Multiemployer Plans, the Daughters of Charity Health System Retirement Plan Account and, subject to Section 7.21, the Defined Benefit Church Plan.
- (f) all of the Contracts, operating and capital leases, Real Property Leases, agreements and commitments relating to the ownership and operation of the Business, including all of the Collective Bargaining Agreements with any existing unions or any Collective Bargaining Agreements under which there is a continuing duty to bargain, as described more particularly in Schedule 2.01(t), including any liabilities arising from the results of any effects bargaining with the union.
- (g) any liabilities arising out of or relating to any professional liability claim or similar third party litigation arising out of the operations of the Business (including the Hospitals, St. Vincent Dialysis Corp., St. Vincent de Paul Ethics Corporation and St. Vincent Dialysis Center, DCHS Medical Foundation and all other Affiliates of DCHS) prior to the Closing; and
- (h) any liabilities for violations of the Health Care Laws arising from acts or omissions at all times prior to Closing, including, without limitation, those pertaining to Medicare and Medi-Cal fraud or abuse or cost reports related to the Business.

Section 3.02. Excluded Liabilities. Notwithstanding anything to the contrary in Section 3.01, Purchasers shall not assume or become responsible for any of the following liabilities or obligations of Sellers (collectively, the “Excluded Liabilities”):

- (a) any liabilities or obligations related exclusively to any of the Retained Assets; or

(b) subject to Section 7.21, any liabilities or obligations arising under the Defined Benefit Church Plan.

ARTICLE IV.

CONSIDERATION; CLOSING

Section 4.01. Consideration. Subject to the terms and conditions of this Agreement, the aggregate consideration for the sale, conveyance assignment, transfer and delivery of the Transferred Assets shall consist of cash payments and the assumption of liabilities for an aggregate purchase price of approximately [] (\$) (“Purchase Price”). The Purchase Price shall include (i) the Cash Purchase Price, (ii) the assumption of the Assumed Liabilities, and (iii) subject to Section 7.21, the Note.

Section 4.02. Closing Date Payments. At Closing, Purchasers shall deliver to Escrow Agent on behalf of Sellers an aggregate amount of cash [**or, with respect to clause (i), below, cash equivalents**] by wire transfer of immediately available funds equal to the sum of (a) the total of the liabilities set forth on Schedule 4.02 and (b) \$[] (the “Cash Purchase Price”), including:

(i) the minimum amount sufficient to redeem, prepay or defease the Bonds at Closing in full to their first optional call date in accordance with their governing documents and all fees and expenses related to the redemption, prepayment or defeasance and the establishment of the necessary escrows, the release of all security including the Deeds of Trust, the discharge of the Master Indenture and each related trust indenture to each series of Bonds, including the 2014 Bonds, and all other matters incident thereto;

(ii) the Transfer Taxes (as defined below);

(iii) the amount of any distributions from the nonqualified retirement benefit plans due under both the Daughters of Charity Health System 401(a)(17) Retirement Plan and the Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account as of the Closing Date to Hospital Employees entitled to benefits under such plans as set forth on Schedule 4.02(iii) to the extent not paid by DCHS prior to the Closing Date;

(iv) the transaction costs set forth on Schedule 4.02; and

(v) subject to Section 7.21, [] (\$_____).

Section 4.03. [Intentionally Omitted]

Section 4.04. [Intentionally Omitted]

Section 4.05. Good Faith Deposit. Concurrently or within one (1) Business Day of the execution of this Agreement, the Parties shall enter into an escrow agreement in substantially the form attached hereto as Exhibit A (the “Deposit Escrow Agreement”) and Purchasers shall

deposit in immediately available funds the amount of Fifty Million Dollars (\$50,000,000) (along with any earnings thereon, the “Good Faith Deposit”) with the escrow agent (“Escrow Agent”) designated in the Deposit Escrow Agreement. The Good Faith Deposit shall be refundable to Purchasers in the event of the termination of this Agreement pursuant to ARTICLE XI, except that Sellers shall be entitled to the Good Faith Deposit in the event that (i) Sellers terminate this Agreement pursuant to Section 11.01(b) because of the failure to satisfy any of the conditions set forth in Sections 9.01, 9.02, 9.06 and 9.08. In the event the Closing occurs, the Good Faith Deposit will be released to Purchasers on the Closing Date (or released to Sellers and credited against the Cash Purchase Price) pursuant to the terms set forth in the Escrow Agreement. This section shall survive termination of the Agreement.

Section 4.06. Transfer Taxes. Notwithstanding any provision in this Agreement to the contrary, all sales, use, transfer, documentary, stamp, recording and all other similar non-income Taxes arising out of or in connection with the purchase and sale of the Transferred Assets as contemplated in this Agreement (the “Transfer Taxes”) shall be paid by Purchasers. Purchasers shall file all necessary Tax Returns and other documents required to be filed with respect to such Transfer Taxes, and Sellers shall cooperate with Purchasers to the extent reasonably necessary to make such filings or Tax Returns as may be required.

Section 4.07. The Closing. The consummation of the Contemplated Transactions (the “Closing”) will be held by electronic exchange of documents (provided that if Sellers and Purchasers mutually agree to a physical closing then the Closing shall take place at [TIME] Pacific Time at the offices of Ropes & Gray, LLP, Three Embarcadero Center, San Francisco, CA 94111) as promptly as practicable following, but in no event later than the seventh (7th) Business Day following the satisfaction or waiver of each of the conditions set forth in ARTICLE IX and ARTICLE X (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at Closing) or such other time and place as Sellers and Purchasers may agree. Subject to the provisions of ARTICLE XI, the failure to consummate the Closing on the date and time determined pursuant to this Section 4.07 shall not result in the termination of this Agreement and shall not relieve either Party to this Agreement of any obligation under this Agreement.

Section 4.08. Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver to Escrow Agent the following, duly executed by Sellers where appropriate:

- (a) Assignment, Bill of Sale and Assumption of Liabilities dated and effective as of the Closing Date and in the form of Exhibit B attached hereto (the “Bill of Sale”);
- (b) Assignment and Assumption of each Real Property Lease in the form of Exhibit C, dated and effective as of the Closing Date (the “Real Estate Assignments”);
- (c) Assignment and Assumption of Personal Property Leases in the form of Exhibit D, dated and effective as of the Closing Date;
- (d) Certified articles of incorporation, bylaws and foreign corporation qualifications of Sellers;

- (e) Reconveyance deeds terminating any Deeds of Trust encumbering the Owned Real Property and conveying title to the Owned Real Property from the trustee under such Deed of Trust to Sellers;
- (f) Grant deeds from Sellers to Purchasers, in form and content reasonably satisfactory to Purchasers, conveying to Purchasers fee simple title to the Owned Real Property, free and clear of all encumbrances except for Permitted Exceptions or as otherwise disclosed on the Title Commitment for the related Real Property, and the Assumed Liabilities;
- (g) Release of any lien under the Master Indenture or the Deeds of Trust on the Transferred Assets;
- (h) Favorable original certificates of good standing or comparable status of Sellers and Marillac, issued by the State of California and the Cayman Islands, respectively, dated no earlier than a date which is ten (10) Business Days prior to the Closing Date;
- (i) A certificate of an authorized signatory of Sellers certifying to the satisfaction of Purchasers by Sellers of the provisions set forth in ARTICLE V and the covenants of Sellers set forth in ARTICLE VII of this Agreement;
- (j) A certificate certifying to Purchasers (i) the incumbency of the authorized signatory of Sellers on the Effective Date and on the Closing Date and bearing the authentic signatures of such authorized signatory who shall execute this Agreement and each of the Ancillary Agreements and (ii) the due adoption and text of the resolutions of the board of directors and sole corporate member of Sellers, which resolutions shall not be amended or rescinded and shall remain in full force and effect at the Closing Date, authorizing (A) the transfer of the Transferred Assets and Assumed Liabilities by Sellers to Purchasers and (B) the execution, delivery and performance of this Agreement and all Ancillary Agreements and instruments by or on behalf of Sellers, as applicable;
- (k) An executed certificate confirming Sellers' non-foreign status sufficient to comply with the requirements of Section 1445 of the Code, commonly known as the Foreign Investment in Real Property Tax Act of 1980, and regulations applicable thereto;
- (l) Owner's Title Affidavit or any other documents reasonably requested by a title company in order to issue an Owner's Title Policy in the name of Purchasers at Closing;
- (m) One or more stock certificates duly executed in blank, or duly executed stock powers separate from certificate, in form and content reasonably satisfactory to Purchasers, evidencing all of the stock of Marillac;
- (n) Written resignations, effective as of the Closing, of all directors and officers of Marillac;
- (o) Such documentation as necessary to transfer the Sellers Accounts Receivable and the A/R Bank Accounts;

(p) Subject to Section 7.21, a determination letter from the Internal Revenue Service or the Department of Labor or other written evidence satisfactory to Purchasers in their reasonable discretion that the Defined Benefit Church Plan qualifies as an **[ERISA-compliant plan]**; and

(q) Such other instruments and other documents which are reasonably requested by Purchasers to effect the intent of this Agreement.

Section 4.09. Items to be Delivered by Purchasers at Closing. At or before the Closing, Purchasers shall execute and deliver or cause to be delivered to Escrow Agent the following, duly executed by Purchasers where appropriate:

(a) Payment of the Cash Purchase Price (less the Good Faith Deposit if Purchasers choose to credit it against the Purchase Price) plus the estimated amount of the Transfer Taxes. Such amount shall be payable by wire transfer of immediately available funds to Escrow Agent on behalf of Sellers;

(b) A certificate of an authorized signatory of Purchasers certifying to Sellers' satisfaction of the provisions set forth in ARTICLE VI and ARTICLE VIII of this Agreement;

(c) A certificate certifying to Sellers (i) the incumbency of the officers of Purchasers on the Effective Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and each Ancillary Agreement and (ii) the due adoption and text of the resolutions of the board of directors of Purchasers, which resolutions shall not be amended or rescinded and shall remain in full force and effect after the Closing Date, authorizing (A) the purchase and assumption of the Transferred Assets and the Assumed Liabilities and (B) the execution, delivery and performance of this Agreement and all Ancillary Agreements and instruments by Purchasers;

(d) Favorable original certificate of good standing, or comparable status, of Purchasers, issued by the State of California, dated no earlier than a date which is ten (10) Business Days prior to the Closing Date;

(e) A counterpart to the Bills of Sale;

(f) A counterpart to each of the Real Estate Assignments;

(g) Subject to Section 7.21, the Note; and

(h) Such other instruments and other documents which are reasonably requested by Sellers to effect the intent of this Agreement.

Section 4.10. Disclaimer of Warranties; Release.

(a) Except as expressly provided in this Agreement, each Seller and its Affiliates have not made and do not make and specifically disclaim, 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 Business or the Transferred Assets; (ii) the income to be derived from the Business or the Transferred Assets; or (iii) the compliance of or by the Business, the Transferred Assets or their operation with any Legal Requirement. The Transferred Assets will be acquired by Purchasers in their 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, the Personal Property and the Inventory, any and all of which warranties (both express and implied) Sellers for themselves and each of their Affiliates hereby disclaim. All of the Real Property and Personal Property shall be further subject to wear and tear and use of the Inventory and other supplies in the Ordinary Course of Business on and before the Closing Date.

(b) Purchasers acknowledge, covenant and agree, on behalf of themselves and their Affiliates: (i) that they have completed to their satisfaction their own due diligence investigation, and based thereon, formed their own independent judgment with respect to the Business, the Transferred Assets and Assumed Liabilities; (ii) that, to Purchasers’ knowledge, they have been furnished with or given full access to such documents and information about Sellers, their assets, liabilities, businesses and operations as they and their representatives and advisors have deemed necessary to enable them to make an informed decision with respect to the execution, delivery and performance of this Agreement and the Contemplated Transactions; (iii) that in entering into this Agreement, they have relied solely upon their own investigation and analysis and Sellers’ 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 Sellers or any other Person as to the accuracy or completeness of any of the information provided or made available to Purchasers except as expressly set forth in ARTICLE V, and (B) there are uncertainties inherent in attempting to make estimates, projections, forecasts, plans, budgets and similar materials and information, Purchasers are familiar with such uncertainties, Purchasers are taking full responsibility for making their 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 them or any of their respective agents or representatives, Purchasers have relied or will rely on such information, and Purchasers will not assert, and will cause their Affiliates not to assert, any claims against Sellers or any of their Affiliates or Released Parties with respect thereto, except as provided in Section 7.13(c).

(c) Except as provided in paragraph (e), below, Purchasers, and each of them, expressly waive any and all rights they may have against Sellers under Section 1542 of the California Civil Code (“Section 1542”) and under any statute, rule, or principle of common law or equity of any jurisdiction that is similar to Section 1542 (“Similar Provision”). Thus, Purchasers, and each of them, acknowledge that they may not invoke the benefits of Section 1542 or any Similar Provision against Sellers in order to prosecute or assert in any manner any claims released in this Agreement. The Parties are aware that Section 1542 provides as follows: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have

materially affected his or her settlement with the debtor.” Purchasers acknowledge that they shall be forever barred from filing any claim or lawsuit released herein and enforcement of this Agreement is their sole remedy.

(d) PURCHASERS AND EACH OF THEIR MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS HEREBY (I) WAIVE AND RELEASE SELLERS AND EACH OF THEIR AFFILIATES AND THEIR RESPECTIVE MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS FROM ALL RESPONSIBILITY, CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING ACTION IN TORT), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS’ FEES AND COURT COSTS) OF EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN (COLLECTIVELY, “LOSSES”), THAT PURCHASERS MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLERS, THEIR AFFILIATES OR ANY RELEASED PARTIES AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT PHYSICAL CONDITIONS, VIOLATIONS OF LAW AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS CIRCUMSTANCES OR MATTERS REGARDING THE REAL PROPERTY, THE BUSINESS, THE HOSPITALS AND ANY ASSET OR LIABILITY TRANSFERRED TO PURCHASERS BY THIS AGREEMENT; AND, EXCEPT AS PROVIDED IN PARAGRAPH (E), BELOW, (II) AGREE TO INDEMNIFY, DEFEND AND HOLD HARMLESS SELLERS AND THEIR MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS AND ASSIGNS (COLLECTIVELY, THE “RELEASED PARTIES”), FROM ANY AND ALL LOSSES THAT ARE ASSERTED OR ALLEGED AGAINST EACH OF THE RELEASED PARTIES ARISING OUT OF EVENTS, CONTRACTUAL OBLIGATIONS, ACTS, OR OMISSIONS OF ANY RELEASED PARTY THAT OCCURRED IN CONNECTION WITH THE OWNERSHIP OR OPERATION OF THE BUSINESS, OR CONDUCT OF BUSINESS ON OR INVOLVING THE REAL PROPERTY OR THE HOSPITALS AND OTHER OPERATIONS PRIOR TO THE CLOSING DATE, AND, EXCEPT AS PROVIDED IN PARAGRAPH (E), BELOW, PURCHASERS SHALL BE LIABLE TO THIRD PARTIES FOR AND SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE RELEASED PARTIES FROM AND AGAINST ANY AND ALL LOSSES ARISING OUT OF EVENTS, CONTRACTUAL OBLIGATIONS, ACTS, OR OMISSIONS OF PURCHASERS AND EACH OF THEIR MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, CONTROLLING PERSONS, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS THAT OCCUR IN CONNECTION WITH THE OWNERSHIP OR OPERATION OF THE BUSINESS, OR CONDUCT OF BUSINESS ON OR INVOLVING THE REAL PROPERTY OR THE HOSPITALS FROM AND AFTER THE CLOSING.

(e) There shall be excluded from the provisions of this Section 4.10 any Losses for which Purchasers shall be entitled to indemnity under Section 7.13(c), and Sellers agree that nothing in this Section 4.10 or elsewhere in this Agreement shall be construed to affect Purchaser’s rights under Section 7.13(c).

Section 4.11. Risk of Loss. If any part of the Transferred Assets is damaged, lost or destroyed (whether by fire, theft, or other cause or causality event), in whole or in part, prior to the Closing Date, the Parties agree that Purchasers' sole remedy will be insurance proceeds or other claims against third parties except to the extent such net loss, damage or destruction, individually or in the aggregate, constitutes a Material Adverse Effect.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as set forth in the Disclosure Schedules delivered by Sellers to Purchasers in accordance with the terms of this Agreement, including any documents attached to or incorporated by reference in such Disclosure Schedules, Sellers hereby represent and warrant to Purchasers that the statements contained in this ARTICLE V are true and correct as of the date hereof and as of the Closing Date, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof).

Section 5.01. Power and Authorization. Sellers have all necessary power and authority to enter into this Agreement and each Ancillary Agreement, and to carry out the Contemplated Transactions hereby.

Section 5.02. Binding Agreement. All actions required to be taken by Sellers to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Contemplated Transactions have been duly and properly taken or obtained by Sellers. No other corporate or other action on the part of Sellers is necessary to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement and the Contemplated Transactions. This Agreement and each Ancillary Agreement has been, or will be, as applicable, duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchasers, this Agreement and each Ancillary Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms.

Section 5.03. Organization and Good Standing. Each Seller is a nonprofit religious corporation or other corporation duly organized, validly existing and in good standing under the laws of the State of California. Marillac is a company duly formed, validly existing and in good standing under the laws of the Cayman Islands.

Section 5.04. Non-Contravention. Neither the execution and delivery by Sellers of this Agreement and each Ancillary Agreement nor performance of any of the material provisions hereof by Sellers, will violate, conflict with or result in a breach of any material provisions of the articles of incorporation or bylaws of Sellers.

Section 5.05. Compliance with Legal Requirements. Except as set forth in Schedules 5.05, 5.06(b) and (c), and 5.16 (a)-(d), to the knowledge of Sellers, each Seller, with respect to the operation of the Business and Marillac, is in material compliance with all Legal Requirements. Except as set forth in Schedule 5.05(b), to the knowledge of Sellers, each Seller, with respect to the operation of the Business and Marillac, has not been given written notice of,

and is not under investigation with respect to, any material violation of any applicable Legal Requirements applicable to such Seller's ownership and operation of the Business and Marillac.

Section 5.06. Environmental Matters.

(a) Sellers have provided Purchasers with the Phase I Environmental Site Assessments set forth in said Schedule 5.06(a).

(b) Except as disclosed in Schedule 5.06(b), to the knowledge of Sellers, the operations of the Business are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Authority.

(c) Except as set forth on Schedule 5.06(c), there are no pending or, to the knowledge of Sellers, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against Sellers that pertain or relate to (i) any material remedial obligations under any applicable Environmental Laws, (ii) material violations by Sellers of any Environmental Laws, or (iii) material personal injury or property damage claims relating to a release of or exposure to Hazardous Materials.

Section 5.07. Title; All Transferred Assets.

(a) Prior to the Effective Date, DCHS has delivered at its own expense (i) for all 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 an 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) DCHS is the sole, legal, beneficial, record and equitable owner of all of the stock of Marillac, free and clear of any Encumbrance, which stock constitutes all of the capital stock and other equity interests in Marillac. Except for such stock, Marillac does not have outstanding any shares of capital stock or other equity interest, or any option, warrant, subscription or other right of any Person to purchase or acquire any of the same.

Section 5.08. Certain Other Representations with Respect to the Hospitals.

(a) All Licenses which are material to the operation of the Hospitals or the Business by Sellers are valid and in good standing and Sellers are in compliance with the terms and conditions of all such Licenses in all material respects. Sellers have at all times had, presently have, and as of the Closing Date will have, any and all Licenses required under Legal Requirements to conduct the Business as presently conducted and as currently proposed to be conducted by Sellers. To the knowledge of Sellers, no loss or expiration of any License is pending, threatened, or reasonably foreseeable. Sellers have all requisite Governmental Approvals to bill all Government Payment Programs that Sellers currently bill.

(b) Sellers are certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care programs in which they participate, 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) Sellers 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 Sellers, threatened exclusion action by a Governmental Authority against Sellers.

Section 5.09. Brokers and Finders. Neither Sellers nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the Contemplated Transactions, except as set forth on Schedule 5.09.

Section 5.10. Financial Statements.

(a) Schedule 5.10(a) hereto contains the following financial statements (along with the financial statements set forth on Schedule 5.10(b), collectively, the “Historical Financial Statements”): (i) the unaudited balance sheets of the Hospitals as of June 30, 2012, June 30, 2013, and June 30, 2014; (ii) unaudited income statements of the Hospitals for the twelve-month periods ended June 30, 2012, June 30, 2013 and June 30, 2014; (iii) the audited consolidated income statements of DCHS for the years ended June 30, 2012 and June 30, 2013; and (iv) the unaudited consolidated balance sheet of DCHS as of June 30, 2014. The unaudited balance sheet as of June 30, 2014 referred to in clause (a), above, is sometimes referred to herein as the “Latest Balance Sheet.”

(b) Schedule 5.10(b) hereto contains the following financial statements of Marillac: (i) the audited balance sheets of Marillac as of June 30, 2011 and June 30, 2012; (ii) the audited statements of (loss) income and retained earnings and cash flows of Marillac for the years ended June 30, 2011 and June 30, 2013; (iii) the unaudited balance sheet of Marillac as of May 31, 2014; and (iv) the unaudited statements of (loss) income and retained earnings and cash flows for the eleven-month period ended May 31, 2014.

(c) Except as set forth on Schedule 5.10(c) the income statements contained in the Historical Financial Statements present, and contained in the Interim Financial Statements, as well as the Closing Balance Sheet, shall present, fairly in all material respects the results of the operations of the Hospitals, DCHS and Marillac, as applicable, as of and for the periods covered therein and, except as set forth on Schedule 5.10(c), the balance sheets contained in the Historical Financial Statements present, and in the Interim Financial Statements and Closing Balance Sheet shall present, taken together as a whole, fairly in all material respects the financial condition of the Hospitals, DCHS and Marillac, as applicable, as of the dates indicated thereon, in each case in accordance with GAAP.

Section 5.11. Legal Proceedings. Except as set forth on Schedule 5.11(a), there are no material claims, proceedings or investigations pending or, to the knowledge of Sellers, threatened, with respect to the ownership of the Transferred Assets or the operation of the Hospitals or the Business by Sellers before any Governmental Authority. Except as set forth on Schedule 5.11(b), Sellers are not subject to any Government Order with respect to the ownership

or operation by Sellers of the Hospitals or the other Transferred Assets or the Business. Except as set forth on Schedule 5.11(c), Sellers are in substantial compliance with respect to each Government Order.

Section 5.12. Employee Benefits.

(a) Schedule 5.12(a) contains a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Sellers, whether oral or written, which constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not ERISA applies to such plan), (ii) each medical, health, disability, insurance or other plan or arrangement of Sellers' Controlled Group, whether oral or written, which constitutes an employee welfare benefit plan within the meaning of Section 3(1) of ERISA (whether or not ERISA applies to such 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 Sellers and that covers any current or former officers, directors, employees, independent contractors or consultants of Sellers (collectively, the "Sellers' Plans").

(b) Sellers have made available to Purchasers true, complete and correct copies of each Sellers' Plan and any amendments thereto (or, in the case of any unwritten Sellers' Plan, a true and reasonably complete description thereof), the most recent summary plan description for each Sellers' Plan for which such summary plan description is required (or otherwise a participant communication proving a summary of the plan terms), each trust agreement and group annuity contract relating to any Sellers' Plan, if applicable; the most recent determination letter received from the IRS to the extent that any Seller Plan is intended to be tax-qualified under Section 401(a) of the Code, the most recent estimate available to Sellers of any potential Multiemployer Plan withdrawal liability of Sellers and their Controlled Group members, and, in the case of any Seller Plan subject to ERISA, the three most recent Form 5500 annual reports, as filed. For each Defined Contribution Church Plan, (i) Sellers have made available to Purchasers all third-party administrative contracts, material communications with governmental agencies, and other material documents pursuant to which such plan is maintained, funded, and administered, (ii) all contributions and distributions for periods prior to the Closing Date have been paid or properly accrued, and (iii) no Encumbrance has been imposed by operations of state law.

(c) Except as otherwise provided on Schedule 5.12(c), to the knowledge of Sellers, Sellers do not have any direct or indirect, actual or contingent liability with respect to any Sellers' Plan, other than to make payments for contributions, premiums or benefits when due in the Ordinary Course of Business, all of which payments that are due having been made. The Hospitals are not subject to any lien under ERISA or the Code.

(d) Each Seller Plan has been administered in all material respects in accordance with the Code and all Legal Requirements (including any applicable prohibited transaction rules), and each Seller Plan has been operated in material compliance with its terms. To Sellers' knowledge, neither any Seller nor any members of Sellers' Controlled Group have improperly excluded any eligible employee from participation in any Seller Plan. Each Seller Plan that is intended to be tax-qualified under Sections 401(a) of the Code has received a

determination or opinion letter from the IRS upon which it may rely and, to Sellers' knowledge, there are no currently existing circumstances that could reasonably result in revocation of any such qualification.

(e) Except as otherwise provided on Schedule 5.12(e), no Sellers' 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) Other than for participation in the Multiemployer Plans, neither any Seller nor any member of Sellers' Controlled Group sponsors, contributes to, has an "obligation to contribute" (as defined in ERISA Section 4212) or has any liability with respect to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) or 3(37)(A) or Section 414(f) of the Code). With respect to each Multiemployer Plan, in its three (3) most recently completed plan years, there has not been a "contribution decline" or "partial cessation" (as each is defined in Section 4205 of ERISA) with respect to Sellers or any of their Controlled Group members.

(g) No Legal Proceeding has been instituted or, to Sellers' knowledge, threatened against or involving any Seller Plan (other than routine claims for benefits) and there are no actions, audits or claims pending or, to Sellers' knowledge, threatened against any Seller or any Seller Plan with respect to the Seller Plans, other than routine claims for benefits, and no Seller Plan is under audit by the IRS or any other government entity, or, to Sellers' knowledge, under investigation by the IRS or any other governmental entity.

(h) No Seller has within the last six (6) years sponsored or contributed to or has or had any liability, whether voluntary, contingent or otherwise with respect to a defined benefit plan, other than the Defined Benefit Church Plan, the RPHE, and the Local 39 Pension Plan.

(i) Each agreement, contract or other arrangement to which the a Seller is a party that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been maintained in all material respects in documentary and operational compliance with Section 409A of the Code and the regulations thereunder.

Section 5.13. Personnel.

(a) Schedule 5.13(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 or benefit arrangements, and the accrued paid time off pay of all employees of DCHS and its Affiliates immediately prior to the Effective 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 DCHS's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "Hospital Employees") and indicating whether the Hospital Employee is full-time or part-time. Sellers shall have the right to update to Schedule 5.13(a) to reflect changes in employment status or new hires and terminations occurring after the Effective Date by providing a revised schedule to Purchase no later than five (5) Business Days before the date schedule for the Closing.

(b) Except as listed in Schedule 5.13(b), as of the date of this Agreement, there is no unfair labor practice complaint against Sellers pending, or to the knowledge of Sellers threatened, before the National Labor Relations Board with respect to the operation of the Hospitals that would have a Material Adverse Effect, and there is no labor strike, arbitration, dispute, slowdown or stoppage, and no union organizing campaign, pending or, to the knowledge of Sellers, threatened, by or involving the Hospitals Employees, that would have a Material Adverse Effect.

(c) Schedule 5.13(c) sets forth a complete list of the names and positions of all full-time Hospital Employees with respect to the operation of the Hospitals that have been laid-off or terminated during the ninety (90) calendar days immediately preceding the Effective Date. Sellers shall update Schedule 5.13(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 5.13(d) to the knowledge of Sellers, since January 1, 2012 (i) Sellers have substantially complied with all applicable Legal Requirements relating to employee health and safety in all material respects and (ii) Sellers have not received any written notice from any Governmental Authority that past or present conditions of the Hospitals or the Transferred Assets violate any applicable Legal Requirements 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.

(e) Sellers shall make available to Purchasers copies of any written materials, including all side agreements and grievance settlement agreements delivered or received relating to Union representation of Union Employees. Sellers shall advise Purchasers of, and consult with Purchasers with regard to, the negotiation of any side letters of agreement to the Union Contracts and grievance settlement agreements entered into hereafter with respect to Union Employees, except in each case for negotiations occurring in the Ordinary Course of Business or as required by applicable Legal Requirements.

Section 5.14. Insurance. Sellers maintain, and have maintained, without interruption, at all times during Sellers' 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 Transferred Assets and operation of the Hospitals. Schedule 5.14 contains a list of all such insurance maintained by Sellers with respect to the Transferred Assets and the operation of Sellers, including the Business and the Hospitals, as of the Effective Date.

Section 5.15. Required Consents. No consent, waiver, approval, order or authorization of, accreditation by, clearance, certification, License, permit, entitlement, or approval from, registration, declaration or filing with, agreements to own and operate the Hospitals or participate in any Government Payment Program, or notice to any Governmental Authority or accrediting or certifying body, including, but not limited to, approval (including conditional approval) of the Contemplated Transaction by the Attorney General of the State of California (“AG Approval”) (each, a “Governmental Approval”) is necessary or required for the execution and delivery of this Agreement by Sellers or for the consummation by Sellers of the Contemplated Transactions, except for such Governmental Approvals set forth in Schedule 5.15

or as may be required under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), and any other applicable antitrust Legal Requirements (collectively, “Antitrust Laws”).

Section 5.16. Health Care Compliance.

(a) Since January 1, 2011, to the knowledge of Sellers, neither Sellers nor their Affiliates have 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 Sellers, Sellers are not under investigation by any governmental authority for a violation of any law, including any Health Care Law.

(b) Since January 1, 2011, to the knowledge of Sellers, there have been (i) no material statements of deficiencies filed against Sellers by the California Department of Public Health or the Centers for Medicare & Medicaid Services, or any other Governmental Authorities, and (ii) no penalties asserted against Sellers 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 5.16(b).

(c) Sellers have never 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 5.16(c).

(d) To Sellers’ knowledge, neither Sellers nor any officer, director, or managing employee of Sellers, have engaged or is engaging in any activities, which are cause for criminal or civil monetary penalties, refund obligations, fines, assessments or mandatory or permissive exclusion from any Government Payment Program. To Sellers’ knowledge, neither Sellers, nor any officer, manager or employee of Sellers is currently excluded, debarred, suspended or otherwise ineligible to participate in any Government Payment Program, or has been convicted of a criminal offense that falls within the scope of 42 U.S.C. § 1320a-7(a), nor, to Sellers’ knowledge, are any such exclusions, sanctions or charges threatened or pending.

(e) Neither Sellers, nor any officer, director or employee of Sellers has now or in the past, 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 5.17. Accounts Receivable. To the knowledge of Sellers, all Sellers Accounts Receivable: (i) are reflected in the Financial Statements as of the date of the Latest Balance Sheet, (ii) result from the provision of products or services in the Ordinary Course of Business; (iii) are not subject to any recoupment or overpayment claim by any governmental or private third party payer or patient, except for such claims made in the Ordinary Course of Business; and (iv) subject to reserves maintained in the Ordinary Course of Business, are, on the date hereof, and unless paid prior to the Closing Date will be as of the Closing Date, materially current and collectible using commercially reasonable efforts in the Ordinary Course of Business. To the knowledge of Sellers, as of the Closing Date, no Person shall have any Encumbrance on Sellers

Accounts Receivable or any part thereof (except for Permitted Exceptions), and no agreement for deduction, free goods, discount or other deferred price or quantity adjustment shall have been made with respect to any Sellers Accounts Receivable that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. All Sellers Accounts Receivable are currently deposited, either electronically or manually, into the bank accounts listed on Schedule 4.25(b) (the “A/R Bank Accounts”). All bank accounts of Marillac and De Paul Ventures, LLC are also listed on Schedule 4.25(b).

Section 5.18. Payer Contracts. To the knowledge of Sellers, Schedule 5.18 sets forth a complete list of all written contracts with private third party payers including insurance companies and HMOs (“Payer Contracts”). Sellers have provided Purchasers with a true and correct copy of all Payer Contracts that involve annual revenues in excess of \$50,000, whether or not entered into in the Ordinary Course of Business, or otherwise required to be disclosed on Schedule 5.18, in each case together with all amendments, waivers or other changes and modifications thereto. [Except as disclosed in Schedule 5.18, to Sellers’ knowledge, (i) no Payer Contract required to be disclosed on Schedule 5.18 has been materially breached or canceled by the third party payer, including, but not limited to, any failure to make payments within the time and in the manner required under such Payer Contract, and to the knowledge of Sellers, there are no pending cancellations by any third party payer under any Payer Contract required to be disclosed on Schedule 5.18, (ii) no third party payer has indicated in writing or orally to the Seller that it will modify the nature of the services that Sellers are obligated to provide, or that it desires to renegotiate its Payer Contract with Sellers, (iii) Sellers have performed all the obligations required to be performed by it in connection with the Payer Contracts required to be disclosed on Schedule 5.18 and is not in default under or in material breach of any Payer Contract required to be disclosed on the Schedule 5.18, and no event has occurred which with the passage of time or the giving of notice or both would result in a default or material breach thereunder, (iv) Seller has no present expectation or intention of not fully performing any obligation pursuant to any Payer Contract required to be set forth on Schedule 5.18, and (v) to Sellers’ knowledge, each Payer Contract is legal, valid, binding, enforceable and in full force and effect and will continue as such following the Closing of the transactions contemplated hereby, subject to (1) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect and (2) limitations on the enforcement of specific performance, injunctive relief, or other equitable remedies.] Except as expressly set forth on Schedule 5.18, Sellers are not obligated to provide Sellers’ products or services pursuant to any Payer Contract at fees or charges that would constitute a violation of any requirements under the Medicare or Medi-Cal programs, or any other program of any Governmental Authority.

Section 5.19. Standards of Care. To the knowledge of Sellers, all services provided or arranged by Sellers have and shall have been, provided by duly licensed, certified or otherwise authorized professional personnel in accordance with (a) the generally accepted practices and standards prevailing in the applicable professional community at the time of treatment, (b) the provisions of the applicable Payer Contract, (c) Legal Requirements, and (d) the standards of Accreditation Organizations.

Section 5.20. Medical Records. To the knowledge of Sellers, all medical records relating to Hospital services have been kept and maintained in accordance with (a) the generally

accepted medical and surgical practices and standards prevailing in the applicable professional community at the time of treatment, (b) the provisions of the applicable Payer program or Contract, (c) Legal Requirements, and (d) the standards of Accreditation Organizations.

Section 5.21. Credentialing. To the knowledge of Sellers, all standards, policies and procedures for the credentialing and recredentialing of all Providers that provide or assist in the provision of services on behalf of Sellers, including Hospital services, have been kept and maintained in accordance with (a) the generally accepted medical and surgical practices and standards prevailing in the applicable professional community at the time, (b) the provisions of the applicable Payer Contract, (c) Legal Requirements, and (d) the standards of Accreditation Organizations.

Section 5.22. Incentive Programs. To the knowledge of Sellers, the Hospitals have no contracts with a private third party payer or Provider that include any Provider incentive program that is in violation of Legal Requirements governing incentive payments to reduce care, including 42 U.S.C. § 1320a-7a(b) (Civil Monetary Penalties), 42 C.F.R. § 417.479 (Medicare HMOs or competitive medical plans), 42 C.F.R. § 422.208 (Medicare Advantage plans), 42 C.F.R. § 438.6 (Medicaid risk plans), and California Business & Professions Code § 511 or any similar common law.

Section 5.23. Certain Payments. To the knowledge of Sellers, neither Sellers nor any director, officer or employee of Sellers, has directly or indirectly made any contribution, gift, or payment, to any Person, private or public, regardless of form, whether in money, property, or services that (i) was in material violation of any Legal Requirements, or (ii) was given in consideration of the referral of any patient to Sellers for the provision of Sellers' products or services, or (iii) was not recorded in the Records of Sellers.

Section 5.24. Privacy Laws. Except as set forth in Schedule 5.24, to the knowledge of Sellers, Sellers have been and are materially in compliance with: (a) all applicable provisions of the Health Insurance Portability and Accountability Act of 1996 (as amended by the Health Information Technology for Economic and Clinical Health Act, Subtitle D of Title XIII of Division A of the American Recovery and Reinvestment Act of 2009) and the regulations promulgated thereunder (collectively, "HIPAA"), the California Confidentiality of Medical Information Act (Civil Code Section 56 et. seq.), and other Legal Requirements with respect to maintaining the privacy and security of health information; and (b) all Legal Requirements related to privacy and security of health information, including the regulations promulgated thereunder, to the extent not preempted by HIPAA (collectively, clauses (a) and (b) are the "Privacy Laws"). In the conduct of the Business, to the knowledge of Sellers, Sellers have obtained any and all health information and data covered by the Privacy Laws in a manner that does not cause Sellers to materially violate the Privacy Laws, and Sellers have maintained, used and disseminated any and all such health information and data in material compliance with the Privacy Laws.

Section 5.25. Health Care Laws. Except as set forth in Schedule 5.25, to the knowledge of Sellers, Sellers have been and are in compliance with all Health Care Laws, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.26. Investigations and Audits. Except as set forth on Schedule 5.26, to the knowledge of Sellers, there is no pending material: (a) investigation, audit, claim review, or other Action which is likely to result in a revocation, suspension, termination, probation, restriction, limitation, or non-renewal of Sellers' right to participate in any Governmental Payment Program, Payer Contract, or result in Hospital's exclusion from any Governmental Payment Program; (b) IRO or program integrity review which is likely to result in any recoupment on a Sellers Accounts Receivable, whether singly or in the aggregate; (c) voluntary disclosure by Sellers to the Office of the Inspector General of the United States Department of Health and Human Services, a Medicare fiscal intermediary or any Payer of a potential overpayment; (d) recoupment claim in revenues or expenses, whether singly or in the aggregate, in excess of \$ _____; or (e) healthcare survey report related to licensure or certification (including an annual or biannual Medicare or Medicaid certification survey report) which includes any material statement of deficiencies pertaining to Seller which to Seller's knowledge cannot be fully corrected prior to the Closing Date.

Section 5.27. Excluded Individuals. Excluded Individuals. Except as set forth on Schedule 5.27, to the knowledge of Sellers, neither Sellers, Hospitals nor any director, officer or employee of Sellers or Hospitals (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an "Excluded Individual"); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospitals; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF PURCHASERS

Except as set forth in the Disclosure Schedules, Purchasers hereby represent and warrant to Sellers that the statements contained in this ARTICLE VI are true and correct as of the date hereof and as of the Closing Date, except to the extent that any such representation and warranty expressly relates to any other specified date or time (including those that speak only as to the date hereof).

Section 6.01. Power and Authorization. Purchasers have all necessary corporate or limited liability company power and corporate or limited liability company authority to enter into this Agreement and each Ancillary Agreement, and to carry out the Contemplated Transactions.

Section 6.02. Binding Agreement. All corporate and limited liability company actions required to be taken by Purchasers to authorize the execution, delivery and performance of this Agreement and each Ancillary Agreement, and the Contemplated Transactions, have been duly and properly taken or obtained by Purchasers. No other corporate or limited liability company action on the part of Purchasers is necessary to authorize the execution, delivery and performance of this Agreement, each Ancillary Agreement, and the Contemplated Transactions. This Agreement and each Ancillary Agreement has been, or will be, as applicable, duly and

validly executed and delivered by Purchasers and, assuming due and valid execution by Sellers, this Agreement and each Ancillary Agreement constitute valid and binding obligations of Purchasers enforceable in accordance with their terms.

Section 6.03. Organization and Good Standing. Purchasers are corporations or limited liability companies duly organized, validly existing and in good standing under the laws of California or Delaware, as applicable.

Section 6.04. Noncontravention. Neither the execution and delivery by Purchasers of this Agreement and the Ancillary Agreements, nor the consummation of the Contemplated Transactions nor compliance with any of the provisions hereof by Purchasers will violate, will constitute a violation of, or be in conflict with, or constitute or create a default or accelerate or adversely affect any obligations under (a) the articles of incorporation, bylaws or other organizational documents of Purchasers or (b) any Legal Requirement, except for the Governmental Approvals set forth in Schedule 7.01(b)(i) and Schedule 10.04 or as may be required under the HSR Act or other Antitrust Laws.

Section 6.05. Brokers and Finders. Neither Purchasers nor any Affiliate thereof, nor any officer or director thereof, has engaged or incurred any liability to any finder, broker or agent in connection with the Contemplated Transactions.

Section 6.06. Legal Proceedings. Except as set forth on Schedule 6.06(a), there are no claims, proceedings or investigations pending or, to the knowledge of Purchasers, threatened, which would have a material adverse effect on the properties or business condition (financial or otherwise) of Purchasers or would adversely affect Purchasers' ability to consummate the Contemplated Transactions. Except as set forth on Schedule 6.06(b), Purchasers are not subject to any Government Order that either would have a material adverse effect on the properties or business condition (financial or otherwise) of Purchasers or would adversely affect Purchasers' ability to consummate the Contemplated Transactions. Except as set forth on Schedule 6.06(c), Purchasers are in substantial compliance with respect to any Government Order the noncompliance with which could reasonably be expected to have a material adverse effect, on the properties or business condition (financial or otherwise) of Purchasers or would adversely affect Purchasers' ability to consummate the Contemplated Transactions.

Section 6.07. Health Care Compliance.

(a) Since January 1, 2011, neither Purchasers nor any of their Affiliates, have 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 Purchasers, neither Purchasers nor any of their Affiliates, are under investigation by any Governmental Authorities for a material violation of any material law, including any Health Care Law.

(b) Since January 1, 2011, there have been (i) no material statements of deficiencies filed against Purchasers or their Affiliates by the California Department of Public Health or the Centers for Medicare & Medicaid Services, and (ii) no penalties asserted against Purchasers or their Affiliates 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 6.07(b).

(c) Neither Purchasers nor their Affiliates 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 6.07(c).

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

(e) Neither Purchasers, nor any officer, director or employee of Purchasers have now or in the past, 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, except as set forth in Schedule 6.07(e).

Section 6.08. [Intentionally Omitted]

Section 6.09. Required Consents. No material Governmental Approval is necessary or required for the execution and delivery of this Agreement by Purchasers or for the consummation by Purchasers of the Contemplated Transactions, except for the Governmental Approvals set forth in Schedule 7.01(b)(i) and Schedule 10.04 or as may be required under the HSR Act and any other applicable Antitrust Laws.

Section 6.10. [Intentionally Omitted]

Section 6.11. Commitment Letter. Attached as Exhibit E hereto is a true, complete and accurate copy of the fully executed commitment letter from [] to Purchasers (the "Commitment Letter") pursuant to which [] has agreed, subject to the express terms and conditions set forth therein, to provide the [senior debt financing] to Purchasers in the amount specified therein (the "Debt Financing"). Other than the Commitment Letter and customary fee letters, joinder documentation and non-disclosure agreement, there are no other agreements between Purchasers, 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 Contemplated Transaction. The Commitment Letter is the legal, valid and binding obligation of Purchasers and, to the knowledge of Purchasers, each of the counterparties thereto and has not been modified, amended, supplemented, withdrawn 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 Purchasers or any Affiliate of Purchasers is a party that would reasonably be expected to adversely affect or impair the availability of the Debt Financing. Purchasers have no knowledge of any event that, with or without notice or lapse of

time or both, would constitute a default or breach by Purchasers under the Commitment Letter or that would reasonably be expected to result in any of the conditions set forth in the Commitment Letter not being satisfied or any financing contemplated by the Commitment Letter not being provided to Purchasers on the Closing Date.

Section 6.12. Available Funds. Together with the amounts available to Purchasers through the Debt Financing, Purchasers have, and as of the Closing will have, immediately available funds in cash in an amount sufficient to (a) pay in cash all amounts payable pursuant to this Agreement and each Ancillary Agreement, any other amounts necessary to consummate the Contemplated Transactions and all fees and expenses of Purchaser incurred in connection with the Contemplated Transactions and (b) provide adequate working capital to operate the Business following the Closing. Purchasers agree that their performance of its obligations under this Agreement is not in any way contingent upon the availability of financing to Purchasers.

Section 6.13. Solvency. Purchasers are solvent and will not be rendered insolvent as a result of any of the Contemplated Transactions. For purposes hereof, the term “solvency” means that: (a) the fair salable value of Purchasers’ tangible assets is in excess of the total amount of its liabilities (including for purposes of this definition all liabilities, whether or not reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and whether direct or indirect, fixed or contingent, secured or unsecured, and disputed or undisputed); (b) Purchasers are able to pay their debts or obligations in the ordinary course as they mature; and (c) Purchasers have capital sufficient to carry on their businesses and all businesses which it is about to engage.

ARTICLE VII.

PRE-CLOSING COVENANTS

Section 7.01. Required Approvals; Change in Ownership Applications.

(a) Sellers shall (i) use diligent efforts, as reasonably requested by Purchasers, to assist Purchasers in the securing of, as promptly as practicable and before the Closing Date, all Governmental Approvals (subject to Section 7.01(b)(ii)), and (ii) will provide such other information and communications to Governmental Authorities and accrediting and certifying bodies as Purchasers or such authorities and bodies may reasonably request. Sellers shall also reasonably assist Purchasers to complete change of ownership applications and notices 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 a third party payor (an “Application”). Sellers shall provide Purchasers in a timely manner with such information about the Hospitals as may be needed for the completion and filing of each Application.

(b) Within fifteen (15) days after the Effective Date, Sellers shall file all necessary regulatory filings set forth on Schedule 7.01(b)(i), which shall include at a minimum the following:

(i) The required Notification and Report Form for Certain Mergers and Acquisitions under the HSR Act with the U.S. Federal Trade Commission and the U.S. Department of Justice Antitrust Division, and such other filings as Purchasers and Sellers may mutually determine are necessary or desirable in connection with the Contemplated Transactions under applicable Antitrust Laws (collectively, the “Antitrust Filings”) with the appropriate Governmental Authority designated by law to receive such filings. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, Sellers shall use reasonable efforts to comply with such request. Sellers shall promptly inform Purchasers of any material communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Sellers shall give Purchasers 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 U.S. Department of Justice or the U.S. Federal Trade Commission or the California Attorney General relating to the Antitrust Filings. Sellers shall deliver to Purchasers within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by Sellers. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Authority in connection with the Antitrust Filings shall be paid solely by Purchasers at the time of filing.

(ii) The filing required by the California Attorney General for approval of the Contemplated Transaction, and any other such filings as Sellers may determine are necessary or desirable in connection with receiving AG 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 AG Approval, Sellers shall use reasonable efforts to comply with such request. Sellers shall promptly inform Purchasers of any material communication with, and any proposed understanding, agreement or undertaking with, the California Attorney General relating to the AG Approval. Sellers shall give Purchasers 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 AG Approval. Sellers shall deliver to Purchasers within five (5) Business Days following the filing thereof, a complete and accurate copy of any materials filed with the California Attorney General by Sellers in connection with the AG Approval. Purchasers shall pay or refund to Sellers all fees required to be paid to the California Attorney General.

(c) Subject to applicable confidentiality restrictions or restrictions required by applicable Legal Requirements, the Parties shall each notify the other promptly upon receipt of: (i) any comments or questions from any official of any Governmental Authority in connection with any filings made pursuant to this Section 7.01 or otherwise in connection with the Contemplated Transactions, and (ii) any requests by any officials of any Governmental Authority

for amendments or supplements to any filings made pursuant to any applicable Legal Requirements, rules and regulations of any Governmental Authority or answers to any questions, or the production of any documents, relating to an investigation of the Contemplated Transactions by any Governmental Authority. Without limiting the generality of the foregoing, each Party shall promptly provide to the other Parties (or their respective advisers) copies of all correspondence between such Party and any Governmental Authority relating to the Contemplated Transactions. In addition, to the extent reasonably practicable, the Parties shall use commercially reasonable efforts to cause all scheduled discussions, telephone calls and meetings with a Governmental Authority regarding the Contemplated Transactions to include representatives of Purchasers and Sellers; notwithstanding the foregoing, in the event of discussions, calls or meetings that do not involve representatives of Purchasers and Sellers, the participating Party(ies) shall promptly inform the non-participating Party(ies) of the existence and substance of such communications (unless otherwise directed by the pertinent Governmental Authority or required by Legal Requirements). Subject to applicable Legal Requirements, the Parties will consult and cooperate with each other in connection with any analyses, appearances, presentations, memoranda, briefs, arguments and proposals made or submitted to any Governmental Authority regarding the Contemplated Transactions by or on behalf of any Party.

Section 7.02. Consents to Assignment. Sellers shall use commercially reasonable efforts to obtain prior to the Closing, any and all consents to assign any Contracts and Leased Real Property. As soon as commercially reasonable, Sellers shall send consent requests with respect to each Contract. Sellers shall cooperate with Purchasers as reasonably requested to obtain any such consents.

Section 7.03. Conduct of the Business Generally. From the Effective Date until the Closing, or the earlier termination of this Agreement in accordance with ARTICLE XI, without the prior written consent of Purchasers, except to the extent described on Schedule 7.03, Sellers shall, with respect to the ownership of the Transferred Assets and the operation of the Hospitals and Marillac, use commercially reasonable efforts to:

- (a) carry on Sellers' ownership of the Transferred Assets and the operation of the Hospitals and Marillac consistent with past practice;
- (b) maintain in effect the insurance and equipment replacement coverage described on Schedule 7.03(b);
- (c) pay any stay bonus agreed to prior to the Effective Date and provide reasonable compensation in the form of a stay bonus, which collectively in the aggregate shall not exceed [\$], to certain key employees in order to retain such employees as Sellers deem necessary in order to effectively operate the Hospitals;
- (d) except as otherwise permitted herein, administer its labor relations (including contract administration, grievances and arbitration, and collective bargaining) and employment matters in the Ordinary Course of Business;
- (e) maintain the Facilities and the Purchased Assets and all parts thereof in materially the same condition as at present, ordinary wear and tear excepted, and make all

normal, planned and budgeted capital expenditures related to the Purchased Assets and/or the Facilities, provided, that Sellers shall obtain the Company's prior input regarding individual capital expenditures or additions to property, plant and equipment (or a series of related expenditures or additions) that exceed \$350,000;

(f) continue to perform its obligations under all Contracts and Leases;

(g) (i) maintain and preserve the business organization with respect to the Hospitals and the other Transferred Assets intact and (ii) maintain its relationships with physicians and medical staff, suppliers, customers and others having business relations with the Hospitals and the other Transferred Assets;

(h) permit and allow reasonable access by Purchasers and their Representatives (which shall include the right to send written materials, all of which shall be subject to Sellers' reasonable approval prior to delivery) to make offers of post-Closing employment to any of Sellers' personnel (including access by Purchasers and their Representatives for the purpose of conducting open enrollment sessions for Purchasers' employee benefit plans and programs) and to establish relationships with physicians, medical staff and others having business relations with Sellers;

(i) with respect to deficiencies, if any, cited by any Governmental Authority or accreditation body in the most recent surveys conducted by each, cure or develop and timely implement a plan of correction that is acceptable to any Governmental Authority or such accreditation body;

(j) timely file or cause to be filed all reports, notices and Tax Returns relating to the Facilities and the Purchased Assets required to be filed with any Governmental Authority, pay all required Taxes as they come due, and take any other actions required to maintain tax-exempt status for each Seller that has historically held such status;

(k) comply in all material respects with all Legal Requirements (including Environmental Laws) applicable to the conduct of the Business;

(l) maintain all material approvals, permits and environmental permits relating to the Hospitals, the Transferred Assets and the Assumed Liabilities in good standing;

(m) obtain estoppels as reasonably requested by Purchasers; and

(n) maintain the A/R Bank Accounts.

Section 7.04. Conduct of Business. From the Effective Date until the Closing, or the earlier termination of this Agreement in accordance with ARTICLE XI, without the prior written consent of Purchasers, which consent shall not be unreasonably withheld, conditioned or delayed, and except to the extent described on Schedule 7.04 without regard to any supplement or amendment thereto pursuant to Section 7.09, or otherwise, Sellers shall not take any of the following actions:

- (a) amend the Articles of Incorporation of Sellers or any action relating to any liquidation or dissolution of any Seller;
- (b) merge or consolidate Sellers with any other Person;
- (c) except as permitted by Section 7.03, increase any benefits under any Sellers' Plan or increase the compensation payable or paid, whether conditionally or otherwise, to any employee of Sellers in an amount over \$100,000 other than (i) any such increase adopted in the Ordinary Course of Business; or (ii) any such increase in benefits or compensation required by Legal Requirements or required pursuant to the terms of an existing Sellers' 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 Hospitals;
- (d) except in the Ordinary Course of Business, sell, lease, license or otherwise dispose of any of the material Transferred Assets;
- (e) except in the Ordinary Course of Business, enter into any capital lease;
- (f) notify any payor to send payments to, or cause any Sellers Accounts Receivable to be deposited in, any account other than the A/R Bank Accounts, or sell or factor any Sellers Accounts Receivable;
- (g) amend or otherwise modify any Defined Contribution Church Plan, except for amendments required to comply with this Agreement or Legal Requirements;
- (h) sell, assign or otherwise transfer or dispose of any, or waive or settle any material claims regarding, the Hospitals or the other Transferred Assets outside the Ordinary Course of Business;
- (i) (i) amend, modify or terminate any contract or lease, except in conformity with this Agreement and in a commercially reasonable manner in the Ordinary Course of Business; (ii) by action or inaction, abandon, terminate, cancel, forfeit, waive or release any material rights of any Seller, in whole or in part, with respect to the Hospitals or the other Transferred Assets; (iii) take any other action, corporate or otherwise, that could reasonably be expected to affect adversely Sellers' ability to perform in accordance with this Agreement; (iv) cancel or permit the cancellation or lapse of insurance coverage on the Hospitals or the other Transferred Assets; or (v) settle any dispute or threatened dispute with any Governmental Authority regarding the Hospitals or the other Transferred Assets other than in the Ordinary Course of Business;
- (j) create, assume or permit to exist any new Encumbrance upon any of the Transferred Assets other than Permitted Exceptions;
- (k) amend or terminate or otherwise modify any employment Contract or enter into any new employment contract with any Person, except in the Ordinary Course of Business;

(l) enter into any new contract or lease anticipated to exceed \$250,000 per year or \$500,000 over the entire term of the arrangement;

(m) make or change any material Tax election, change any method of accounting (unless required by GAAP), or settle any material claim or dispute with any Governmental Entity in respect of any Tax;

(n) take or omit to take any action that could result in any Seller who was historically exempt from any Tax, ceasing to be exempt from such Tax;

(o) remove any material personal property or fixtures located at the Real Property, except as may be required for repair, retirement and/or replacement in the Ordinary Course of Business (provided that any replacements shall be free and clear of any and all Encumbrances (except for Encumbrances to be satisfied by Sellers at Closing), of quality at least equal to the replaced items, and shall be deemed included in this sale, without cost or expense to the Company); or dispose of the Inventory other than in the Ordinary Course of Business.

(p) request or consent to any zoning changes;

(q) sell, transfer or assign any of the stock of Marillac, or any interest therein;
or

(r) without Purchasers' prior written consent (which shall not be unreasonably withheld or delayed), amend the material conditions of employment or modify or extend the term of any Collective Bargaining Agreement or enter into any new collective bargaining agreement; provided, however, that Purchasers shall pay all costs incurred by Sellers due to a strike or work stoppage if such strike or work stoppage (i) is related to or in connection with Purchasers' failure to provide a consent required pursuant to this Section 7.04(q) and (ii) is an economic strike pursuant to the National Labor Relations Act and not in response to any unlawful activities of Purchasers.

Notwithstanding any provision to the contrary contained in this Agreement, neither Section 7.03 nor this Section 7.04 shall be construed to prohibit Sellers from engaging in any act which Sellers reasonably believe is necessary to preserve and protect the continued condition and operation of the Hospitals or to perform the contractual obligations of Sellers.

Section 7.05. Additional Financial Information. Within thirty (30) days following the end of each calendar month prior to Closing (other than the last month of each fiscal quarter and fiscal year) or forty-five (45) days in the case of a fiscal quarter or sixty (60) days in the case of a fiscal year, Sellers shall deliver to Purchasers complete copies of the respective unaudited balance sheets and related unaudited statements of income of Sellers with respect to the operation of the Hospitals and of Marillac for each month then ended, together with corresponding year-to-date amounts (the "Interim Financial Statements"), the presentation of which shall be consistent with the provisions of Section 5.10.

Section 7.06. Notice to Purchasers. From the Effective Date until the Closing, or the earlier termination of this Agreement in accordance with ARTICLE XI, Sellers shall notify Purchasers in writing (with any such writing to include a written update to the Disclosure

Schedules to the extent applicable) (i) of any Material Adverse Effect of which Sellers have knowledge, (ii) promptly upon becoming aware of any material breach by Sellers of this Agreement, give written notice to Purchasers thereof, (iii) of any written notice or other communication from any Governmental Authority in connection with the Contemplated Transactions or that is (or may reasonably be regarded at the time of notice as) material to or materially adverse to the business, condition or operations of Sellers, the Hospitals or the Transferred Assets, and (iv) of any material Legal Proceedings commenced or, to Sellers' knowledge, threatened, against or relating to or involving or otherwise affecting any Seller or the Hospitals or the Transferred Assets or that relate to the consummation of the Contemplated Transactions, and any significant developments relating to any such legal proceedings. For the avoidance of doubt, the conditions to Purchasers' obligations at the Closing set forth in Section 10.01 and Section 10.02 shall be read to give effect to any update to the schedules or other written notices delivered pursuant to this Section 7.06.

Section 7.07. Confidentiality. The Parties agree that the Confidentiality Agreement will survive the execution and delivery of this Agreement and that the information, documents and instruments delivered to one Party by or on behalf of the other Party are "Confidential Information" (as defined in the Confidentiality Agreement) and shall continue to be protected under the terms of the Confidentiality Agreement. Sellers agree that prior to the Closing, they will maintain the confidentiality of all such Confidential Information delivered to Sellers by or on behalf of Purchasers in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants of the Confidentiality Agreement. This Section 7.07 shall not prohibit the disclosure by Sellers or Purchasers of any information, instruments or documents that are required to be filed with Governmental Authorities by Sellers or Purchasers under applicable securities related Legal Requirements or in connection with the regulatory filings, applications and notifications necessary or appropriate in connection with the Contemplated Transactions, so long as Purchasers or Sellers, as applicable, receives reasonable advance written notice from the other, or as is otherwise consistent with the due diligence or other transition matters associated with the Contemplated Transactions. In addition, any Party may disclose Confidential Information received from the other party in an Action brought by a Party hereto in pursuit of its rights or in exercise of its remedies hereunder.

Section 7.08. Termination of Hospital Employees. Immediately after the Closing, (a) the Hospitals Employees shall cease to be employees of Sellers, and Hospital Employees entitled to benefits under the Daughters of Charity Health System 401(a)(17) Retirement Plan and the Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account shall experience a separation from service for purposes of such plans.

Section 7.09. No-Shop. Sellers agree that they shall not, and shall direct and use commercially reasonable efforts to cause their respective representatives (including any investment banker, attorney or accountant retained by them) not to: (a) offer for sale, lease or other disposition any of the Hospitals or all or any significant portion of the other Transferred Assets, except as expressly permitted by this Agreement, or any ownership interest in any entity owning any of the Hospitals or any of the Transferred Assets; (b) solicit offers to buy any of the Hospitals, all or any significant portion of the Transferred Assets, except as expressly permitted by this Agreement, or any ownership interest in any entity owning any of the Hospitals or the Transferred Assets; (c) initiate, encourage or provide any documents or information to any third

party in connection with, discuss or negotiate with any Person regarding any inquiries, proposals or offers relating to any disposition of any of the Hospitals or any significant portion of the Transferred Assets, except as expressly permitted by this Agreement, or a merger or consolidation of any entity owning any of the Hospitals or all or any significant portion of the Transferred Assets; or (d) enter into any agreement or discussions with any party (other than Purchasers and their Affiliates) with respect to the sale, lease, assignment or other disposition of any of the Hospitals or any of the other Transferred Assets, except as expressly permitted by this Agreement, or any ownership interest in any entity owning any of the Hospitals or any of the Transferred Assets or with respect to a merger or consolidation of any entity owning any of the Hospitals or any of the Transferred Assets. Sellers will promptly communicate to Purchasers the substance of any inquiry or proposal concerning any such transaction. The restriction set forth in this Section 7.09 shall expire upon the termination of this Agreement.

Section 7.10. Supplement to Disclosure Schedules / Notification of Certain Matters.

(a) From time to time prior to the Closing, Sellers shall supplement or amend the Disclosure Schedules hereto with respect to any matter hereafter arising or of which it becomes aware after the date hereof which would render inaccurate any of Sellers' representations and warranties in ARTICLE V (each a "Schedule Supplement"), and each 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 a Material Adverse Effect, then Purchasers shall have the right to terminate this Agreement for failure to satisfy the closing condition set forth in Section 10.01; and provided, further, that if Purchasers have the right to, but does not elect to terminate this Agreement within fifteen (15) Business Days of its receipt of such Schedule Supplement, then Purchasers shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter under Section 10.01.

(b) Sellers shall as promptly as reasonably practicable notify Purchasers of: (i) any written notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the Contemplated Transactions; (ii) any written notice or other communication from any Governmental Authorities in connection with the Contemplated Transactions or that is (or may reasonably be regarded at the time of notice as) material to or materially adverse to the Business, condition or operations of Sellers, the Hospitals or the Transferred Assets; and (iii) any Actions commenced or, to Sellers' knowledge, threatened, against or relating to or involving or otherwise affecting any Seller or the Hospitals or Transferred Assets or that relate to the consummation of the Contemplated Transactions. All notices provided pursuant to this Section 7.10(b) shall include a reasonably detailed description of the relevant circumstances.

Section 7.11. D&O Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the "D&O Insurance") for claims made on or after the Closing from Sellers' current director and officer liability insurance carrier or another carrier with the same or better credit rating, for the persons who, as of the Effective Date, are covered by Sellers' existing D&O Insurance with terms at least as favorable as Sellers' existing D&O Insurance with respect to matters existing or occurring at or prior to the Closing.

Section 7.12. Fiduciary Liability Insurance. Prior to Closing, DCHS shall obtain a prepaid six (6) year extended reporting endorsement tail insurance policy (the “Fiduciary Liability Insurance”) for claims made on or after the Closing Date with respect to matters existing or occurring prior to the Closing Date from DCHS’ current fiduciary liability insurance carrier or another carrier with the same or better credit rating, for the persons who, as of the Effective Date, are covered by DCHS’ existing Fiduciary Liability Insurance with terms at least as favorable as DCHS’ existing Fiduciary Liability Insurance with respect to matters existing or occurring at or prior to the Closing Date.

Section 7.13. Seller Retirement Plans.

(a) Effective as of the Closing Date, DCHS shall transfer sponsorship of the Daughters of Charity Health System Retirement Plan Account to Purchasers and such plan as of such date shall no longer be treated as a church plan under Section 414(e) of the Code. The remaining Defined Contribution Church Plans shall be terminated by DCHS prior to the Closing Date, and any eligible rollover distributions from such terminated plans will be accepted into an applicable qualified plan of Purchasers. DCHS shall take all necessary steps to effect a complete and total substitution of Purchasers for DCHS under the Daughters of Charity Health System Retirement Plan Account, including a substitution of Purchasers as settlor under the trusts of which DCHS is settlor and which are maintained as the funding media for benefits provided under the Daughters of Charity Health System Retirement Plan Account.

(b) Effective as of the Closing Date, DCHS shall terminate the DCHS Medical Foundation Bargaining Unit Employees 401(k) Plan and the DCHS Medical Foundation 401(k) Plan, and any eligible rollover distributions from such terminated plans will be accepted into an applicable qualified plan of Purchasers.

(c) Effective as of the Closing Date, DCHS shall terminate the Daughters of Charity Health System 401(a)(17) Retirement Plan and the Daughters of Charity Health System 401(a)(17) Supplemental Retirement Plan Account.

(d) Subject to Section 7.21, effective as of the Closing Date, DCHS shall transfer sponsorship of the Defined Benefit Church Plan and the Defined Contribution Church Plans to Purchasers. Subject to Section 7.21, DCHS shall take all necessary steps to effect a complete and total substitution of Purchasers for DCHS under the Defined Benefit Church Plan, including a substitution of Purchasers as settlor under the trusts of which DCHS is settlor and which are maintained as the funding media for benefits provided under the Defined Benefit Church Plan.

(e) Unless and until, if ever, the Defined Benefit Church Plan shall have been assumed by Purchasers as provided in Section 7.21, Sellers shall indemnify, defend and hold harmless Purchasers and their respective Affiliates (including for this purpose any person, whether or not otherwise an Affiliate, that is determined to be a member of the same Controlled Group of Purchasers from any liability resulting from the failure by Sellers to satisfy their obligations to fund or related to the Defined Benefit Church Plan. Each such Controlled Group member is an intended third party beneficiary of Sellers’ obligation under this Section 7.13(e).

Section 7.14. Consulting Agreement. Concurrently with the execution and delivery of this Agreement, Sellers agree to engage Purchasers at no cost for consulting services from the time the waiting period required pursuant to the HSR Act shall have expired or been terminated until Closing to allow and aid in improving cost effectiveness and patient care quality metrics consistent with Purchasers' existing policies and protocols pursuant to a Consulting Agreement in the form attached hereto as Exhibit F. Notwithstanding the foregoing or any provision of the Consulting Agreement, Sellers shall have no obligation to follow the consulting advice of Purchasers prior to Closing.

Section 7.15. Closing Conditions. Prior to the Closing, Sellers shall use commercially reasonable efforts to cause the conditions specified in ARTICLE VII and ARTICLE X over which Sellers have reasonable control to be satisfied as soon as reasonably practicable, but in any event prior to the Outside Date.

Section 7.16. Access to Information.

(a) Between the date of this Agreement and the Closing Date, to the extent permitted by Legal Requirements, Sellers shall afford to Purchasers and their representatives (i) access, during normal business hours, to and the right to inspect, the plants, properties (including the Real Property), books and records, litigation materials and other documents and information relating to the Hospitals, Marillac, the Transferred Assets and the Assumed Liabilities, and (ii) access, during normal business hours, to Sellers' employees and medical staff members, and shall furnish Purchasers and their representatives with such additional financial and operating data and other information of Sellers in Sellers' possession, custody or control relating to the Hospitals, Marillac, the Transferred Assets and the Assumed Liabilities as Purchasers or their representatives may from time to time reasonably request.

(b) Sellers shall provide Purchasers and their representatives access to the Owned Real Property and, subject to consent of the landlord if applicable, the Leased Real Property to conduct any inspections or investigations.

(c) Purchasers agree that Purchasers' right of access and investigation under this Section 7.16 will be exercised in such a manner as to not unreasonably interfere with the operation of Sellers' Business.

Section 7.17. Communications with Medical Staff. From the date hereof through the Closing Date, the Parties shall work collaboratively to ensure that the physician members of the medical staffs at each Hospital maintain an active presence at the Business, are kept informed, are given opportunities for input as to critical needs of the medical staff, and are encouraged to maintain their medical practices within the community.

Section 7.18. Title. Prior to the Effective Date, Sellers have delivered at their own expense for all the Real Property the Title Documents.

Section 7.19. Self-Disclosure; Overpayments. Prior to the Effective Date, Sellers, after consulting with Purchasers, shall timely submit to the Office of Inspector General of the U.S. Department of Health and Human Services or the Centers for Medicare & Medicaid Services, a self-disclosure with respect to violations that have been identified of the laws, rules or

regulations of any Federal health care program including, but not limited to, 42 U.S.C. Section 1320a-7(b) and 42 U.S.C. Section 1395nn. Within the time period required by law, and after consulting with Purchasers, Sellers shall return any overpayments that they have identified they have received from the Medicare and Medicaid/Medi-Cal programs.”

Section 7.20. Sellers’ Employees. As of the Closing, Sellers and their respective Affiliates, employees and other agents shall have no right to use or occupy the Hospitals or other Owned Real Property, except as referred to in Section 2.02(h) and as provided in Section 13.05.

Section 7.21. Qualification of the Defined Benefit Church Plan. [LANGUAGE SUBJECT TO EDIT BY BENEFITS COUNSEL] Sellers shall use commercially reasonable efforts to amend the Defined Benefit Church Plan and make appropriate filings and take such other actions as are required to qualify the Defined Benefit Church Plan as compliant with the rules and regulations of ERISA and the Pension Benefit Guaranty Corporation including seeking a determination letter from the Internal Revenue Service and other appropriate documentation from the Department of Labor. If the Defined Benefit Church Plan is determined to be ERISA compliant, as reasonably agreed by the Parties based on advice of counsel, on the Closing Date, Purchasers shall assume the Defined Benefit Church Plan at Closing. If the Defined Benefit Church Plan is not ERISA compliant on the Closing Date, then Purchasers shall pay the additional cash described in Section 4.02 (v) and deliver to Sellers the Note pursuant to Section 4.01 at Closing and shall not assume the Defined Benefit Church Plan at Closing. If at any time following the Closing, Sellers are successful in causing the Defined Benefit Church Plan to become ERISA compliant, as reasonably agreed by the Parties based on advice of counsel, then the Purchasers shall assume the Defined Benefit Church Plan in exchange for cancellation of all interest and principal payable under the Note.

ARTICLE VIII.

COVENANTS OF PURCHASERS

Section 8.01. Required Governmental Approvals and Accrediting Approvals; Change of Ownership Applications.

(a) Subject to the terms and conditions of this Agreement, from the Effective Date to the Closing, or the earlier termination of this Agreement pursuant to ARTICLE XI, Purchasers shall use reasonable efforts to cause to be received by the Parties all Governmental Approvals, and to do or cause to be done all other things necessary, proper or advisable, in order to consummate and make effective the Contemplated Transactions as soon as practicable following the Effective Date including satisfaction, but not waiver, of the conditions set forth in ARTICLE IX and ARTICLE X, including, without limitation, the following:

(i) Purchasers shall use reasonable efforts to secure as promptly as practicable before the Closing Date, and, as reasonably requested by Sellers, aid Sellers with respect to assisting Purchasers in securing, all Governmental Approvals including the AG Approval; and

(ii) Purchasers shall provide such other information and communications to Governmental Authorities and accrediting and certifying bodies as Sellers or such authorities or bodies may reasonably request.

(b) Purchasers shall act diligently and reasonably to complete change of ownership applications and notices with respect to all Applications. Purchasers shall complete and file all Applications that are required by a Governmental Authority or by a third party payor to be filed by the transferor. Promptly after the filing of each Application, Purchasers shall provide one full copy of such Application to Sellers. Purchasers shall pay the entirety of any fees charged by a Governmental Authority in connection with the filing of any Application including, without limitation, fees charged in connection with Applications that must be filed by the transferor.

(c) Within fifteen (15) days after the Effective Date, Purchasers shall file all necessary regulatory filings set forth on Schedule 7.01(b)(i), with the exception of the necessary filings with the California Department of Health (the “DPH Approvals”), which shall be filed no later than ten (10) Business Days after the AG Approval. Schedule 7.01(b)(i) shall include at a minimum the Antitrust Filings with the appropriate Governmental Authority designated by law to receive such filings. As promptly as is practicable after receiving any request from the U.S. Department of Justice or the U.S. Federal Trade Commission for information, documents, or other materials in connection with the review of the Antitrust Filings, Purchasers shall use reasonable efforts to comply with such request. Purchasers shall cooperate with Sellers in connection with resolving any inquiry or investigation by the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Purchasers shall promptly inform Sellers of any communication with, and any proposed understanding, agreement or undertaking with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Purchasers shall give Sellers reasonable advance notice of, and the opportunity to participate in any inquiry or investigation by, or any meeting or conference (whether by telecommunications or in person) with, the U.S. Department of Justice or the U.S. Federal Trade Commission relating to the Antitrust Filings. Purchasers shall deliver to Sellers within five (5) Business Days following the filing thereof, a complete and accurate copy of any Antitrust Filing filed by Purchasers. All fees required to be paid to the U.S. Federal Trade Commission and any other Governmental Authority in connection with the Antitrust Filings shall be paid solely by Purchasers at the time of filing.

Section 8.02. Employees.

(a) Purchasers shall, effective as of the Closing Date, assume each of the employment agreements set forth on Schedule 2.01(t) or offer to employ on terms and conditions (including base salary, wage levels and bonus opportunities, and job duties, titles and responsibilities) substantially similar to those in effect immediately prior to the Closing 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 DCHS’s policies as set forth on Schedule 8.02(a)(ii), the Family and Medical Leave Act of 1993 or other similar Legal Requirements, the following individuals:

(i) substantially all DCHS Executives;

(ii) substantially all system office employees as of the Effective Date (the “System Office Employees”), the Hospital CEOs, the DCHS Medical Foundation President and Chief Medical Officer, the CBS Senior Directors (collectively, the “Senior Leaders”);

(iii) substantially all other unrepresented employees as of the Effective Date of the Hospitals, the DCHS Medical Foundation and CBS (collectively, “Management and Other Employees”); and

(iv) all employees represented by a Collective Bargaining Agreement.

Purchasers’ obligations set forth in this Section 8.02(a) shall expire upon the Closing.

(b) Purchasers agree to adhere to and abide by the severance obligations (and all other obligations) set forth in the employment agreements of the DCHS Executives, Senior Leaders and the System Office Employees and Management and Other Employees and DCHS’ policies and procedures set forth on Schedule 8.02(a)(ii), to the extent applicable, with respect to severance for a period of eighteen (18) months from the Closing Date.

(c) Subject to paragraph (e), below, each Hospital Employee who accepts an offer of employment with Purchasers as of or after the Closing Date, including the Senior Leaders and Management and Other Employees, shall be referred to in this Agreement as a “Hired Employee.” For the avoidance of doubt, Purchasers shall provide employee benefits to such Hired Employees that are consistent with the benefits to which such Hired Employees are entitled immediately prior to the Closing Date, in each case, consistent with each Hired Employee’s terms of employment immediately prior to the Closing Date and, if applicable, subject to any benefits as may be required under a Collective Bargaining Agreement or other Contract; provided, however, that if a Hired Employee enters into an employment agreement with Purchasers after the Closing Date, Purchasers shall provide employee benefits to such Hired Employees that are consistent with such employment agreement. Subject to paragraph (g), below, the employment offers to any Hospital Employee shall be on such terms, conditions and benefits that neither the federal Worker Adjustment and Retraining Notification Act (29 U.S.C. §§ 2101 et seq.), the California Worker Adjustment and Retraining Notification Act (Assembly Bill 2957, Chapter 4, Part 4, Sections 1400-1408, California Labor Code et seq.), nor any other federal, state, or local legal requirement regarding mass employment separations (together, the “WARN Act”) shall be violated as a result, in whole or in part, of the Contemplated Transactions or the separation of the Hospital Employees from Sellers’ employment related thereto. Notwithstanding the foregoing, Purchasers’ obligation to hire any Hospital Employee shall be conditioned upon satisfactory completion of a background check, drug testing and other customary screenings performed with respect to prospective employees of Purchasers; provided, however, that should Purchasers not hire any Hospital Employee because he or she does not satisfactorily complete the foregoing conditions, it shall not in whole or in part result in a violation of the WARN Act.

(d) Purchasers shall cause each Hired Employee to receive service credit for all of his or her years of service with Sellers and Sellers’ predecessors in interest for purposes of determining eligibility, vesting and the amount of holiday, vacation or sick pay to which each

such Hired Employee is entitled under the applicable benefit plans, programs and arrangements of Purchasers.

(e) At Purchasers' request, Sellers shall notify employees of Sellers of an impending employment separation as of the Closing in accordance with the WARN Act. Purchasers will indemnify, defend and hold Sellers 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, Sellers under the WARN Act or any similar state or local law to the extent it involves a past or present employee of Sellers and concerns acts or omissions occurring, in whole or in part, on or after the Closing Date, or as a result of the Contemplated Transactions. Purchasers shall not cause a violation of the WARN Act, in whole or in part, as of the Closing Date or during the 91 days thereafter.

(f) Purchasers shall assume, effective at Closing, each Collective Bargaining Agreement which, as of the Effective Date, contains a successors and assigns provision requiring that Purchasers assume such agreement.

(g) Purchasers shall cause all pre-existing conditions that any Hired Employee 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 plan maintained by Purchasers or its Affiliates in which any such employee participates, in each case to the same extent waived or satisfied under the corresponding Sellers' Plan. Purchasers shall cause all waiting periods applicable to newly-hired employees under each plan maintained by Purchasers or its Affiliates to be waived with respect to Hired Employees and their covered dependents to the extent that any such waiting periods were waived or satisfied under the corresponding Sellers' Plan.

(h) Purchasers shall cause any eligible expenses incurred by a Hired Employee 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 Purchasers or their Affiliates for purposes of satisfying all deductibles, coinsurance and maximum out-of-pocket requirements applicable to such employee 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.

(i) Purchasers 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 Sellers who are eligible for such coverage.

(j) The Parties hereto acknowledge and agree that all provisions contained in this Section 8.02 are included for the sole benefit of the respective Parties hereto and shall not create any right, including any third party beneficiary right, (i) in any other Person, including any employee, former employee or any participant or any beneficiary thereof in any Sellers' Plan or employee benefit plan of the Purchaser, or (ii) to employment or continued employment or any term or condition of employment with DCHS, the Purchasers or any of their Affiliates. Nothing contained in this Section 8.02 is intended to be or shall be considered to be an amendment or adoption of any plan, program, agreement, arrangement or policy of DCHS, the Purchasers or

any of their Affiliates, nor shall it interfere with or limit Purchasers' right to amend, modify or terminate any Sellers' Plan or any other benefit or compensation plan, program ,agreement, policy, contract or arrangement or to terminate the employment of any employee of DCHS or its Affiliates for any reason, provided that the Purchaser shall be subject to the provisions of Section 8.02.

Section 8.03. Pension Liabilities.

(a) Effective as of the Closing Date, Purchasers shall assume DCHS's obligations under the Collective Bargaining Agreements with existing unions with respect to the Defined Contribution Church Plan and, subject to Section 7.21, the Defined Benefit Church Plan. For the avoidance of doubt, subject to Section 7.21 Purchasers shall not be responsible for making contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan as of the Closing Date, whether the obligation to make such contributions results from the conversion of the Defined Benefit Church Plan to a plan that is not a "church plan" or a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Closing Date.

(b) Purchasers shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to collective bargaining:

(i) Purchasers shall cooperate with DCHS as reasonably requested to take any actions necessary with respect to the assumption of DCHS's obligations under the Multiemployer Plans as required by Collective Bargaining Agreements with any existing unions, including obtaining a bond (or waiver of the bond requirement) and otherwise satisfying the purchaser obligations of ERISA Section 4204. Purchasers agree to continue to contribute under the terms of such Multiemployer Plans for substantially the same number of contribution base units for which DCHS has an obligation to contribute to the Multiemployer Plans immediately prior to the Closing.

(ii) Unless an exemption or variance is obtained in accordance with PBGC procedures, Purchasers shall provide to both of the Multiemployer Plans for a period of five plan years, commencing with the first plan year of each of such plans beginning after the Closing Date, a bond issued by a surety company that is an acceptable surety for purposes of Section 412 of ERISA in the amount described below, or Purchasers shall establish an escrow fund held by a bank or similar financial institution satisfactory to such plan in the amount described below. Such amount shall be equal to the greater of: (A) the average annual contributions required to be made by DCHS with respect to the operations under the plan for the three plan years of such plan next preceding the plan year in which the Closing occurs; or (B) the annual contribution DCHS was required to make with respect to operations under such plan for the last plan year prior to the plan year in which the Closing occurs, which bond or escrow shall provide for payment to such plan if Purchasers withdraw from such plan or fail to make a

contribution to such plan when due at any time during the first five plan years beginning after the Closing.

(c) Purchasers shall indemnify, defend and hold harmless DCHS and its Affiliates (including for this purpose any person, whether or not otherwise an Affiliate, that is determined to be a member of the same “controlled group” of DCHS for purposes of Section 414(b), (c), (m) or (o) of the Code or Section 302(d)(3) or 4001(b)(1) of ERISA) from any liability resulting from the failure by Purchasers to satisfy their obligations to fund the Multiemployer Plans and, subject to Section 7.21, the Defined Benefit Church Plan. Each such controlled group member is an intended third party beneficiary of Purchasers’ obligation under this Section 8.03(c).

Section 8.04. Consents to Assignment. Purchasers shall cooperate with Sellers as reasonably requested to obtain any consents to assign the Contracts and Leased Real Property. Without Sellers’ prior written consent, which will not be unreasonably withheld, Purchasers shall not seek consent from a party to assignment of any specific Contract.

Section 8.05. Contact with Unions. Purchasers shall not directly or indirectly contact or otherwise communicate with any union in connection with the Contemplated Transactions without the prior written consent of Sellers until after the Closing Date except as agreed upon by Sellers or Sellers’ representatives.

Section 8.06. Performance. Purchasers shall have in all material respects performed or complied with each and all of the obligations, covenants, agreements and conditions required to be performed or complied with by it on or prior to the Closing Date.

Section 8.07. Confidentiality. Purchasers agree that the Confidentiality Agreement will survive the execution and delivery of this Agreement and that the information, documents and instruments delivered to Purchasers by or on behalf of Sellers are “Confidential Information” (as defined in the Confidentiality Agreement) and shall continue to be protected under the terms of such Confidentiality Agreement. Purchasers agree that prior to the Closing, it will maintain the confidentiality of all such Confidential Information delivered to it by or on behalf of Sellers in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants of the Confidentiality Agreement. This Section 8.07 shall not prohibit the disclosure by Purchasers or Sellers of any information, instruments or documents that are required to be filed with Governmental Authorities by Purchasers or Sellers under applicable securities related Legal Requirements or in connection with the regulatory filings, applications and notifications necessary or appropriate in connection with the Contemplated Transactions, so long as Purchasers or Sellers, as applicable, receive reasonable advance written notice from the other, or as is otherwise consistent with the due diligence or other transition matters associated with the Contemplated Transactions. In addition, any Party may disclose Confidential Information received from the other party in an Action brought by a Party hereto in pursuit of its rights or in exercise of its remedies hereunder.

Section 8.08. Waiver of Bulk Sales Law Compliance. Purchasers hereby waive compliance by Sellers with the requirements of Article 6 of the Uniform Commercial Code as in

force in any state in which the Transferred Assets are located and all other similar Legal Requirements applicable to “bulk sales” and “bulk transfers.”

Section 8.09. Charity Care; Other Related Matters.

(a) Purchasers agree to treat indigent patients and to provide charity care in the service area of the Hospitals in compliance with all applicable Legal Requirements governing such matters. Purchasers shall maintain policies for the treatment of indigent patients at the Hospitals similar to those currently in effect as set forth in Schedule 8.09 (or new policies that are intended to provide a similar or greater benefit to the community), subject to changes in governmental policy, such as implementation of universal health care. For a period of not less than five (5) years following the Effective Date, Purchasers 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 Purchasers provide at the Hospitals, Purchasers 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) To ensure adequate access to Medicare and Medi-Cal patients, for a period of not less than five (5) years after Closing, Purchasers will continue to operate the Hospitals as general acute care Hospitals under California Health and Safety Code Section 1250 and shall continue to offer an open emergency room, 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. Purchasers shall adopt a policy to provide for an appropriate medical screening examination to any patient presented to the 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.

(c) For at least five (5) years after Closing, Purchasers will continue to provide not less than \$_____ of annual financial support to the pastoral care programs at the Hospitals as was provided by Sellers during Sellers’ fiscal year ended June 30, 2013.

Section 8.10. Subsequent Sale. Nothing in Section 8.09 or elsewhere in this Agreement shall restrict Purchasers from selling or otherwise disposing of one or more of the Hospitals or other Transferred Assets following the Closing. If Purchasers decide to sell or otherwise transfer the Hospitals, or consolidate or merge the Hospitals with any other Person, during a period when Purchasers are performing any covenants pursuant to this ARTICLE VIII, Purchasers shall require, as a condition to such sale or transfer, that such subsequent owner of the Hospitals agree to fulfill Purchasers’ obligations under this ARTICLE VIII.

Section 8.11. Closing Conditions. Prior to Closing, Purchasers will use commercially reasonable efforts to cause the conditions specified in ARTICLE VIII and ARTICLE IX over

which Purchasers have reasonable control to be satisfied as soon as reasonably practicable, but in any event prior to the Outside Date.

Section 8.12. Intellectual Property.

(a) Purchasers covenant not to use the Hospital Trademarks in any manner and in any medium. Notwithstanding the foregoing, Purchasers may use variations of the Hospital Trademarks that incorporate the name “Prospect” or “Alta,” solely as set forth in Schedule 8.12 or as otherwise pre-approved in writing by DCHS (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, 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 “Prospect Medical.”

(b) Purchasers covenant not to use the Retained Marks or any marks that are confusingly similar to the Retained Marks in any manner and in any medium.

(c) This Section 8.12 shall survive the termination or consummation of this Agreement.

Section 8.13. Capital Commitment. Purchasers covenant and agree that they shall commit not less than three hundred million dollars (\$300,000,000) over five (5) years from the Closing in capital related to the improvements of the Hospitals or the Business and the development of other strategic assets that benefit the Hospitals, the Business and their surrounding communities.

ARTICLE IX.

CONDITIONS TO SELLERS’ OBLIGATIONS AT CLOSING

Sellers’ obligations to sell the Transferred Assets and to close the Contemplated Transactions are subject to the fulfillment of, or, to the extent permitted by applicable Legal Requirements, waiver by Sellers of each of the following conditions:

Section 9.01. Representations and Warranties. The representations and warranties of Purchasers contained in this Agreement that are qualified by materiality, Material Adverse Effect or a similar material qualifier will be true and correct in all material respects at the Closing with the same force and effect as if made as of the Closing Date, in each case, other than such representations and warranties that expressly speak only as of a specific date or time, which will be true and correct in all material respects as of such specified date or time, and all other representations and warranties of Purchasers contained in this Agreement are true and correct except for such inaccuracies as would, in the aggregate, have a material adverse effect on the ability of Purchasers to perform their material obligations under this Agreement; provided, however, that this Section 9.01 shall not apply to such inaccuracies that arise as a result of (a) occurrences specifically contemplated by this Agreement or (b) actions permitted by this Agreement.

Section 9.02. Performance. Purchasers will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Purchasers at or prior to the Closing.

Section 9.03. Absence of Litigation. No Action will be pending which seeks a Government Order, nor will there be any Government Order in effect, (a) which would prevent consummation of any of the Contemplated Transactions, (b) which would require any of the Contemplated Transactions to be rescinded following their consummation or (c) otherwise could reasonably be expected to have a Material Adverse Effect.

Section 9.04. Governmental Approvals. Sellers shall have obtained the Governmental Approvals set forth on Schedules 7.01(b)(i).

Section 9.05. Antitrust Approvals. The waiting period required pursuant to the HSR Act shall have expired or been terminated and any approvals required in connection with the HSR Act shall have been obtained. All approvals, authorizations or clearances required under any other applicable Antitrust Laws with respect to the Antitrust Filings shall have been obtained and all requirements thereunder shall have been satisfied.

Section 9.06. Collective Bargaining Agreements. Purchasers shall have agreed to assume, effective at Closing, each Collective Bargaining Agreement.

Section 9.07. Church Approvals. Sellers shall have obtained an opinion from a recognized canon lawyer opining 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 Contemplated Transactions subject to Church Law have been obtained and are in force and effect (collectively, the “Church Approvals”).

Section 9.08. Other Instruments and Documents. Purchasers shall have delivered to Escrow Agent each of the instruments and documents required to be delivered to it pursuant to Section 4.09.

ARTICLE X.

CONDITIONS TO PURCHASERS’ OBLIGATIONS AT CLOSING

Purchasers’ obligations to purchase the Transferred Assets and to close the Contemplated Transactions are subject to the fulfillment of, or, to the extent permitted by applicable Legal Requirements, waiver by Purchasers of each of the following conditions:

Section 10.01. Representations and Warranties. The representations and warranties of Sellers contained in this Agreement that are qualified by materiality, Material Adverse Effect, substantial compliance or a similar materiality qualifier will be true and correct in all material respects at the Closing with the same force and effect as if made as of the Closing Date, other than such representations and warranties that expressly speak only as of a specific date or time, which will be true and correct in all material respects as of such specified date or time, and all other representations and warranties of Sellers contained in this Agreement are true and correct except for such inaccuracies as would, in the aggregate, result in a Material Adverse Effect;

provided, however, that this Section 10.01 shall not apply to inaccuracies that arise as a result of (a) occurrences specifically contemplated by this Agreement, (b) actions permitted by this Agreement or (c) any breach or inaccuracy of a representation or warranty that is the result of any insurable damage to, loss or destruction of a Transferred Asset (whether by fire, theft, or other cause of casualty event).

Section 10.02. Performance. Sellers will have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by Sellers at or prior to the Closing.

Section 10.03. Absence of Litigation. No Action will be pending which seeks a Government Order, nor will there be any Government Order in effect, (a) which would prevent consummation of any of the Contemplated Transactions, (b) which would require any of the Contemplated Transactions to be rescinded following their consummation or (c) which has or would reasonably be expected to result in a Material Adverse Effect.

Section 10.04. Governmental Approvals. Purchasers shall have received documentation or reasonable assurance that all material Governmental Approvals, including those set forth on Schedule 7.01(b)(i) and Schedule 10.04, have been obtained.

Section 10.05. Antitrust Approvals. The waiting period required pursuant to the HSR Act shall have expired or been terminated and any approvals required in connection with the HSR Act shall have been obtained. All approvals, authorizations or clearances required under any other applicable Antitrust Laws with respect to the Antitrust Filings shall have been obtained and all requirements thereunder shall have been satisfied.

Section 10.06. Title Matters. The Real Property (i) shall not have become encumbered or subject to any matter that is not a Permitted Exception or otherwise agreed to by Purchasers, and (ii) Purchasers shall have received reasonable assurance from the Title Company that the title policies relating to the Owned Real Property that shall be issued as of the Closing Date (each a “Title Policy”) in accordance with the provisions of this Section 10.06. Each Title Policy shall (a) name Purchasers as the insured and (b) commit to insure good and marketable fee simple title to such Owned Real Property in Purchasers’ name, subject only to the Permitted Exceptions or as otherwise disclosed on the Title Commitment for the related Owned Real Property.

Section 10.07. Collective Bargaining Agreements. Effective as of the Closing, Purchasers shall have recognized each union representing any Hired Employee and shall have assumed all existing Collective Bargaining Agreements, as amended between the Effective Date and the Closing Date, that have been consented to by Purchasers pursuant to Section 7.04(q) hereof.

Section 10.08. Other Instruments and Documents. Sellers shall have delivered to Escrow Agent each of the instruments and documents required to be delivered by it pursuant to Section 4.08.

ARTICLE XI.

TERMINATION

Section 11.01. 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 Sellers in the event of a failure of any condition set forth in ARTICLE IX if failure has not been (i) waived in writing by Sellers or (ii) cured by Purchasers within thirty (30) calendar days after service by Sellers upon Purchasers of a written notice which describes the nature of such breach; provided, however, that Sellers shall not be permitted to terminate the Agreement pursuant to this Section 11.01(b) if such failure was caused by Sellers or if Sellers are in material breach of this Agreement;

(c) by Purchasers in the event of a failure condition set forth in ARTICLE X if such failure has not been (i) waived in writing by Purchasers or (ii) cured by Sellers within thirty (30) calendar days after service by Purchasers upon Sellers of a written notice which describes the nature of such breach; provided, however, Purchasers shall not be permitted to terminate this Agreement pursuant to this Section 11.01(c) if such failure was caused by Purchasers or if Purchasers are in material breach of this Agreement;

(d)

(i) Subject to Section 11.01(d)(ii) by Purchasers or Sellers if the Closing has not occurred on or before the date (the “Outside Date”) which is one hundred and fifty (150) calendar days following the Effective Date; 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 11.01(d) if on the Outside Date all conditions to the obligations of Purchasers or Sellers at Closing set forth in ARTICLE IX and ARTICLE X, as applicable, have been satisfied; or

(ii) Notwithstanding Section 11.01(d)(i), if the Closing has not occurred on or before the Outside Date because a Governmental Approval or Church Approval that must be received prior to the consummation of the Contemplated 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 Approval and Church Approval is obtained; provided, however, that either Party may terminate this Agreement in writing if such date is more than three hundred and fifty (350) calendar days after the Effective Date. Notwithstanding any of the foregoing of this Section 11.01(d), the right to terminate this Agreement under this Section 11.01(d) shall not be available to any Party whose material breach of this Agreement has been the cause of the failure of the Contemplated Transactions to have been consummated

on or before the Outside Date without the mutual written consent of the other Parties.

(e) by Purchasers or Sellers if a Governmental Authority of competent jurisdiction, including but not limited to the California Attorney General, shall have issued a judgment or taken any other action, in each case, which has become final and non-appealable and which enjoins or otherwise prohibits the Contemplated Transactions, subject to Section 11.01(d) above.

Section 11.02. Termination Consequences.

(a) If this Agreement is terminated pursuant to Section 11.01, this Agreement will thereupon become void and of no effect and all further obligations of the Parties under this Agreement shall terminate, except that the obligations set forth in this Section 11.01(e), Section 4.05, Section 7.07, Section 8.02, Section 8.07, Section 14.01, Section 14.11 and those other obligations which explicitly provide for survival in the event of termination pursuant to Section 11.01. Nothing in this Agreement shall relieve any party of any liability for a breach of, or for any misrepresentation under, this Agreement, or be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation. The provisions of Section 4.05 and the Deposit Escrow Agreement shall govern the disposition of the Good Faith Deposit.

(b) If this Agreement is terminated by Sellers or by Purchasers because of the initiation by or against Sellers of a proceeding under the U.S. Bankruptcy Code, then to the maximum extent permitted by Legal Requirements, Purchasers shall be entitled to, and Sellers shall take all necessary actions to cause Purchasers to, serve as a “stalking horse” bidder to purchase substantially all of Sellers’ assets under Section 363 of the U.S. Bankruptcy Code and, if Purchasers shall not be the successful bidder under Section 363, or otherwise, Purchasers shall be entitled to a reasonable termination fee to be not less than two and one-half percent (2-1/2%) of the aggregate consideration offered to be paid by Purchasers in such bankruptcy proceeding.

Section 11.03. Survival. The representations and warranties of the Parties contained in this Agreement or in any certificates or other writing delivered pursuant to this Agreement or in connection herewith shall cease to be effective and enforceable following the Closing Date. All covenants and agreements of the Parties contained in this Agreement shall survive the Closing in accordance with their respective terms.

ARTICLE XII.

TAX AND COST REPORT MATTERS

Section 12.01. Tax Matters; Allocation of Purchase Price.

(a) The Parties shall cooperate fully with each other, as and to the extent reasonably requested by the other Party, in connection with any Tax matter related to the Transferred Assets or the operation of the Hospitals (including by the provision of reasonably relevant Records or information subject to the other terms and conditions of this Agreement applicable to such Records, including without limitation, Section 2.02(c), and Section 13.02). In

the event that Purchasers request such cooperation from Sellers, Purchasers will pay the reasonable out-of-pocket expenses incurred by Sellers pursuant to such request.

(b) Prior to the Closing, the Parties shall agree on the allocation of the Purchase Price (as determined for Tax purposes, including transfer taxes) among the Assets, which allocation shall be in accordance with Section 1060 of the Code. Sellers and Purchasers hereby agree to be bound by such allocation, to account for and report the purchase and sale of the Transferred Assets contemplated hereby for Tax purposes consistent with such allocation, and not to take any action that is inconsistent with such allocation without the prior written consent of the other Party, provided that this shall not limit the Parties' ability to settle audits or other proceedings.

Section 12.02. Filing Cost Reports; Amounts Due To or From Third Party Payors; Cost Report Audits and Contests.

(a) After the Closing, Purchasers shall prepare and timely file, in a manner that complies with applicable Legal Requirements, 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 Business for any and all periods ending on or prior to the Closing Date. Prior to filing any such Cost Reports and other filings, Purchasers shall deliver a copy of each to DCHS. Upon the reasonable request and instruction of Purchasers, and at the reasonable cost of Purchasers, Sellers shall assist Purchasers in the preparation of such Cost Reports and other filings by providing the reasonable support of Purchasers' employees in obtaining financial information or data deemed by Sellers to be reasonably necessary for the preparation of such Sellers Cost Reports and other filings. Within a reasonable period of time after filing each such Cost Report and other filings (but in no event later than fifteen (15) Business Days following each such filing), Purchasers shall provide DCHS with a copy of such filed Cost Reports and other filings.

(b) After the Closing and for the period of time necessary to conclude any pending or potential audit, administrative or judicial appeal, or contest of any Cost Reports or reimbursement or payments made with respect to the Hospitals concerning periods ending on or before the Closing Date, Purchasers shall within five (5) days of Purchasers' receipt of the same, forward to DCHS all information received from payors relating to periods prior to and as of the Closing Date, including, without limitation, any and all correspondence relating to the Cost Reports or rights to settlements and retroactive adjustments on Cost Reports, notices of program reimbursement, proposed audit adjustments and the like. To the extent DCHS reasonably requires any information or data to respond to such correspondence and information, Purchasers shall provide, at Purchasers' cost, the reasonable and timely support of Purchasers' employees in obtaining such information or data. Upon the reasonable request of DCHS, and at Purchasers' cost, Purchasers shall assist DCHS in obtaining information deemed by DCHS to be necessary or convenient in connection with any audit, and administrative or judicial appeal or any contest of such matters.

ARTICLE XIII.

POST-CLOSING MATTERS

Section 13.01. Retained Assets and Excluded Liabilities.

(a) Subject to Section 12.02, any asset, liability, remittance, mail and other communication that is a Retained Asset or an Excluded Liability (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the Parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into the possession, custody or control of Purchasers, shall within thirty (30) days following receipt of such be transferred, assigned or conveyed by Purchasers to Sellers at Purchasers' cost. Purchasers shall not have any right, title or interest in or obligation or responsibility with respect to such Retained Assets or Excluded Liabilities except that Purchasers shall hold such Retained Assets and Excluded Liabilities in trust for the benefit of Sellers. Purchasers shall have (i) the right to offset amounts payable to Sellers under this ARTICLE XIII against and (ii) the right to contest Purchasers' obligation to transfer, assign and convey to Sellers because of outstanding claims, liabilities or obligations asserted by Purchasers against Sellers in accordance with Article XIV. If Purchasers do not remit Retained Assets or Excluded Liabilities to Sellers in accordance with this Section 13.01(a), such Retained Assets and Excluded Liabilities shall bear interest at the prime rate as published in the *Wall Street Journal*, Eastern print edition in effect on the calendar day upon which such payment was required to be made to Sellers (the "Retained Asset Due Date") plus five percent (5%) (or the maximum rate allowed by law, whichever is more), such interest accruing on each calendar day after the Retained Asset Due Date until payment of the Retained Assets and the Excluded Liabilities and all interest thereon is made to Sellers..

(b) Subject to Section 12.02 hereof, any asset, liability, remittance, mail and other communication that is a Transferred Asset or an Assumed Liability (i) pursuant to the terms of this Agreement; (ii) as otherwise determined by the Parties' mutual written agreement; or (iii) absent such agreement, as determined by adjudication by a court or similar tribunal, which comes into or remains in the possession, custody or control of Sellers or DCHS Trustee shall within thirty (30) Business Days following receipt of such be transferred, assigned or conveyed by Sellers or DCHS Trustee to Purchasers at Purchasers' reasonable cost. Sellers shall not have any right, title or interest in or obligation or responsibility with respect to such Transferred Assets or Assumed Liabilities except that Sellers shall hold such Transferred Assets and Assumed Liabilities in trust for the benefit of Purchasers. Sellers shall have neither the right to offset amounts payable to Purchasers under this ARTICLE XIII against, nor the right to contest their obligation to transfer, assign and convey to Purchasers because of, outstanding claims, liabilities or obligations asserted by Sellers against Purchasers. If Sellers do not remit Transferred Assets or Assumed Liabilities to Purchasers in accordance with the first sentence of this Section 13.01(b), such Transferred Assets and Assumed Liabilities shall bear interest at the prime rate as published in the *Wall Street Journal*, Eastern print edition in effect on the calendar day upon which such payment was required to be made to Purchasers (the "Asset Due Date") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Asset Due Date until delivery of the Transferred Assets and Assumed Liabilities and all interest thereon is made to Purchasers.

Section 13.02. Preservation and Access to Records After the Closing.

(a) From the Closing Date until seven (7) years after the Closing Date or such longer period as required by applicable Legal Requirements, Purchasers shall keep and preserve all Transferred Records. Purchasers acknowledge that, as a result of entering into this Agreement and operating the Hospitals, Purchasers will gain access to patient records and other information which are subject to Privacy Laws. Purchaser shall comply with and shall maintain the Transferred Records in accordance with Privacy Laws, all other applicable Legal Requirements, and the requirements of all relevant insurance carriers.

(b) Purchasers shall give full cooperation to Sellers and Sellers' insurance carriers in respect of the defense of claims by third parties against Sellers, including by making the Hospital Employees available for interviews, depositions, hearings and trials and making all of Purchasers' employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses.

(c) After the Closing, DCHS and the DCHS Trustee shall grant to Purchasers access to and permit Purchasers to make copies of any of the Retained Records in its possession as may be reasonably necessary for the receiving party (i) to provide patient care, or (ii) comply with any Legal Requirement, or (iii) for any lawful purpose including, without limitation, actions by Purchasers in performance of its respective obligations, or the exercise of its respective rights, under this Agreement. Any Retained Records delivered to or made available to any Purchaser shall be returned to DCHS and the DCHS Trustee when such use therefor has terminated.

(d) Access to Retained Records pursuant to Section 13.02(a) shall be, whenever reasonably possible, during normal business hours and with reasonable prior written notice of the time when such access shall be needed.

(e) To the maximum extent permitted by any Legal Requirement, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Retained Assets, promptly after receiving the request for such documents and prior to any disclosure of such documents, Purchasers shall notify the DCHS and shall provide the DCHS with the opportunity to object to, such request or demand.

Section 13.03. Consents; Provision of Benefits of Certain Contracts. Sellers and Purchasers shall each use reasonable efforts and cooperate in good faith (i) to obtain any additional consents, approvals, authorizations, accreditations, certifications, clearances and Licenses required to carry out the Contemplated Transactions (including Church Approval and Governmental Approvals) or which Sellers and Purchasers agree to be necessary or appropriate and which have not been obtained as of the Closing Date; (ii) 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 Contemplated Transactions; and (iii) to effectuate the assignment or provision of benefit of any additional Contracts or Leased Real Property to Purchasers that have not already been assigned as of the Closing Date in accordance with Section 7.02.

Section 13.04. Closing of Financials. Purchasers shall cause the individual acting as the chief financial officer of the Hospitals after the Closing Date (the “Post-Closing CFO”) to complete the standardized closing of Sellers’ financial records through the Closing Date including the closing of general ledger account reconciliations (collectively, the “Closing of Financials”). Purchasers shall cause the Post-Closing CFO to use his or her best efforts to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date.

Section 13.05. DOCMSC Lease. Concurrently with the Closing, Purchasers shall enter into a lease with DOCMSC pursuant to which Purchasers shall lease to DOCMSC the Seton Hall residences located at 262 S. Lake Street, Los Angeles, California 90057, for five (5) years at a rental of \$1.00 per year and otherwise on commercially reasonable terms (the “DOCMSC Lease”).

Section 13.06. Use of Names. On or shortly after the Closing Date, each Seller shall (a) amend its certificate of incorporation, bylaws and any other organizational documents and take all other actions necessary to change its name to one sufficiently dissimilar to such Seller’s present name, in Purchasers’ judgment, to avoid confusion, and (b) take all actions requested by Purchasers to enable Purchasers to change their legal names to the present names of Sellers, subject to Section 8.12. After the Closing, Sellers will not adopt any trademarks or service marks that are confusingly similar to the trademarks and service marks assigned hereunder.

Section 13.07. Assumed Contracts.

(a) To the extent that any Contract or Lease included among the Transferred Assets is not capable of being assigned without the consent of a third party or if such assignment or attempted assignment would constitute a breach thereof or a violation of Legal Requirements (any such Contract or Lease being referred to herein as a “Nonassignable Contract”), nothing in this Agreement shall constitute an assignment or an attempted assignment thereof prior to the time at which all consents necessary for such assignment shall have been obtained. Sellers shall use commercially reasonable efforts to obtain the consent to the assignment of any Nonassignable Contracts, and Purchasers shall reasonably cooperate with their efforts. To the extent that any of the consents are not obtained, then, to the extent requested by Purchasers, Sellers shall, during the term of the affected Nonassignable Contract, use commercially reasonable efforts to (i) provide to Purchasers the benefits under any such Nonassignable Contract, (ii) cooperate in any reasonable and lawful arrangement designed to provide such benefits to Purchasers, and (iii) enforce for the account of Purchasers, and at Purchasers’ expense, any rights of Sellers under the affected Nonassignable Contract (including the right to elect to terminate such Nonassignable Contract in accordance with the terms thereof upon the direction of Purchasers) and for the period that Purchasers are receiving the benefit that would otherwise inure to Sellers under the Nonassignable Contract, Purchasers will be responsible for the obligations under the Nonassignable Contract relating to such period. Purchasers shall cooperate with Sellers to enable Sellers to provide to Purchasers the benefits contemplated by the immediately preceding sentence.

(b) **[Add covenants re post-closing undertakings re conversion of Defined Benefit Church Plan.]**

Section 13.08. Additional Acts. Sellers shall provide Purchasers with all information in their possession or under their control that is reasonably necessary to bill and collect Sellers Accounts Receivable. After the Closing, Sellers shall: (i) permit, and hereby authorize Purchasers to collect, in the name of Sellers, all Sellers Accounts Receivable and to endorse with the name of the applicable Seller for deposit in Purchasers' account any checks or drafts received in payment thereof and not cause any Sellers Accounts Receivable to be deposited in any account other than the A/R Bank Accounts; (ii) pay over, or cause to be paid over, to Purchasers, without right of set-off, within three (3) Business Days of receipt (and until so paid, shall hold in trust for Purchasers) all amounts received by Sellers and their Affiliates in respect of the Sellers Accounts Receivable; (iii) provide Purchasers with all information available to permit Purchasers to correctly apply such amounts; and (iv) cooperate with Purchasers to cause all future payments and reimbursements to be paid directly to Purchasers.

ARTICLE XIV.

MISCELLANEOUS

Section 14.01. 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. At all times, the DCHS Trustee shall have the authority to enforce Sellers' rights under this Agreement, including any post-Closing covenants. For the avoidance of doubt, it is the express intent of the parties that the DCHS Trustee shall have the right to enforce the obligations of the Sellers without the impediment of any defense to an action to enforce such rights that Purchasers may have other than actual fraud on the part of Sellers or the DCHS Trustee.

Section 14.02. Notices. Any notice, request, demand, claim or other communication required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered personally, delivered by nationally recognized overnight courier service, sent by certified or registered mail, postage prepaid, or (if a facsimile number is provided below) sent by facsimile (subject to electronic confirmation of good facsimile transmission). Any such notice, request, demand, claim or other communication shall be deemed to have been delivered and given (a) when delivered, if delivered personally; (b) the Business Day after it is deposited with such nationally recognized overnight courier service, if sent for overnight delivery by a nationally recognized overnight courier service; (c) the day of sending, if sent by facsimile prior to 5:00 p.m. (Pacific time) on any Business Day or the next succeeding Business Day if sent by facsimile after 5:00 p.m. (Pacific time) on any Business Day or on any day other than a Business Day; or (d) five Business Days after the date of mailing, if mailed by certified or registered mail, postage prepaid, in each case, to the following address or, if applicable, facsimile number, or to such other address or addresses or facsimile number or numbers as such Party may subsequently designate to the other Parties by notice given hereunder:

If to Sellers, to:

*Daughters of Charity Health System
26000 Altamont Road,
Los Altos Hills, California 94022-4317
Telephone number: 650-917-4528
Facsimile number: _____
Attention: Robert Issai, Chief Executive Officer*

with a copy (which shall not constitute notice) to:

*Ropes & Gray LLP
3 Embarcadero Center, Suite 300
San Francisco, California 94111
Telephone number: 415-315-6394
Facsimile number: 415-315-4801
Attention: John O. Chesley, Partner
Daughters of Charity Health System
26000 Altamont Road,
Los Altos Hills, California 94022-4317
Telephone number: 650-917-4522
Facsimile number: 650-941-6309
Attention: Pascale Roy, General Counsel*

If to Purchasers, to:

*Prospect Medical Holdings, Inc.
10780 Santa Monica Boulevard, Suite 400
Los Angeles, California 90025
Attention: Samuel S. Lee, Chief Executive Officer*

with a copy (which shall not constitute notice) to:

*TroyGould PC
1801 Century Park East, 16th Floor
Los Angeles, California 90067
Attention: William D. Gould
Dale E. Short*

Each of the Parties to this Agreement may specify a different address or addresses or facsimile number or facsimile numbers by giving notice in accordance with this Section 14.02 to each of the other Parties.

Section 14.03. Succession and Assignment; No Third-Party Beneficiaries. Subject to the immediately following sentence, this Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, each of which such successors

and permitted assigns will be deemed to be a Party for all purposes hereof. Neither Party may assign, delegate or otherwise transfer either this Agreement or any of the Party's rights, interests or obligations hereunder without the prior written approval of the other Party, and any attempt to do so will be null and void *ab initio*. Notwithstanding the foregoing, (a) Purchasers may assign this Agreement without Sellers' consent to (i) any Affiliate of Purchasers and (ii) as collateral to any financial institutions or other source (and any agent or trustee acting on their behalf) of financing to Prospect or its Affiliates; and (iii) Purchasers may assign their rights hereunder to purchase any non-Hospital Owned Real Property and related Transferred Assets to one or more third parties; in each case, provided that no such assignment of this Agreement will relieve Purchasers of any of their obligations hereunder and (b) Sellers may assign this Agreement to their Affiliates without the Purchasers' consent. Except as otherwise expressly provided herein, this Agreement is for the sole benefit of the Parties and their successors and permitted assignees and nothing herein expressed or implied will give or be construed to give any Person, other than the Parties and such successors and permitted assignees, any other right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 14.04. Exhibits, Schedules and Disclosure Schedules. The Disclosure Schedules and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein.

Section 14.05. Amendments and Waivers. No amendment or waiver of any provision of this Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by Purchasers and Sellers, or in the case of a waiver, by the Party against whom the waiver is to be effective. No waiver by a Party of any breach or violation of, default under or inaccuracy in any representation, warranty or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent breach or violation of, default under, or inaccuracy in, any such representation, warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No delay or omission on the part of a Party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

Section 14.06. Entire Agreement. This Agreement, together with the Ancillary Agreements, constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect thereto, except for the Confidentiality Agreement. There are no restrictions, promises, warranties, covenants, or undertakings, other than those expressly provided for in this Agreement and in the Ancillary Agreements. The Parties specifically acknowledge that in entering into and executing this Agreement, the Parties rely solely upon the representations, warranties and agreements contained herein and no others.

Section 14.07. Counterparts; Facsimile Signature. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute but one and the same instrument. This Agreement will become effective when duly executed and delivered by each Party. Counterpart signature pages to this Agreement may be delivered by facsimile or electronic delivery (*i.e.*, by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

Section 14.08. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable Legal Requirements, be invalid or unenforceable in any respect, each Party intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable Legal Requirements.

Section 14.09. Governing Law. This Agreement, the rights of the Parties hereunder and all Actions arising in whole or in part under or in connection herewith, will be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction. 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 contemplated hereby 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 14.02, and shall be deemed effective service of process on such party.

Section 14.10. Publicity. No public announcement or disclosure (including, without limitation, any general announcement to employees, customers or suppliers or Sellers or Purchasers) will be made by any Party concerning this Agreement, the Ancillary Agreements, the Contemplated Transactions or the subject matter thereof without the prior written consent of each other Party; provided, that the provisions of this Section 14.10 shall not prohibit any disclosure (i) required by any Legal Requirements (in which case the disclosing Party will provide the other Parties with the opportunity to review and comment in advance of such disclosure) or (ii) made in connection with the enforcement of any right or remedy relating to this Agreement, the Ancillary Agreements or the Contemplated Transactions pursuant to Section 14.09.

Section 14.11. 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, the other Parties 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 the other Parties 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 14.12. Service of Process. Each Party hereby (i) consents to service of process in any Action among any of the Parties relating to or arising in whole or in part under or in connection with this Agreement, any Ancillary Agreement or the Contemplated Transactions in any manner permitted by California law; (ii) agrees that service of process made in accordance with clause (i) or made by registered or certified mail, return receipt requested, at its address specified pursuant to Section 14.02, will constitute good and valid service of process in any such Action; and (iii) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Action any claim that service of process made in accordance with clause (i) or (ii) does not constitute good and valid service of process.

Section 14.13. Attorney-Client Privilege; Waiver of Conflict. Purchasers hereby waive and agree to not assert any actual or potential conflict of interest arising out of or relating to the representation, after the Closing Date, of Sellers and their Affiliates in any dispute with Purchasers or their Affiliates, or any other matter involving the Contemplated Transaction (each, a “Post-Closing Representation”), by Prior Company Counsel in connection with the Contemplated Transaction (“Pre-Closing Representation”). Purchasers further waive and agree to not assert in connection with any Post-Closing Representation, any attorney-client privilege with respect to any communication between any Prior Company Counsel and DOCMSC and its Affiliates, DCHS or any of its Affiliates and its and their officers, employees or managers that relates to the Pre-Closing Representation (it being the intention of the parties hereto that all rights to such attorney-client privilege, including the right to control such attorney-client privilege, shall be held by DOCMSC and its Affiliates). Recognizing that Prior Company Counsel has acted as legal counsel to DCHS and its Affiliates prior to date hereof, and that Prior Company Counsel may act as legal counsel to DOCMSC and its Affiliates after the Closing, Purchasers hereby waive, on their own behalf, and agree to cause each of their Affiliates to waive, any conflicts that may arise in connection with Prior Company Counsel representing DOCMSC and its Affiliates after the Closing as such representation may relate to Purchasers or DCHS or the Contemplated Transactions. In addition, all communications between DCHS and its Affiliates, on the one hand, and Prior Company Counsel, on the other hand, related to the Contemplated Transaction shall be deemed to be attorney-client confidences that belong solely to DOCMSC and its Affiliates (the “Seller Pre-Closing Communications”). Accordingly, DCHS and its Affiliates shall not have access to any such Seller Pre-Closing Communications or to the files of Prior Company Counsel relating to such engagement from and after the Closing, and all books, records and other materials of DCHS and its Affiliates in any medium (including electronic copies) containing or reflecting any of the Seller Pre-Closing Communications or the work product of legal counsel with respect thereto, including any related summaries, drafts or analyses, and all rights with respect to any of the foregoing, are hereby assigned and transferred to DOCMSC effective as of the Closing. Such material and information shall be excluded from the transfer contemplated by this Agreement and shall be distributed to DOCMSC immediately prior to Closing with no copies thereof transferred pursuant to this Agreement. From and after the Closing, Purchasers shall maintain the confidentiality of all such material and information. From and after the Closing, none of Purchasers or their Affiliates and representatives shall access or in any way, directly or indirectly, use or rely upon any such materials or information. To the extent that any such materials or information are not delivered to DOCMSC they will be held for

the benefit of DOCMSC and its Affiliates, and Purchasers and its Affiliates will deliver all such material and information to DOCMSC promptly upon discovery thereof, without retaining copies thereof. Without limiting the generality of the foregoing, from and after the Closing, (a) DOCMSC and its Affiliates (and not Purchasers and its Affiliates) shall be the sole holders of the attorney-client privilege with respect to such engagement, and none of Purchasers or their Affiliates shall be a holder thereof, (b) to the extent that files of Prior Company Counsel in respect of such engagement constitute property of the client, only DOCMSC and its Affiliates (and not Purchasers and their Affiliates) shall hold such property rights and (c) Prior Company Counsel shall have no duty whatsoever to reveal or disclose any such attorney-client communications or files to Purchasers and their Affiliates by reason of any attorney-client relationship between Prior Company Counsel and DCHS and its Affiliates or otherwise. Purchasers hereby acknowledge and confirm that they have had the opportunity to review and obtain adequate information regarding the significance and risks of the waivers and other terms and conditions of this Section 14.13, including the opportunity to discuss with counsel such matters and reasonable alternatives to such terms. This Section 14.13 is for the benefit of DOCMSC and its Affiliates and each Prior Company Counsel, and DOCMSC and any its Affiliates and each Prior Company Counsel are intended third party beneficiaries of this Section 14.13. This Section 14.13 shall be irrevocable, and no term of this Section 14.13 may be amended, waived or modified, without the prior written consent of DOCMSC or its Affiliates and the Prior Company Counsel affected thereby. The covenants and obligations set forth in this Section 14.13 shall survive for ten (10) years following the Closing Date.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their officers, all as of the date and year first above written.

SELLERS:

[SELLERS]

By:

By: _____

Name: _____

Title: _____

PURCHASER:

[PROSPECT MEDICAL HOLDINGS, INC.]

By:

By: _____

Name: _____

Title: _____

PURCHASER:

[_____]

By:

By: _____

Name: _____

Title: _____