

KAMALA D. HARRIS
Attorney General

State of California
DEPARTMENT OF JUSTICE



300 S. SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 897-2000
Telephone: (213) 897-2178
Facsimile: (213) 897-7605
E-Mail: wendi.horwitz@doj.ca.gov

January 14, 2014

Sent by Internet and U.S. Mail

James R. Schwartz, Esq.
Manatt, Phelps & Phillips, LLP - Los Angeles
11355 West Olympic Boulevard
Los Angeles, CA 90064

RE: Proposed Change in Governance of Saint John's Health Center

Dear Mr. Schwartz:

Pursuant to Corporations Code section 5920 *et seq.*, the Attorney General hereby conditionally consents to the proposed change of governance of Saint John's Health Center pursuant to the terms of the Affiliation Agreement entered into by and between Saint John's Health Center, a California nonprofit public benefit corporation, Sisters of Charity of Leavenworth Health System, Inc., a Kansas not for profit corporation, and Providence Health System-Southern California, a California nonprofit religious benefit corporation.

Corporations Code section 5923, and California Code of Regulations, title 11, section 999.5, subdivision (f), set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a for-profit corporation. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

[Original Signed]

WENDI A. HORWITZ
Deputy Attorney General

For KAMALA D. HARRIS
Attorney General

Attachment
cc: Robert Schuchard, Esq.

Conditions to Change in Governance of Saint John's Health Center¹ and Approval of the Affiliation Agreement by and among Saint John's Health Center, Sisters of Charity of Leavenworth Health System, Inc., and Providence Health System-Southern California

I.

These Conditions shall be legally binding on Saint John's Health Center, a California nonprofit public benefit corporation, Saint John's Hospital and Health Center Foundation, a California nonprofit public benefit corporation, Saint John's Health Center Foundation Governance, Inc., a California nonprofit mutual benefit corporation, Sisters of Charity of Leavenworth Health System, Inc., a Kansas not for profit corporation, Providence Health System-Southern California, a California nonprofit religious benefit corporation, Providence Health & Services, a Washington nonprofit corporation, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Saint John's Health Center, Saint John's Hospital and Health Center Foundation, Saint John's Health Center Foundation Governance, Inc., Sisters of Charity of Leavenworth Health System, Inc., Providence Health System-Southern California, Providence Health & Services, any entity succeeding thereto as a result of the Affiliation Agreement, merger or acquisition of all or substantially all of the assets of Saint John's Health Center, or the real property on which Saint John's Health Center, is located, any and all current and future owners, managers, lessees, or operators of Saint John's Health Center, and any and all current and future lessees and owners of the real property on which Saint John's Health Center is located.

II.

The transaction approved by the Attorney General consists of the Affiliation Agreement dated September 13, 2013, and any agreements or documents referenced in or attached as an exhibit to the Affiliation Agreement. Saint John's Health Center, Sisters of Charity of Leavenworth Health System, Inc., and Providence Health System-Southern California shall fulfill the terms of the Affiliation Agreement and any other documents referenced therein and shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Affiliation Agreement. Such notifications shall be provided at least thirty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5923.

¹ Throughout this document, the term "Saint John's Health Center" shall mean the general acute care hospital located at 2121 Santa Monica Blvd., Santa Monica, CA 90404, and any other clinics, laboratories, units, services, or beds included on the license issued to Saint John's Health Center by the California Department of Public Health, effective November 1, 2013, unless otherwise indicated.

III.

For five years from the closing date of the Affiliation Agreement, Saint John's Health Center, Providence Health System-Southern California, and all future owners, managers, lessees, or operators of Saint John's Health Center shall be required to provide written notice to the Attorney General thirty days prior to entering into any agreement or transaction to do any of the following:

(a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of Saint John's Health Center;

(b) Transfer control, responsibility, management, or governance of Saint John's Health Center. The substitution or addition of a new corporate member or members of Saint John's Health Center and Providence Health System-Southern California that transfers the control of, responsibility for or governance of Saint John's Health Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Saint John's Health Center and Providence Health System-Southern California or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Saint John's Health Center or Providence Health System-Southern California shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Affiliation Agreement unless otherwise stated, Saint John's Health Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services:

- a) Twenty-four hour emergency medical services as currently licensed (minimum of 27 Emergency beds/stations) with the same types and levels of services as currently provided²;
- b) Critical Care services as currently licensed (minimum of 23 Intensive Care beds), with the same types and levels of services as currently provided;
- c) Neonatal Intensive Care Unit services Coronary Care services as currently licensed (minimum of 12 beds), with the same types and levels of services as currently provided; and
- d) Obstetrics services as currently licensed (minimum of 29 beds), with the same types and levels of services as currently provided;
- e) Cardiac services, with the same types and levels of services as currently provided including, but not limited to, the cardiac catheterization laboratory, and the designation as a STEMI Receiving Center;

² The term "currently provided" means types and levels of services provided as of January 1, 2013.

- f) Women's health and reproductive services, with the same types and levels of services as currently provided, for ten years from the closing date of the Affiliation Agreement, including The Margie Petersen Breast Center;
- g) Child and Family Development Center with the same types and levels of services as currently provided;
- h) Cancer services, with the same types and levels of services as currently provided; and
- i) The John Wayne Cancer Institute.

Saint John's Health Center shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

V.

For five years from the closing date of the Affiliation Agreement, Saint John's Health Center shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Saint John's Health Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions; and
- c) Maintain Medicare Managed Care contract(s) with Medicare Managed Care Plan(s) to provide the same types and levels of emergency and non-emergency services at Saint John's Health Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause.

VI.

Saint John's Health Center shall maintain the Development Agreement with the City of Santa Monica dated June 9, 1998, the First Amendment to the Development Agreement dated October 4, 2011, and any additional amendments until it expires, without any loss, interruption of service or diminution in quality, unless the Development Agreement is terminated for cause.

VII.

For six fiscal years from the closing date of the Affiliation Agreement, Saint John's Health Center shall provide an annual amount of Charity Care (as defined below) at Saint John's Health Center equal to or greater than \$2,814,939 (the "Minimum Charity Care Amount"). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Saint John's Health Center in connection with the operation and provision of services at Saint John's Health Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by the California Office of Statewide Health Planning and Development (OSHPD) for annual hospital reporting purposes.³ Saint John's Health Center shall use charity care and collection policies that comply with Federal and California law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Saint John's Health Center shall be decided upon by the Saint John's Health Center's Board of Directors.

Saint John's Health Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the Affiliation Agreement is a date other than the first day of Saint John's Health Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Saint John's Health Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint John's Health Center shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in Saint John's Health Center's service area (29 ZIP codes), as defined on page 25 of the Health Care Impact Report, dated November 21, 2013, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

³ OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

VIII.

For ten fiscal years from the closing date of the Affiliation Agreement, Saint John's Health Center shall provide an annual amount of Community Benefit Services at Saint John's Health Center equal to or greater than \$3,374,251 (the "Minimum Community Benefit Services Amount"). The following community benefit programs shall be maintained with the same or greater level of donations and in-kind services currently being provided:

- a. The Venice Family Clinic;
- b. The Ocean Park Community Center;
- c. The Westside Family Health Center; and
- d. The Cleft Palate Center Clinic.

The planning of, and any subsequent changes to, the community benefit services provided at Saint John's Health Center shall be decided upon by the Saint John's Health Center's Board of Directors and the Saint John's Health Center Community Ministry Board.

Saint John's Health Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the Affiliation Agreement is a date other than the first day of Saint John's Health Center's fiscal year.

For the second fiscal year and each subsequent fiscal year, the Minimum Community Benefit Services Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the 12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Saint John's Health Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Saint John's Health Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Saint John's Health Center's service area (29 ZIP codes), as defined on page 35 of the Health Care Impact Report, dated November 21, 2013, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

IX.

For five years from the closing date of the Affiliation Agreement, the Saint John's Health Center Board of Directors shall consult with the Saint John's Health Center Community Ministry Board, referenced in section 8.8 of the Affiliation Agreement (attached hereto as Exhibit 2) prior to spending funds for the Ongoing Capital Support and Electronic Health Records Implementation as set forth in section 8.9 of the Affiliation Agreement (attached hereto as Exhibit 2). In addition, Saint John's Health Center Board of Directors shall consult with the Saint John's Health Center Community Ministry Board prior to making any changes to medical services,

community benefit programs, and the charity care and collection policies and charity care services provided at Saint John's Health Center. Such consultation shall occur at least thirty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Saint John's Health Center Community Ministry Board shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

X.

Providence Health System-Southern California and Providence Health & Services shall make the \$100 million capital expenditures as required under section 8.9, entitled "Ongoing Capital Support and Electronic Health Records Implementation," in the Affiliation Agreement (attached hereto as Exhibit 2).

XI.

Section 7.16(a)(1) of the Affiliation Agreement (attached hereto as Exhibit 3) shall be amended to replace the phrase "15-mile radius" with the phrase "8-mile radius". A fully-executed copy of the amendment shall be provided to the Attorney General's Office prior to the closing date of the Affiliation Agreement.

XII.

Within thirty days of the closing date of the Affiliation Agreement, Saint John's Health Center and the Sisters of Charity of Leavenworth Health System, Inc. shall transfer all restricted charitable funds and all funds received from Providence Health System-Southern California and Providence Health & Services under the Affiliation Agreement dated September 13, 2013, and any amendments thereto (expected to be \$65 million less \$10 million that must be held in a separate account by the Sisters of Charity of Leavenworth Health System, Inc. for 3 years for actual costs of indemnification paid to third-parties as set forth on Schedule 14.2(f) of the Affiliation Agreement) to the Saint John's Hospital and Health Center Foundation for deposit in a separate endowment fund called the "Saint John's Health Center Affiliation Fund." The "Saint John's Health Center Affiliation Fund" shall be held, used, and distributed by the Saint John's Hospital and Health Center Foundation solely and exclusively to support nonprofit tax-exempt charitable healthcare facilities and clinics, including, but not limited to, general acute care hospitals, in providing direct health care services and access thereto, including wellness programs, health research, and health education, public/private partnerships formed to improve health, directly and through grant making, to the residents in Saint John's Health Center's service area (29 ZIP codes), as defined on page 35 of the Health Care Impact Report authored by Medical Development Specialists, LLC, dated November 21, 2013, and attached hereto as Exhibit 1.

With respect to the \$10 million separate account for the indemnification, the Sisters of Charity of Leavenworth Health System, Inc. shall provide an annual accounting from the closing date of the Affiliation Agreement for three years setting forth the principal balance of these funds, how much interest was earned, dates and amounts of any payments made to third-parties, and any

supporting documents with respect to any payments made setting forth the purpose of such funds. The Chairman of the Board of Directors and the Chief Financial Officer of the Sisters of Charity of Leavenworth Health System, Inc. shall each certify that the accounting is true, accurate, and complete. Sisters of Charity of Leavenworth Health System, Inc. shall use such funds solely and exclusively for those obligations listed in Schedule 14.2(f) without any administrative costs or fees taken by the Sisters of Charity of Leavenworth Health System, Inc. After three years from the closing date of the Affiliation Agreement, Sisters of Charity of Leavenworth Health System, Inc. shall transfer all remaining funds to the Saint John's Hospital and Health Center Foundation to be deposited in the "Saint John's Health Center Affiliation Fund" and provide proof of such transfer to the Attorney General's Office within ten days.

XIII.

Sisters of Charity of Leavenworth Health System, Inc. shall reinstate the February 2011 \$10 million Challenge Grant from Sisters of Charity Leavenworth Health System, Inc. to Saint John's Health System that was used to pay off a portion of the operating loan. As a result, the amount owed by Saint John's Health Center to Sisters of Charity Leavenworth Health System, Inc. for the operating loan is no more than \$37 million. No more than \$37 million of the funds received from the Affiliation Agreement shall be used to pay off the operating loan, and the operating loan will be deemed fully paid.

XIV.

Saint John's Hospital and Health Center Foundation shall amend its Articles of Incorporation and Amended Bylaws to have two members within the meaning of Corporations Code section 5056 of the California Nonprofit Public Benefit Corporation Law: Providence Health System-Southern California, a California nonprofit religious corporation, and Saint John's Health Center Foundation Governance, Inc., a California nonprofit mutual benefit corporation.

XV.

Within 12 months after the closing date of the Affiliation Agreement, Saint John's Health Center and Providence Health System-Southern California shall engage in a formal strategic assessment process with its key stakeholders including, but not limited to, the Saint John's Health Center Community Ministry Board, Saint John's Hospital and Health Center Foundation, Saint John's Health Center Foundation Governance, Inc., community-based healthcare organizations, City of Santa Monica, Los Angeles County Department of Health Services, the public, and medical staff to evaluate (i) the healthcare needs of the communities and populations served by Saint John's Health Center, (ii) the services, and sufficiency of medical services, available at Saint John's Health Center, and (iii) the possible uses of its developed and yet to be developed assets and will consider joint development with other community stakeholders of services to meet the healthcare needs of such communities, in a manner consistent with the requirements of the City of Santa Monica and other regulatory authorities. Saint John's Health Center and Providence Health System-Southern California shall report on the results of this formal strategic assessment process in its annual written reports to the Attorney General as required in Condition XVI.

XVI.

For ten fiscal years from the closing date of the Affiliation Agreement, Saint John's Health Center shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Saint John's Health Center and the Chief Executive Officer at Saint John's Health Center shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Saint John's Health Center Board of Directors and the Saint John's Health Center Community Ministry Board.

XVII.

At the request of the Attorney General, Saint John's Hospital and Health Center Foundation, Saint John's Health Center Foundation Governance, Inc., Sisters of Charity of Leavenworth Health System, Inc., Providence Health System-Southern California, Providence Health & Services shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

XVIII.

Once the Affiliation Agreement is closed, Saint John's Hospital and Health Center Foundation, Saint John's Health Center Foundation Governance, Inc., Sisters of Charity of Leavenworth Health System, Inc., Providence Health System-Southern California, Providence Health & Services are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

EXHIBIT 1

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 29 ZIP Codes, from which approximately 67% of its discharges originated in 2012. Approximately 50% of the Hospital's discharges came from the top 12 ZIP Codes, located in Los Angeles, Santa Monica, Pacific Palisades, Venice, Marina del Rey, and Malibu. In 2012, the Hospital's market share in the service area was 15%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE, 2012						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90049	Los Angeles	753	5.8%	5.8%	2,795	26.9%
90272	Pacific Palisades	734	5.6%	11.4%	1,966	37.3%
90403	Santa Monica	705	5.4%	16.8%	2,180	32.3%
90025	Los Angeles	673	5.2%	22.0%	3,429	19.6%
90066	Los Angeles	641	4.9%	26.9%	4,505	14.2%
90405	Santa Monica	633	4.9%	31.8%	2,401	26.4%
90404	Santa Monica	580	4.5%	36.2%	2,453	23.6%
90064	Los Angeles	452	3.5%	39.7%	2,335	19.4%
90291	Venice	399	3.1%	42.8%	2,050	19.5%
90292	Marina Del Rey	354	2.7%	45.5%	1,928	18.4%
90402	Santa Monica	334	2.6%	48.0%	893	37.4%
90265	Malibu	331	2.5%	50.6%	1,285	25.8%
90045	Los Angeles	310	2.4%	53.0%	3,191	9.7%
90024	Los Angeles	270	2.1%	55.0%	2,875	9.4%
90034	Los Angeles	251	1.9%	57.0%	4,632	5.4%
90230	Culver City	201	1.5%	58.5%	3,022	6.7%
90401	Santa Monica	170	1.3%	59.8%	916	18.6%
90232	Culver City	124	1.0%	60.8%	1,684	7.4%
90210	Beverly Hills	118	0.9%	61.7%	2,297	5.1%
90293	Playa Del Rey	117	0.9%	62.6%	894	13.1%
90266	Manhattan Beach	109	0.8%	63.4%	2,543	4.3%
90035	Los Angeles	95	0.7%	64.1%	3,355	2.8%
90094	Los Angeles	93	0.7%	64.8%	445	20.9%
90077	Los Angeles	74	0.6%	65.4%	732	10.1%
90245	El Segundo	59	0.5%	65.9%	1,370	4.3%
90212	Beverly Hills	54	0.4%	66.3%	1,114	4.8%
90290	Topanga	53	0.4%	66.7%	400	13.3%
90067	Los Angeles	50	0.4%	67.1%	512	9.8%
90263	Malibu	2	0.0%	67.1%	19	10.5%
Subtotal		8,739	67.1%	67.1%	58,221	15.0%
Other ZIPs		4,288	32.9%	100%		
Total		13,027	100.0%			

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

EXHIBIT 2

System; such change, if any, would only occur with action taken in accordance with the Hospital's medical staff bylaws. Subject to Sections 8.7(b) and (c), the consummation of the Contemplated Transaction shall not result in a need for any reapplications of current members of the Hospital's medical staff, except as otherwise required by the Hospital's medical staff bylaws with respect to expiration of medical staff appointments or credentials. Providence and Health Center shall work with the medical staff to evaluate and, where feasible, pursue opportunities for medical staff/clinical integration where doing so offers opportunities for advancement in quality of care.

(b) If prior to the Closing Date, Providence identifies one or more Applicable Contracts, arrangements or relationships with a Referral Source to which Providence requires amendments, termination or other actions ("Identified Contractual Actions"), then prior to Closing Parent and the Affiliates shall use Reasonable Efforts to attempt to accomplish the Identified Contractual Actions to Providence's reasonable satisfaction.

(c) The Health Center Board of Directors shall, and shall recommend to the Health Center Medical Staff that they, effective as of the Closing Date, adopt amendments to the Health Center Medical Staff Bylaws, in accordance with the requirements set forth in each of the respective documents, to include the provisions set forth in Schedule 8.7(c).

8.8 Saint John's Health Center Community Ministry Board

As of the Closing Date, Providence shall extend an invitation to up to seventeen (17) individuals to participate as members of the Saint John's Health Center Community Ministry Board. The individuals selected for such an invitation shall include some persons recommended by Health Center Board prior to the Closing; provided, however, that Providence shall have sole discretion and final determination to which pre-Closing Health Center directors such an invitation ultimately shall be extended. In the event all or any of said pre-Closing Health Center directors accept said invitation, they shall serve as Saint John's Health Center Community Ministry Board members in accordance with the Saint John's Health Center Community Ministry Board Bylaws, as the same may be amended from time to time and the current version of which is attached hereto as Exhibit 8.8.

8.9 Ongoing Capital Support and Electronic Health Records Implementation

(a) Ongoing Capital and Operational Support. Providence shall provide to Health Center One Hundred Million Dollars (\$100,000,000.00) in ongoing capital and operational support over the course of the three (3) years (or longer, if the projects are commenced within such 3-year period) following the Closing Date for initiatives and projects as reflected in operating and capital budgets that would, in the opinion of Providence, optimally position Health Center in its market for future success under a population health model and otherwise best meet the needs of the local community, which initiatives and projects shall include physician delivery network development, physician recruitment, investment in facilities and equipment, Epic Ambulatory installation in affiliated physician offices, including a patient portal, Epic Acute implementation and Providence transition integration expenses, among other things. The operating and capital budgets shall be developed by Providence and monitored by the Saint John's Health Center Community Ministry Board to be formed and appointed by Providence.

(b) Electronic Health Records Implementation. Providence shall use Reasonable Efforts to install and implement Epic EHR at Health Center by June 30, 2015, and to make it available to the medical community performing services at Health Center and the Affiliates. Epic ambulatory installation shall be consistent with existing Providence provisioning policies.

EXHIBIT 3

(b) Section 7.15(a) does not apply to that part of the Confidential Information that becomes generally available to the public other than as a result of a Breach of this Section by Parent or any of its Related Persons.

(c) If Parent or any of its Related Persons is required or requested in any Proceeding to make any disclosure that is prohibited by this Section 7.15, Parent shall, to the extent legally permissible, provide Providence with prompt notice of such requirement or request so that Providence may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions of this Section 7.15. In the absence of a protective order or other remedy, Parent or its Related Person may disclose that portion (and only that portion) of the Confidential Information that, based upon the advice of Parent's counsel, Parent or its Related Person is legally required to disclose; provided, however, that Parent shall use its Reasonable Efforts to obtain written assurance that any Person to whom any Confidential Information is so disclosed shall accord confidential treatment to such Confidential Information.

(d) Nothing in this Section 7.15 will diminish the protections and benefits under applicable Legal Requirements to which any trade secret or medical staff record of any Affiliate is entitled. If any information that an Affiliate asserts to be a trade secret is found by a court of competent jurisdiction not to be such a trade secret, such information will nonetheless be considered Confidential Information of that Affiliate for purposes of this Section 7.15. Similarly, if any information that an Affiliate asserts to be a confidential medical staff record protected by Evidence Code Section 1157 is found by a court of competent jurisdiction not to be such a medical staff record, such information will nonetheless be considered Confidential Information of that Affiliate for purposes of this Section.

7.16 Non-Compete

(a) For a period of five years after the Closing Date, without the prior written consent of Providence:

(i) Neither Parent nor its Related Persons shall, directly or indirectly, invest in, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or serving as a consultant or lender to, any hospital or any other health care facility or business that is or may be competitive with any service offered by Health Center (including any physician-hospital organization that provides hospital services and any accountable care organization) within a 15-mile radius of Health Center; *provided, however*, that the foregoing provision shall in no way impair, impeded or prohibit Parent from entering into and consummating a merger, consolidation, acquisition or disposition of all or substantially all of the assets, stock purchase or other form of business combination with a multi-hospital system that results in a change of control of one of the parties thereto, and the resulting entity or entities shall not be restricted by the foregoing with respect to their operations following such change in control transaction. As of the Execution Date, Parent has no plans for a merger, acquisition, disposition, stock purchase or other form of business combination that would result in the resulting entity or entities owning or controlling a hospital within a 15-mile radius of Health Center.

(ii) Neither Parent nor its Related Persons shall, directly or indirectly, (A) cause, induce, or attempt to cause or induce any employee, agent, or independent contractor of any Affiliate to terminate such relationship; (B) in any way interfere with the relationship between any Affiliate and any of its employees, agents, or independent contractors; or (C) hire, retain, employ, or otherwise engage or attempt to hire, retain, employ, or otherwise engage as an employee, independent contractor, or otherwise, any employee, agent, or independent contractor of any Affiliate. For the avoidance of doubt, any reference to "independent contractor" in this subparagraph shall not include members of the medical staff.

(iii) Neither Parent nor its Related Persons shall, directly or indirectly, (A) solicit, induce, or otherwise cause, or attempt to solicit, induce, or otherwise cause, any customer, supplier, licensor, licensee, or any prospective customer, supplier, licensor, or licensee that has been contacted or targeted for contact by any Affiliate on or before the Closing Date, or any other person engaged in a business relationship with any Affiliate, to (1) terminate, curtail, or otherwise modify its relationship with any Affiliate or (2) engage in business with a competitor of any Affiliate, or (B) interfere in any way with the relationship between any Affiliate, and any of its customers, suppliers, licensors, licensees, or any such prospective customers, suppliers, licensors, or licensees, or any other Person engaged in a business relationship with any Affiliate.

(b) Neither Parent nor its Related Persons shall make any disparaging statement, either orally or in writing, regarding Providence, any Affiliate or any of their respective directors, officers, employees, or agents. Neither Providence nor its Related Persons (including the Affiliates after the Closing) shall make any disparaging statement, either orally or in writing, regarding Parent, any of its Related Persons or any of their respective directors, officers, employees, or agents. Nothing in this subparagraph shall be interpreted to apply to peer review and/or credentialing activities of Parent, Providence or their respective Related Persons.

(c) Parent agrees that this Section 7.16, including the provisions relating to duration, geographical area, and scope, is reasonable and necessary to protect and preserve Providence's and the Affiliates' legitimate interests and the value of the Affiliates.

(d) If any provision of this Section 7.16 would be held to be excessively broad as to duration, geographical area, scope, activity, or subject, for any reason, such provision shall be modified, by limiting and reducing it, so as to be enforceable to the extent allowed by applicable Legal Requirements.

(e) Parent acknowledges that any Breach of this Section 7.16 would result in serious and irreparable injury to Providence, Providence could not be adequately compensated by monetary damages alone, and Providence's remedy at law would not be adequate. Therefore, Parent acknowledges and agrees that, in the event of a Breach, Providence shall be entitled, in addition to any other remedy at law or in equity to which Providence may be entitled, to seek equitable relief against Parent and its Related Persons, including temporary restraining orders and preliminary and permanent injunctions to restrain Parent and its Related Persons from such Breach and to compel compliance with the obligations of Parent and its Related Persons, and Parent and its Related Persons waive the posting of a bond or undertaking as a condition to such relief.

7.17 Retention of and Access to Records

After the Closing Date, Parent shall retain its records relating to any of the Affiliates for a period consistent with Parent's record-retention policies and practices. If Parent plans to dispose of any such records, Parent shall first notify Providence. Parent shall provide Providence, the Affiliates and their representatives reasonable access to such records, during normal business hours.

7.18 LUSTs

Between the Execution Date and the Closing Date, Parent and Health Center shall continue the monitoring program for water and soil contamination on the Hospital campus as required by the applicable Governmental Body, including any additional wells or excavation it may require.