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Attorney General

State of California
DEPARTMENT OF JUSTICE



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February 20, 2015

Sent by Internet and U.S. Mail

John O. Chesley, Esq.
ROPES & GRAY LLP
Three Embarcadero Center
San Francisco, CA 94111-4006

RE: Proposed Change in Governance and Control of Daughters of Charity Health System

Dear Mr. Chesley:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed change in governance and control of Daughters of Charity Health System pursuant to the terms of the Definitive Agreement entered into by and between Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

Corporations Code section 5917, 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

Conditions to Change in Control and Governance of St. Francis Medical Center¹ and Approval of the Definitive Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

I.

These Conditions shall be legally binding on Prime Healthcare Services, Inc., a Delaware corporation, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare Services, Inc. or Prime Healthcare Holdings, Inc. (collectively Prime), Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation, Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, St. Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, St. Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, DCHS Medical Foundation, a California nonprofit religious corporation, St. Francis de Paul Ethics Corporation, a California nonprofit religious corporation, St. Francis Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Caymans entity, DePaul Ventures, LLC, a California limited liability company, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, merger, or acquisition of all or substantially all of the assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center, is located, any and all current and future owners, managers, lessees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

¹ Throughout this document, the term "St. Francis Medical Center" shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

II.

The transaction approved by the Attorney General consists of the Definitive Agreement dated October 10, 2014, Amendment No. 1 to Definitive Agreement dated October 23, 2014, Second Amendment to Definitive Agreement dated January 31, 2015, and any agreements or documents referenced in or attached as an exhibit or schedule to the Definitive Agreement. All the entities listed in Condition I shall fulfill the terms of the Definitive Agreement, amendments to the Definitive Agreement, and any other documents referenced in them. All the entities listed in Condition I shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Definitive 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 5917.

III.

For ten years from the closing date of the Definitive Agreement, St. Francis Medical Center, and all future owners, managers, lessees, or operators of St. Francis Medical 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 St. Francis Medical Center;
- (b) Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution or addition of a new corporate member or members of St. Francis Medical Center or Prime that transfers the control of, responsibility for or governance of St. Francis Medical 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 St. Francis Medical Center or Prime or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Francis Medical Center or Prime shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Definitive Agreement, St. Francis Medical 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 24-hour emergency and trauma medical services at no less than current² licensure and designation with the same types and/or levels of services, including the following:

- a. 46 emergency treatment stations at a minimum;
- b. Designation as a Level II Trauma Center and operating a Level II Trauma Center that complies with all requirements under California laws and regulations and Los

² The term "current" or "currently" throughout this document means as of January 1, 2014.

Angeles County Emergency Medical Services Agency Prehospital Care Policies and Procedures;

- c. Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation, and operating such a receiving facility that complies with all requirements under Welfare and Institutions Code, section 5150 and other California laws and regulations;
- d. Psychiatric evaluation team;
- e. Designation as an Emergency Department Approved for Pediatrics;
- f. Designation as a Paramedic Base Station, with the same number of assigned paramedic units that currently exists; and
- g. The annual maximum number of hours on diversion is 200 hours.

St. Francis Medical Center must give one-year advance written notice to the Los Angeles County Emergency Medical Services Agency and the California Department of Public Health if St. Francis Medical Center seeks to reduce trauma or trauma-related care services or stop operating the Level II Trauma Center after ten years from the closing date of the Definitive Agreement.

V.

For at least ten years from the closing date of the Definitive Agreement, St. Francis Medical Center shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians at fair market value that are necessary to ensure trauma coverage, including the following specialty services:

- a. General surgery;
- b. Trauma surgery;
- c. Neuro-trauma surgery;
- d. Obstetrical/gynecological surgery;
- e. Orthopedic surgery;
- f. Trauma orthopedic surgery;
- g. Vascular surgery;
- h. Cardiothoracic surgery;
- i. Plastic surgery;
- j. Ophthalmology;
- k. Otolaryngology;
- l. Anesthesia; and
- m. Urology.

VI.

For at least ten years from the closing date of the Definitive Agreement, St. Francis Medical Center shall maintain, provide, and expand the following services at current licensure, types, and/or levels of services:

- a. Cardiac services, including at a minimum, three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- b. Critical care services, including a minimum of 36 intensive care unit beds;
- c. Advanced certification as a Primary Stroke Center;
- d. Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II Neonatal Intensive Care Unit;
- e. Women's health services, including women's imaging services;
- f. Cancer services, including radiation oncology;
- g. Pediatric services, including a minimum of 14 pediatric beds;
- h. Orthopedic and rehabilitation services;
- i. Wound care and hyperbaric medicine services;
- j. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops;
- k. Inpatient psychiatric services, including a minimum of 40 inpatient acute psychiatric beds; and
- l. Obstetric services, including a minimum of 50 obstetrics beds.

St. Francis Medical 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.

VII.

For five years from the closing date of the Definitive Agreement, St. Francis Medical Center shall either (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(1) Medical Foundation) or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the same or similar alignment structures and require the purchaser(s) to maintain such services for 5 years from the closing date of the Definitive Agreement and such purchaser(s) participate in the Medi-Cal and Medicare programs as required in Condition VI:

- a. Lynwood Clinic – Family Practice and Pediatrics, located at 3628 E. Imperial Highway, #303 in Lynwood;
- b. Downey Clinic – Family Practice and Pediatrics, located at 7840 Imperial Highway, Unit B, in Downey;
- c. Compton Clinic – Family Practice and Pediatrics, located at 457 S. Long Beach Boulevard in Compton;

- d. Huntington Park Clinic – Family Practice and Pediatrics, located at 2700 Slauson Avenue in Huntington Park; and
- e. Orthopedics Clinic, located at 3628 E. Imperial Highway, #300, in Lynwood.

VIII.

For ten years from the closing date of the Definitive Agreement, St. Francis Medical Center shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal 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:
 - i) Local Initiative: LA Care Health Plan or its successor; and
 - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

IX.

For eleven fiscal years from the closing date of the Definitive Agreement, St. Francis Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$18,056,084 (the Minimum Charity Care Amount). For purposes hereof, the term “charity care” shall mean the amount of charity care costs (not charges) incurred by St. Francis Medical Center in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating “charity care” and the methodology for calculating “costs” shall be the same as that used by OSHPD for annual hospital reporting purposes.³ St. Francis Medical Center shall use and maintain a charity care policy that is no less favorable than St. Francis Medical Center’s current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to,

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.”

the charity care and collection policies, and charity care services provided at St. Francis Medical Center shall be decided by the St. Francis Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the Definitive Agreement is a date other than the first day of St. Francis Medical 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 St. Francis Medical 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, St. Francis Medical Center shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in St. Francis Medical Center's service area (31 ZIP codes), as defined on page 59 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For eleven fiscal years from the closing date of the Definitive Agreement, St. Francis Medical Center shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than \$10,420,114 (the "Minimum Community Benefit Services Amount"). For eleven fiscal years, the following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

- a. Health Benefits Resource Center;
- b. Welcome Baby Program;
- c. South Los Angeles Access to Care – SFMC Compton Clinic;
- d. Healthy Community Initiatives;
- e. Vida Sana/Healthy Life Wellness Program;
- f. St. Francis Career College;
- g. Indigent care in addition to traditional charity care;
- h. Paramedic Training and Education;
- i. Patient Transportation;
- j. Trauma and Injury Prevention Program and Southern California Crossroads; and
- k. Children's Counseling Center.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided upon by the St. Francis Medical Center's Board of

Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Francis Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the Definitive Agreement is a date other than the first day of St. Francis Medical 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 St. Francis Medical 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, St. Francis Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (31 ZIP codes); as defined on page 59 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

XI.

For ten years from the closing date of the Definitive Agreement, St. Francis Medical Center shall have a Local Governing Board of Directors. St. Francis Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.9 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to the charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's service area (31 ZIP codes), as defined on page 59 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group such as Community Health Councils, Inc. 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 Local Governing Board shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

XII.

Within three years of the closing date of the Definitive Agreement, Prime shall make the \$150 million capital expenditures as required under section 7.9, entitled "Capital Commitment," in the Definitive Agreement (attached hereto as Exhibit 2).

XIII.

For at least ten years from the closing date of the Definitive Agreement unless otherwise indicated, St. Francis Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

- a. Radiation Therapy Services Agreement;
- b. Impacted Hospital Program Agreement;
- c. Department of Mental Health Legal Entity Agreement;
- d. Mental Health Services Agreement Contract Allowable Rate-Fee for Service Medi-Cal Acute Psychiatric Inpatient Services;
- e. Funding Agreement For Technological Needs Projects;
- f. EDAP Confirmation Agreement;
- g. Designation Agreement (72-Hours Evaluation and Intensive Treatment Facility);
- h. Paramedic Base Hospital Services Agreement;
- i. Trauma Center Service Agreement;
- j. Trauma Center Services Augmentation Agreement unless otherwise terminated earlier by the County of Los Angeles;
- k. Nursing Affiliation Agreement;
- l. Preservation Fund; and
- m. Hospital Preparedness Program Agreement.

For at least ten years from the closing date of the Definitive Agreement, St. Francis Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Francis Medical Center. The goal is to ensure that St. Francis Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XIV.

St. Francis Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the Definitive Agreement. Further, the closing of the Definitive Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Francis Medical Center's medical staff, and those such persons shall remain in good standing for the remainder of their tenure.

XV.

Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Francis Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070) including, but not limited to, fire sprinkler bracing renovations at St. Francis Medical Center's Family Life Center, Health Services Pavilion, Central Plant, and Hospital Tower buildings.

XVI.

For six fiscal years from the closing date of the Definitive Agreement or until Prime Healthcare Foundation, Inc. no longer owns DCHS Medical Foundation, Prime will reimburse Prime Healthcare Foundation, Inc. for any losses it has with the ownership of DCHS Medical Foundation. Such reimbursement shall be paid within four months of the end of DCHS Medical Foundation's fiscal year.

XVII.

Prior to the closing date of the Definitive Agreement, section 7.4 of the Definitive Agreement will be amended and replaced in its entirety with the language set forth below. Prior to the closing date of the Definitive Agreement, Prime Healthcare Holdings, Inc., a Delaware corporation, and Prime Healthcare Services Inc., a Delaware corporation, shall each execute an acknowledgement and intention to be bound by section 7.4 of the Definitive Agreement on behalf of itself and any of its subsidiaries, parent, general partners, managers, members, affiliates, successors, or assignees.

7.4 Pension Liabilities

a) DOCMSC, DCHS, Prime Healthcare, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare or Prime Healthcare Holdings, Inc. (collectively the Prime Group), and Prime Healthcare Foundation, Inc. (PHF) hereby acknowledge and agree that it is our mutual understanding and intent that the Daughters of Charity Health System Retirement Plan (the Defined Benefit Church Plan) and 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)) (collectively the Defined Contribution Church Plans) will each be automatically converted as a matter of law, immediately as the result of Prime Healthcare's acquisition of control of DCHS as of the Effective Time because Prime Healthcare is not affiliated with the Catholic Church (or any church), from a non-electing church plan defined in Section 3(33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986, as amended (the Code), to an employee pension benefit plan defined in Section 3(2) of ERISA that is not a church plan defined in Section 3(33) of ERISA and Section 414(e) of the Code, and that the Defined Benefit Church Plan and Defined Contribution Church Plans will accordingly be subject to and governed by ERISA immediately as of the Effective Time as a matter of law. The

undersigned parties hereby affirm that the foregoing is consistent with our mutual understanding and intent with respect to subdivision (b) and that neither DCHS, DOCMSC, PHF, Prime Healthcare, nor any member of the Prime Group will take any action that would be inconsistent with such understanding and intent or which would otherwise interfere with the Defined Benefit Church Plan or Defined Contribution Church Plans being subject to and governed by ERISA as of the Effective Time.

b) Effective as of the Effective Time, the Prime Group shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to (i) ensure that such plans are subject to Title I of ERISA, (ii) satisfy the requirements of ERISA and the Code, and (iii) ensure coverage of such plans by the Pension Benefit Guaranty Corporation; and, thereafter, shall administer and fund the plans and any successor plans in accordance with the requirements of ERISA and the Code. Effective as of the Effective Time, Prime Group shall assume all of DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans. The funding target of the Defined Benefit Church Plan as of the Effective Time shall be the present value of all benefits accrued or earned under the Defined Benefit Church Plan as of the Effective Time, without regard to any purported limitation based on the plan's assets, as computed in accordance with ERISA. For the avoidance of doubt, the Prime Group shall make all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan, whether the Defined Benefit Church Plan is subject to Title I of ERISA by automatic conversion as a matter of law as of the Effective Time or pursuant to a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Effective Time. The Prime Group shall maintain the Defined Benefit Church Plan as a separate, single-employer plan in accordance with the requirements of ERISA and the Code.

c) The Prime Group shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) The Prime Group shall take any actions necessary to assume DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements as of the Closing Date. The Prime Group shall continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) The Prime Group shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. The Prime Group shall assume DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

d) The Prime Group shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure

or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans. Solely for purposes of this subdivision, the term “*Affiliate*” shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

e) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.4 against the Prime Group.

XVIII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops, available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center. Both of these must be explicitly set forth in St. Francis Medical Center’s written policies, adhered to, and strictly enforced.

XIX.

Within sixty days of the closing of the Definitive Agreement, St. Francis Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds in the sum of approximately \$3,400,000 to the California Community Foundation.

a) The funds from St. Francis Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation’s St. Francis Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Francis Medical Center’s service area (31 ZIP codes), as described on page 59 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Francis Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation’s Board of

Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

Within six months of the closing date of the Definitive Agreement, Prime and Prime Healthcare Foundation, Inc. shall revise their written policies, tools, procedures, guidelines, and training materials for their debt collection practices to ensure that they do not violate State and Federal debt collection practices and shall submit their written policies, tools, procedures, guidelines, and training materials to the Attorney General. These written policies, tools, procedures, guidelines, and training materials shall be followed at all California health facilities owned by Prime and Prime Healthcare Foundation, Inc. or their affiliated entities.

XXI.

For eleven fiscal years from the closing date of the Definitive Agreement, St. Francis Medical 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 St. Francis Medical Center and the Chief Executive Officer at St. Francis Medical 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 St. Francis Medical Center Board of Directors and the Local Governing Board.

XXII.

At the request of the Attorney General, all parties listed in Condition I 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.

XXIII.

Once the Definitive Agreement is closed, all parties listed in Condition I 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

Based upon the Hospital's FY 2013 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes. 82% of the Hospital's inpatient discharges came from the 31 ZIP Codes. Approximately 47% of the Hospital's discharges originated from the top six ZIP Codes, located in Lynwood, South Gate, Los Angeles, Compton, and Bell Gardens. In 2013, the Hospital's market share in the service area was approximately 10% based on total area discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90262	Lynwood	2,420	12.6%	12.6%	6,685	36.2%
90280	South Gate	1,779	9.3%	21.8%	7,409	24.0%
90002	Los Angeles	1,248	6.5%	28.3%	5,771	21.6%
90221	Compton	1,233	6.4%	34.7%	5,583	22.1%
90059	Los Angeles	1,196	6.2%	41.0%	4,872	24.5%
90201	Bell Gardens	1,095	5.7%	46.7%	7,623	14.4%
90255	Huntington Park	887	4.6%	51.3%	6,205	14.3%
90222	Compton	876	4.6%	55.8%	3,533	24.8%
90001	Los Angeles	786	4.1%	59.9%	6,105	12.9%
90220	Compton	761	4.0%	63.9%	5,872	13.0%
90003	Los Angeles	584	3.0%	66.9%	7,546	7.7%
90044	Los Angeles	504	2.6%	69.5%	11,540	4.4%
90061	Los Angeles	379	2.0%	71.5%	3,648	10.4%
90723	Paramount	320	1.7%	73.2%	5,008	6.4%
90270	Maywood	293	1.5%	74.7%	2,336	12.5%
90805	Long Beach	291	1.5%	76.2%	9,862	3.0%
90650	Norwalk	237	1.2%	77.4%	11,126	2.1%
90242	Downey	225	1.2%	78.6%	4,029	5.6%
90706	Bellflower	203	1.1%	79.7%	7,271	2.8%
90241	Downey	146	0.8%	80.4%	4,379	3.3%
90240	Downey	58	0.3%	80.7%	1,951	3.0%
90660	Pico Rivera	51	0.3%	81.0%	7,189	0.7%
90703	Cerritos	27	0.1%	81.1%	4,351	0.6%
90701	Artesia	26	0.1%	81.3%	1,783	1.5%
90606	Whittier	25	0.1%	81.4%	3,406	0.7%
90670	Sante Fe Springs	24	0.1%	81.5%	1,593	1.5%
90604	Whittier	23	0.1%	81.6%	3,741	0.6%
90605	Whittier	22	0.1%	81.7%	3,992	0.6%
90638	La Mirada	18	0.1%	81.8%	4,243	0.4%
90603	Whittier	7	0.0%	81.9%	2,124	0.3%
90639	La Mirada	0	0.0%	81.9%	10	0.0%
Sub-Total		15,744	81.9%	81.9%	160,786	9.8%
All Other		3,485	18.1%	100%		
Total		19,229	100%			

Source: OSHPD Patient Discharge Database, 2013

EXHIBIT 2

celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "*Prime Healthcare*" or similar "*Prime*" branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Grant of Right of First Refusal. If, on or after the Effective Time, Prime Healthcare or PHF desires to sell any religious asset or religious object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase such religious asset or object at fair market value (each such right and option, a "*Right of First Refusal*"). As soon as practicable, Prime Healthcare or PHF shall provide DOCMSC with written notice of the proposal (the "*Proposal Notice*"). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide Prime Healthcare or PHF, respectively, with written notice of such exercise no later than sixty (60) days following DOCMSC' receipt of the Proposal Notice (the "*Expiration Date*"). In the event that DOCMSC does not exercise the Right of First Refusal

Conditions to Change in Control and Governance of St. Vincent Medical Center¹ and Approval of the Definitive Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

I.

These Conditions shall be legally binding on Prime Healthcare Services, Inc., a Delaware corporation, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare Services, Inc. or Prime Healthcare Holdings, Inc. (collectively Prime), Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation, Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, St. Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, St. Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, DCHS Medical Foundation, a California nonprofit religious corporation, St. Vincent de Paul Ethics Corporation, a California nonprofit religious corporation, St. Vincent Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Caymans entity, DePaul Ventures, LLC, a California limited liability company, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, merger, or acquisition of all or substantially all of the assets of St. Vincent Medical Center, or the real property on which St. Vincent Medical Center, is located, any and all current and future owners, managers, lessees, or operators of St. Vincent Medical Center, and any and all current and future lessees and owners of the real property on which St. Vincent Medical Center is located.

II.

The transaction approved by the Attorney General consists of the Definitive Agreement dated October 10, 2014, Amendment No. 1 to Definitive Agreement dated October 23, 2014, Second Amendment to Definitive Agreement dated January 31, 2015, and any agreements or documents

¹ Throughout this document, the term "St. Vincent Medical Center" shall mean the general acute care hospital located at 2131 West Third Street, Los Angeles, CA 90057, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Vincent Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

referenced in or attached as an exhibit or schedule to the Definitive Agreement. All the entities listed in Condition I shall fulfill the terms of the Definitive Agreement, any amendments to the Definitive Agreement, and any other documents referenced in them. All the entities listed in Condition I shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Definitive 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 5917.

III.

For six fiscal years from the closing date of the Definitive Agreement, St. Vincent Medical Center, and all future owners, managers, lessees, or operators of St. Vincent Medical 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 St. Vincent Medical Center;

(b) Transfer control, responsibility, management, or governance of St. Vincent Medical Center. The substitution or addition of a new corporate member or members of St. Vincent Medical Center or Prime that transfers the control of, responsibility for or governance of St. Vincent Medical 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 St. Vincent Medical Center or Prime or any arrangement, written or oral, that would transfer voting control of the members of the governing body of St. Vincent Medical Center or Prime shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Definitive Agreement unless otherwise stated, St. Vincent Medical 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, provide, and expand the following emergency medical services:

- a. 8 emergency treatment stations at a minimum;
- b. Obtain approval to meet structural requirements set forth by California Office of Statewide Health Planning and Development (OSHPD) in order to become a 911 Receiving Hospital and achieve "basic" emergency department designation;
- c. Upon OSHPD approval, meet and maintain the requirements set by the County of Los Angeles Emergency Medical Services for 911 Receiving Hospitals; and
- d. Expand emergency services to include at least 16 emergency treatment stations.

V.

For five years from the closing date of the Definitive Agreement unless otherwise stated, St. Vincent Medical Center shall maintain and provide the following health care services at current² licensure, types, and/or levels of services:

- a. Rehabilitation services, including a minimum of 19 licensed acute rehabilitation beds. Such rehabilitation services can be consolidated with the rehabilitation services at Centinela Hospital Medical Center if, and only if, Centinela Hospital Medical Center maintains a minimum of 32 licensed acute rehabilitation beds for at least 5 years from the closing date of the transaction;
- b. Intensive care/critical care services, including a minimum of 46 licensed intensive care beds;
- c. Cardiac services, including cardiac surgery and a minimum of 4 cardiac catheterization labs;
- d. Cancer services, including radiation therapy;
- e. Gastroenterology services;
- f. Imaging and laboratory services;
- g. Nephrology services, including end stage renal disease program, acute inpatient dialysis unit, and hemodialysis treatments;
- h. Neurology and neurotology services, including neurosurgery;
- i. Orthopedics, joint replacement, and spine care services;
- j. Transplant services, including multi-organ transplant procedures for kidney and kidney/pancreas double transplants;
- k. Inpatient dialysis services; and
- l. Outpatient dialysis services within 5 miles of St. Vincent Medical Center by (1) operating St. Vincent Dialysis Center; (2) transferring St. Vincent Dialysis Center to a separate entity and requiring that entity to operate it for 5 years from the closing date of the Definitive Agreement and to participate in the Medi-Cal and Medicare programs as required in Condition VI, or (3) ensuring that a third party is operating an outpatient dialysis center(s) at current levels for 5 years from the closing date of the Definitive Agreement and that such center(s) participate in the Medi-Cal and Medicare programs as required in Condition VI.

If St. Vincent Medical Center provides obstetrical services within five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall also provide reproductive health services including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

St. Vincent Medical 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.

² The term "current" or "currently" throughout this document means as of January 1, 2014.

VI.

For five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall either (1) operate the 1206(d) clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures (e.g., 1206(l) Medical Foundation) or (2) sell the 1206(d) clinics (listed below) with the same number of physician and mid-level provider full-time equivalents in the same or similar alignment structures and require the purchaser(s) to maintain such services for 5 years from the closing date of the Definitive Agreement and such purchaser(s) participate in the Medi-Cal and Medicare programs as required in Condition VI:

- a. Joint Replacement Institute, located at 2200 West 3rd Street in Los Angeles;
- b. Multi-Organ Transplant Center, located at 2200 West 3rd Street in Los Angeles;
- c. Spine Institute, located at 2200 West 3rd Street in Los Angeles;
- d. Cancer Treatment Center, located at 201 S. Alvarado Street in Los Angeles; and
- e. Cardiac Care Institute, located at 201 S. Alvarado Street in Los Angeles.

VII.

For five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal 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:
 - i) Local Initiative Plan: LA Care Health Plan or its successor; and
 - ii) Commercial Plan: Health Net Community Solutions, Inc. or its successor.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Vincent Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For six fiscal years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall provide an annual amount of Charity Care (as defined below) at St. Vincent Medical Center equal to or greater than \$603,105 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by St. Vincent Medical Center in connection with the operation and provision of services at St. Vincent Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by OSHPD for annual hospital reporting purposes.³ St. Vincent Medical Center shall use and maintain a charity care policy that is no less favorable than St. Vincent Medical Center's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at St. Vincent Medical Center shall be decided by the St. Vincent Medical Center Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the closing date of the Definitive Agreement is a date other than the first day of St. Vincent Medical 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 St. Vincent Medical 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, St. Vincent Medical Center shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in St. Vincent Medical Center's primary service area (19 ZIP codes), as defined on page 58 of the Health Care Impact Report, dated December 24, 2014, 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."

IX.

For six fiscal years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall provide an annual amount of Community Benefit Services at St. Vincent Medical Center equal to or greater than \$1,119,721 (the "Minimum Community Benefit Services Amount"). For six fiscal years, the following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

- a) Health Benefits Resource Center;
- b) Casa de Amigos de San Vicente;
- c) Multicultural Health Awareness and Prevention Center;
- d) Community Diabetes Education Program;
- e) Asian Pacific Liver Center;
- f) Patient Transportation

The planning of, and any subsequent changes to, the community benefit services provided at St. Vincent Medical Center shall be decided upon by the St. Vincent Medical Center's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

St. Vincent Medical Center's obligation under this Condition shall be prorated on a daily basis if the effective date of the Definitive Agreement is a date other than the first day of St. Vincent Medical 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 St. Vincent Medical 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, St. Vincent Medical Center shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Vincent Medical Center's primary service area (19 ZIP codes), as defined on page 58 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For at least five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of Los Angeles for services, including the following:

- a. Radiation Therapy Services Agreement; and
- b. Physician Post Graduate Training Agreement.

For at least five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall provide to the Los Angeles County Department of Health Services and Los Angeles County of Department of Mental Health information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for St. Vincent Medical Center. The goal is to ensure that St. Vincent Medical Center's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XI.

For five years from the closing date of the Definitive Agreement, St. Vincent Medical Center shall have a Local Governing Board of Directors. St. Vincent Medical Center's Board of Directors shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.9 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies, and making changes to charity care services provided at St. Vincent Medical Center. The members of the Local Governing Board shall include physicians from St. Vincent Medical Center's medical staff, St. Vincent's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Vincent Medical Center's primary service area (19 ZIP codes), as defined on page 58 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. 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 Local Governing Board shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

XII.

Within three years of the closing date of the Definitive Agreement, Prime shall make the \$150 million capital expenditures as required under section 7.9, entitled "Capital Commitment," in the Definitive Agreement (attached hereto as Exhibit 2). Within three years of the closing date of the Definitive Agreement, Prime shall commit the necessary capital investment required to refurbish St. Vincent Medical Center's elevators in order to meet the City of Los Angeles' Elevator Code and the requirements of Condition IV that includes adding 8 new emergency treatment stations.

XIII.

St. Vincent Medical Center shall maintain privileges for current medical staff who are in good standing as of the closing date of the Definitive Agreement. Further, the closing of the Definitive Agreement shall not change the medical staff officers, committee chairs, or independence of the St. Vincent Medical Center's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XIV.

Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at St. Vincent Medical Center through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

XV.

For six fiscal years from the closing date of the Definitive Agreement or until Prime Healthcare Foundation, Inc. no longer owns DCHS Medical Foundation, Prime will reimburse Prime Healthcare Foundation, Inc. for any losses it has with the ownership of DCHS Medical Foundation. Such reimbursement shall be paid within four months of the end of DCHS Medical Foundation's fiscal year.

XVI.

Prior to the closing date of the Definitive Agreement, section 7.4 of the Definitive Agreement will be amended and replaced in its entirety with the language set forth below. Prior to the closing date of the Definitive Agreement, Prime Healthcare Holdings, Inc., a Delaware corporation, and Prime Healthcare Services Inc., a Delaware corporation, shall each execute an acknowledgement and intention to be bound by section 7.4 of the Definitive Agreement on behalf of itself and any of its subsidiaries, parent, general partners, managers, members, affiliates, successors, or assignees.

7.4 Pension Liabilities

a) DOCMSC, DCHS, Prime Healthcare, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare or Prime Healthcare Holdings, Inc. (collectively the Prime Group), and Prime Healthcare Foundation, Inc. (PHF) hereby acknowledge and agree that it is our mutual understanding and intent that the Daughters of Charity Health System Retirement Plan (the Defined Benefit Church Plan) and 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)) (collectively the Defined Contribution Church Plans) will each be automatically converted as a

matter of law, immediately as the result of Prime Healthcare's acquisition of control of DCHS as of the Effective Time because Prime Healthcare is not affiliated with the Catholic Church (or any church), from a non-electing church plan defined in Section 3(33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986, as amended (the Code), to an employee pension benefit plan defined in Section 3(2) of ERISA that is not a church plan defined in Section 3(33) of ERISA and Section 414(e) of the Code, and that the Defined Benefit Church Plan and Defined Contribution Church Plans will accordingly be subject to and governed by ERISA immediately as of the Effective Time as a matter of law. The undersigned parties hereby affirm that the foregoing is consistent with our mutual understanding and intent with respect to subdivision (b) and that neither DCHS, DOCMSC, PHF, Prime Healthcare, nor any member of the Prime Group will take any action that would be inconsistent with such understanding and intent or which would otherwise interfere with the Defined Benefit Church Plan or Defined Contribution Church Plans being subject to and governed by ERISA as of the Effective Time.

b) Effective as of the Effective Time, the Prime Group shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to (i) ensure that such plans are subject to Title I of ERISA, (ii) satisfy the requirements of ERISA and the Code, and (iii) ensure coverage of such plans by the Pension Benefit Guaranty Corporation; and, thereafter, shall administer and fund the plans and any successor plans in accordance with the requirements of ERISA and the Code. Effective as of the Effective Time, Prime Group shall assume all of DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans. The funding target of the Defined Benefit Church Plan as of the Effective Time shall be the present value of all benefits accrued or earned under the Defined Benefit Church Plan as of the Effective Time, without regard to any purported limitation based on the plan's assets, as computed in accordance with ERISA. For the avoidance of doubt, the Prime Group shall make all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan, whether the Defined Benefit Church Plan is subject to Title I of ERISA by automatic conversion as a matter of law as of the Effective Time or pursuant to a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Effective Time. The Prime Group shall maintain the Defined Benefit Church Plan as a separate, single-employer plan in accordance with the requirements of ERISA and the Code.

c) The Prime Group shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) The Prime Group shall take any actions necessary to assume DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements as of the Closing Date. The Prime Group shall continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) The Prime Group shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. The Prime Group shall assume DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

d) The Prime Group shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans. Solely for purposes of this subdivision, the term "*Affiliate*" shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

e) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.4 against the Prime Group.

XVII.

There shall be no restriction or limitation on providing or making reproductive health services, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, available at St. Vincent Medical Center, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at St. Vincent Medical Center. Both of these must be explicitly set forth in St. Vincent Medical Center's written policies, adhered to, and strictly enforced.

XVIII.

Within sixty days of the closing of the Definitive Agreement, St. Vincent Foundation and St. Vincent Medical Center shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds in the sum of approximately \$7,400,000 to the California Community Foundation.

a) The funds from St. Vincent Medical Center and St. Vincent Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's St. Vincent Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of St. Vincent Medical Center's primary service area (19 ZIP codes) and secondary service area (22 ZIP Codes), as described on page 58 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from St. Vincent Medical Center or St. Vincent Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XIX.

Within six months of the closing date of the Definitive Agreement, Prime and Prime Healthcare Foundation, Inc. shall revise their written policies, tools, procedures, guidelines, and training materials for their debt collection practices to ensure that they do not violate State and Federal debt collection practices and shall submit their written policies, tools, procedures, guidelines, and training materials to the Attorney General. These written policies, tools, procedures, guidelines, and training materials shall be followed at all California health facilities owned by Prime and Prime Healthcare Foundation, Inc. or their affiliated entities.

XX.

For six fiscal years from the closing date of the Definitive Agreement, St. Vincent Medical 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 St. Vincent Medical Center and the Chief Executive Officer at St. Vincent Medical 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 St. Vincent Medical Center Board of Directors and the Local Governing Board.

XXI.

At the request of the Attorney General, all parties listed in Condition I 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.

XXII.

Once the Definitive Agreement is closed, all parties listed in Condition I 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 ST. VINCENT MEDICAL CENTER'S SERVICE AREA

Service Area Definition

As a provider of specialty services that attract patients from a greater number of ZIP Codes, the Hospital has both a primary and secondary service area. The Hospital's primary service area is comprised of 19 ZIP Codes, from which approximately 44% of its discharges originated in FY 2013. In FY 2013, the Hospital's market share in the primary service area was 6%. The Hospital's secondary service area is comprised of 22 ZIP Codes, from which approximately 19% of its discharges originated in 2013. In 2013, the Hospital's market share in the secondary service area was nearly 2%. In 2013, 64% of the Hospital's discharges originated in the combined primary and secondary service areas, and the Hospital's market share in the combined service areas was nearly 8%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	MarketShare
PRIMARY SERVICE AREA						
90057	Los Angeles	541	6.3%	6.3%	5,292	10.2%
90026	Los Angeles	522	6.0%	12.3%	5,281	9.9%
90006	Los Angeles	388	4.5%	16.8%	5,225	7.4%
90004	Los Angeles	355	4.1%	20.9%	5,055	7.0%
90005	Los Angeles	278	3.2%	24.1%	2,784	10.0%
90019	Los Angeles	269	3.1%	27.2%	6,055	4.4%
90020	Los Angeles	222	2.6%	29.8%	2,677	8.3%
90018	Los Angeles	198	2.3%	32.1%	6,125	3.2%
90029	Los Angeles	174	2.0%	34.1%	4,064	4.3%
90017	Los Angeles	166	1.9%	36.0%	2,238	7.4%
90011	Los Angeles	149	1.7%	37.7%	9,653	1.5%
90007	Los Angeles	131	1.5%	39.2%	2,801	4.7%
90012	Los Angeles	117	1.4%	40.6%	2,759	4.2%
90015	Los Angeles	105	1.2%	41.8%	1,638	6.4%
90013	Los Angeles	96	1.1%	42.9%	2,178	4.4%
90014	Los Angeles	91	1.1%	44.0%	1,292	7.0%
90010	Los Angeles	34	0.4%	44.4%	292	11.6%
90071	Los Angeles	0	0.0%	44.4%	35	0.0%
90089	Los Angeles	0	0.0%	44.4%	13	0.0%
PSA Sub-Total		3,836	44.4%	44.4%	65,457	5.9%
SECONDARY SERVICE AREA						
90037	Los Angeles	154	1.8%	1.8%	7,001	2.2%
90027	Los Angeles	145	1.7%	3.5%	4,691	3.1%
90044	Los Angeles	130	1.5%	5.0%	11,540	1.1%
90016	Los Angeles	124	1.4%	6.4%	6,120	2.0%
90033	Los Angeles	112	1.3%	7.7%	5,777	1.9%
90062	Los Angeles	99	1.1%	8.8%	3,829	2.6%
90031	Los Angeles	86	1.0%	9.8%	3,379	2.5%
90008	Los Angeles	86	1.0%	10.8%	4,658	1.8%
90038	Los Angeles	81	0.9%	11.8%	2,161	3.7%
90028	Los Angeles	80	0.9%	12.7%	3,002	2.7%
90065	Los Angeles	77	0.9%	13.6%	4,130	1.9%
90003	Los Angeles	77	0.9%	14.5%	7,546	1.0%
90043	Los Angeles	77	0.9%	15.4%	6,368	1.2%
90039	Los Angeles	55	0.6%	16.0%	2,454	2.2%
90046	Los Angeles	53	0.6%	16.6%	4,491	1.2%
90047	Los Angeles	53	0.6%	17.2%	6,749	0.8%
90036	Los Angeles	50	0.6%	17.8%	3,250	1.5%
90042	Los Angeles	46	0.5%	18.3%	5,430	0.8%
90041	Los Angeles	41	0.5%	18.8%	2,749	1.5%
90068	Los Angeles	21	0.2%	19.0%	1,573	1.3%
91204	Glendale	21	0.2%	19.3%	2,209	1.0%
90021	Los Angeles	2	0.0%	19.3%	471	0.4%
SSA Sub-Total		1,670	19.3%	19.3%	99,578	1.7%
PSA + SSA Sub-Total		5,506	63.7%	63.7%	165,035	7.5%
All Other		3,141	36.3%			
Total		8,647	100%			

Source: OSHPD Patient Discharge Database, 2013

EXHIBIT 2

celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "*Prime Healthcare*" or similar "*Prime*" branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Grant of Right of First Refusal. If, on or after the Effective Time, Prime Healthcare or PHF desires to sell any religious asset or religious object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase such religious asset or object at fair market value (each such right and option, a "*Right of First Refusal*"). As soon as practicable, Prime Healthcare or PHF shall provide DOCMSC with written notice of the proposal (the "*Proposal Notice*"). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide Prime Healthcare or PHF, respectively, with written notice of such exercise no later than sixty (60) days following DOCMSC' receipt of the Proposal Notice (the "*Expiration Date*"). In the event that DOCMSC does not exercise the Right of First Refusal

Conditions to Change in Control and Governance of Seton Medical Center¹ and Seton Coastsides² and Approval of the Definitive Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

I.

These Conditions shall be legally binding on Prime Healthcare Services, Inc., a Delaware corporation, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare Services, Inc. or Prime Healthcare Holdings, Inc. (collectively Prime), Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation, Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, St. Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, St. Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, DCHS Medical Foundation, a California nonprofit religious corporation, St. Francis de Paul Ethics Corporation, a California nonprofit religious corporation, St. Francis Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Caymans entity, DePaul Ventures, LLC, a California limited liability company, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, merger, or acquisition of all or substantially all of the assets of Seton Medical Center and Seton Coastsides, or the real property on which Seton Medical Center and Seton Coastsides is located, any and all current and future owners, managers, lessees, or operators of Seton Medical Center and Seton Coastsides, and any and all current and future lessees and owners of the real property on which Seton Medical Center and Seton Coastsides is located.

¹ Throughout this document, the term "Seton Medical Center" shall mean the general acute care hospital located at 1900 Sullivan Ave., Daly City, CA 94015, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

² Throughout this document, the term "Seton Coastsides" shall mean the skilled nursing facility with 5 general acute care beds located at 600 Marine Boulevard, Moss Beach, CA 94038-9641, and any other clinics, laboratories, units, services, or beds included on the license issued to Seton Medical Center by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

II.

The transaction approved by the Attorney General consists of the Definitive Agreement dated October 10, 2014, Amendment No. 1 to Definitive Agreement dated October 23, 2014, Second Amendment to Definitive Agreement dated January 31, 2015, and any agreements or documents referenced in or attached as an exhibit or schedule to the Definitive Agreement. All the entities listed in Condition I shall fulfill the terms of the Definitive Agreement, amendments to the Definitive Agreement, and any other documents referenced in them. All the entities listed in Condition I shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Definitive 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 5917.

III.

For ten years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Seton Coastside and all future owners, managers, lessees, or operators of Seton Medical Center and/or Seton Coastside 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 Seton Medical Center or Seton Coastside;
- (b) Transfer control, responsibility, management, or governance of Seton Medical Center or Seton Coastside. The substitution or addition of a new corporate member or members of Seton Medical Center or Seton Coastside or Prime that transfers the control of, responsibility for or governance of Seton Medical Center or Seton Coastside, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Seton Medical Center or Seton Coastside or Prime or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Seton Medical Center or Seton Coastside or Prime shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Definitive Agreement, Seton Medical 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, provide, and expand the following healthcare services at current³ licensure and designation with the same types and/or levels of services:

- a. 24-hour emergency medical services, including a minimum of 18 emergency treatment stations;
- b. Cardiac services, including the 2 cardiac catheterization labs, including the designation as a STEMI Receiving Center;

³ The term "current" or "currently" throughout this document means as of January 1, 2014.

- c. Critical care services, including a minimum of 28 intensive care beds;
- d. Advanced certification as a Primary Stroke Center;
- e. Obstetric services, including a minimum of 8 beds, and the Saint Elizabeth Ann Seton New Life Center;
- f. Women's health services, Seton Breast Health Center, and women's imaging and mammography services;
- g. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops; and
- h. Sub-acute services, including a minimum of 44 sub-acute beds and Medi-Cal Certification and Joint Commission Accreditation as a sub-acute unit.

Seton Medical 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 at least five years from the closing date of the Definitive Agreement, Seton Medical Center shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Gastroenterology services, including enteroscopy, endoscopy, and colonoscopy services;
- b. Cancer services, including inpatient oncology unit, interventional radiology, radiation therapy, and the Outpatient Infusion Center;
- c. Orthopedics and rehabilitation services, including joint replacement and spine care services;
- d. Diabetes services, including Northern California Diabetes Institute;
- e. Urgent Care services, including Seton Express Care;
- f. Wound care services, including Seton Center for Advanced Wound Care; and
- g. Nephrology services, including inpatient and outpatient dialysis services.

Seton Medical 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.

VI.

For at least ten years from the closing date of the Definitive Agreement, Seton Coastside shall maintain and provide the following services at current licensure, types, and/or levels of services at Seton Coastside:

- a. 24-hour "standby" emergency services, with a minimum of 7 treatment stations; and
- b. Skilled nursing services, including a minimum of 116 licensed skilled nursing beds.

VII.

For ten years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Coastside shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have a Medi-Cal Managed Care contract with San Mateo Health Commission dba Health Plan of San Mateo or its successor to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal 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.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Seton Medical Center and Seton Coastside to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For six fiscal years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Coastside shall provide an annual amount of Charity Care (as defined below) at Seton Medical Center and Seton Coastside equal to or greater than \$1,948,367 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Seton Medical Center and Seton Coastside in connection with the operation and provision of services at Seton Medical Center and Seton Coastside. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by OSHPD for annual hospital reporting purposes.⁴ Seton Medical Center and Seton Coastside shall use and maintain a charity care policy that is no less favorable than Seton Medical Center's and Seton Coastside's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Seton Medical Center and Seton Coastside shall be decided by the Seton Medical Center and Seton Coastside Board(s) of Directors after consultation with the Local Governing Board(s) of Directors as set forth in Condition X.

⁴ 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."

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the closing date of the Definitive Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Seton Medical Center and Seton Coastside 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, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 61 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

IX.

For six fiscal years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Coastside shall provide an annual amount of Community Benefit Services at Seton Medical Center and Seton Coastside equal to or greater than \$1,054,020 (the "Minimum Community Benefit Services Amount"). The following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

- a. Health Benefits Resource Center;
- b. Saint Elizabeth Ann Seton New Life Center; and
- c. RotaCare Clinic.

The planning of, and any subsequent changes to, the community benefit services provided at Seton Medical Center and Seton Coastside shall be decided upon by the Seton Medical Center's and Seton Coastside's Board(s) of Directors after consultation with the Local Governing Board(s) of Directors as set forth in Condition X.

Seton Medical Center's and Seton Coastside's obligation under this Condition shall be prorated on a daily basis if the effective date of the Definitive Agreement is a date other than the first day of Seton Medical Center's and Seton Coastside'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan

Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Seton Medical Center and Seton Coastside 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, Seton Medical Center and Seton Coastside shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 61 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For ten years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Coastside shall have a Local Governing Board(s) of Directors. Seton Medical Center's and Seton Coastside's Board(s) of Directors shall consult with the Local Governing Board(s) of Directors prior to making any changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.9 of the Definitive Agreement and attached hereto as Exhibit 2, making any changes to the charity care and collection policies and making any changes to charity care services provided at Seton Medical Center and Seton Coastside. The members of the Local Governing Board(s) shall include physicians from Seton Medical Center's and Seton Coastside's medical staffs, Seton Medical Center's and Seton Coastside's Chiefs of Staff, one member designated by the San Mateo County Board of Supervisors, and community representatives from Seton Medical Center's and Seton Coastside's service area (14 ZIP codes), as defined on page 61 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group such as Community Health Partnership, Inc. 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 Local Governing Board(s) shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

XI.

Within three years of the closing date of the Definitive Agreement, Prime shall make the \$150 million capital expenditures as required under section 7.9, entitled "Capital Commitment," in the Definitive Agreement (attached hereto as Exhibit 2) including in compliance with Condition XV.

XII.

For at least five years from the closing date of the Definitive Agreement unless otherwise indicated, Seton Medical Center shall maintain its contracts and any amendments and exhibits thereto with the County of San Mateo or its third-party administrator for services, including the following:

- a) Patient Transfer Agreement between San Mateo County Medical Center and Seton Medical Center;
- b) Agreement dated July 2013 (effective October 1, 2013) whereby the County of San Mateo agrees to provide financial support for Seton Medical Center in exchange for Seton Medical Center's agreement to maintain its role as a safety net provider in San Mateo County, unless otherwise terminated earlier by the County of San Mateo;
- c) San Mateo ACE Program Hospital Agreement; and
- d) Agreements with Local Hospitals and Healthcare Facilities Participating in the National Bioterrorism Hospital Preparedness Program Grant.

XIII.

DCHS Medical Foundation shall continue to fulfill the terms of the following agreements and addendums thereto:

- a. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated May 2014;
- b. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;
- c. Medi-Cal Medical Services Agreement Between San Mateo Health Commission and Primary Care Physician dated July 2014;
- d. Healthworx Medical Services Agreement Between San Mateo Community Health Authority and Primary Care Physician dated July 2014;
- e. Healthworx Medical Services Agreement between San Mateo Community Health Authority and Referral Provider dated June 2014; and
- f. Care Advantage Medical Services Agreement Between San Mateo Health Commission and Referral Provider dated August 2014.

XIV.

Seton Medical Center and Seton Coastside shall maintain privileges for current medical staff who are in good standing as of the closing date of the Definitive Agreement. Further, the closing of the Definitive Agreement shall not change the medical staff officers, committee chairs, or independence of the Seton Medical Center's and Seton Coastside's medical staffs, and those such persons shall remain in good standing for the remainder of their tenure.

XV.

Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Seton Medical Center and Seton Coastside through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070) including, but not limited to, retrofitting Seton Medical Center's current Patient Tower and obtaining a Construction Final from OSHPD by July 1, 2019. Prime shall submit Construction Documents for retrofitting Seton Medical Center's current Patient Tower to OSHPD by December 31, 2015. Prime shall obtain a building permit for retrofitting Seton Medical Center's current Patient Tower from OSHPD by December 31, 2016.

XVI.

For six fiscal years from the closing date of the Definitive Agreement or until Prime Healthcare Foundation, Inc. no longer owns DCHS Medical Foundation, Prime will reimburse Prime Healthcare Foundation, Inc. for any losses it has with the ownership of DCHS Medical Foundation. Such reimbursement shall be paid within four months of the end of DCHS Medical Foundation's fiscal year.

XVII.

Prior to the closing date of the Definitive Agreement, section 7.4 of the Definitive Agreement will be amended and replaced in its entirety with the language set forth below. Prior to the closing date of the Definitive Agreement, Prime Healthcare Holdings, Inc., a Delaware corporation, and Prime Healthcare Services Inc., a Delaware corporation, shall each execute an acknowledgement and intention to be bound by section 7.4 of the Definitive Agreement on behalf of itself and any of its subsidiaries, parent, general partners, managers, members, affiliates, successors, or assignees.

7.4 Pension Liabilities

a) DOCMSC, DCHS, Prime Healthcare, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of Prime Healthcare or Prime Healthcare Holdings, Inc., (collectively the Prime Group), and Prime Healthcare Foundation, Inc. (PHF) hereby acknowledge and agree that it is our mutual understanding and intent that the Daughters of Charity Health System Retirement Plan (the Defined Benefit Church Plan) and 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)) (collectively the Defined Contribution Church Plans) will each be automatically converted as a matter of law, immediately as the result of Prime Healthcare's acquisition of control of DCHS as of the Effective Time because Prime Healthcare is not affiliated with the Catholic Church (or any church), from a non-electing church plan defined in Section 3(33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986, as amended (the Code), to an

employee pension benefit plan defined in Section 3(2) of ERISA that is not a church plan defined in Section 3(33) of ERISA and Section 414(e) of the Code, and that the Defined Benefit Church Plan and Defined Contribution Church Plans will accordingly be subject to and governed by ERISA immediately as of the Effective Time as a matter of law. The undersigned parties hereby affirm that the foregoing is consistent with our mutual understanding and intent with respect to subdivision (b) and that neither DCHS, DOCMSC, PHF, Prime Healthcare, nor any member of the Prime Group will take any action that would be inconsistent with such understanding and intent or which would otherwise interfere with the Defined Benefit Church Plan or Defined Contribution Church Plans being subject to and governed by ERISA as of the Effective Time.

b) Effective as of the Effective Time, the Prime Group shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to (i) ensure that such plans are subject to Title I of ERISA, (ii) satisfy the requirements of ERISA and the Code, and (iii) ensure coverage of such plans by the Pension Benefit Guaranty Corporation; and, thereafter, shall administer and fund the plans and any successor plans in accordance with the requirements of ERISA and the Code. Effective as of the Effective Time, Prime Group shall assume all of DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans. The funding target of the Defined Benefit Church Plan as of the Effective Time shall be the present value of all benefits accrued or earned under the Defined Benefit Church Plan as of the Effective Time, without regard to any purported limitation based on the plan's assets, as computed in accordance with ERISA. For the avoidance of doubt, the Prime Group shall make all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan, whether the Defined Benefit Church Plan is subject to Title I of ERISA by automatic conversion as a matter of law as of the Effective Time or pursuant to a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Effective Time. The Prime Group shall maintain the Defined Benefit Church Plan as a separate, single-employer plan in accordance with the requirements of ERISA and the Code.

c) The Prime Group shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) The Prime Group shall take any actions necessary to assume DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements as of the Closing Date. The Prime Group shall continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) The Prime Group shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. The Prime Group shall assume DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

d) The Prime Group shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans. Solely for purposes of this subdivision, the term “*Affiliate*” shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

e) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.4 against the Prime Group.

XVIII.

There shall be no restriction or limitation on providing or making reproductive health care services available, including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops, at Seton Medical Center and Seton Coastside, their medical office buildings, or at any of their facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Seton Medical Center and Seton Coastside. Both of these must be explicitly set forth in Seton Medical Center’s and Seton Coastside’s written policies, adhered to, and strictly enforced.

XIX.

Within sixty days of the closing of the Definitive Agreement, Seton Medical Center Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds in the sum of approximately \$8,600,000 to the California Community Foundation.

a) The funds from Seton Medical Center Foundation, if not previously restricted to support a specific charitable organization, will be deposited into California Community Foundation’s Seton Medical Center Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Seton Medical Center’s and Seton Coastside’s service area (14 ZIP codes), as described on page 61 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from Seton Medical Center Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation’s Board of

Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

Within six months of the closing date of the Definitive Agreement, Prime and Prime Healthcare Foundation, Inc. shall revise their written policies, tools, procedures, guidelines, and training materials for their debt collection practices to ensure that they do not violate State and Federal debt collection practices and shall submit their written policies, tools, procedures, guidelines, and training materials to the Attorney General. These written policies, tools, procedures, guidelines, and training materials shall be followed at all California health facilities owned by Prime and Prime Healthcare Foundation, Inc. or their affiliated entities.

XXI.

For eleven fiscal years from the closing date of the Definitive Agreement, Seton Medical Center and Seton Coastside 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(s) of Directors of Seton Medical Center and Seton Coastside and the Chief Executive Officer(s) at Seton Medical Center and Seton Coastside shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Seton Medical Center's and Seton Coastside's Board(s) of Directors and the Local Governing Board(s).

XXII.

At the request of the Attorney General, all parties listed in Condition I 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.

XXIII.

Once the Definitive Agreement is closed, all parties listed in Condition I 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 14 ZIP Codes, from which approximately 82% of its discharges originated in FY 2013. Approximately 64% of the Hospital's discharges came from the top 4 ZIP Codes, located in Daly City, South San Francisco, and Pacifica. In FY 2013, the Hospital's market share in the service area was 17% based on inpatient discharges.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
94015	Daly City	1,706	23.9%	23.9%	4630	36.8%
94014	Daly City	1,090	15.3%	39.2%	3377	32.3%
94080	South San Francisco	968	13.6%	52.7%	5059	19.1%
94044	Pacifica	771	10.8%	63.5%	2999	25.7%
94112	San Francisco	417	5.8%	69.4%	6838	6.1%
94066	San Bruno	402	5.6%	75.0%	3521	11.4%
94134	San Francisco	143	2.0%	77.0%	3732	3.8%
94132	San Francisco	124	1.7%	78.7%	1901	6.5%
94019	Half Moon Bay	87	1.2%	80.0%	1157	7.5%
94038	Moss Beach	46	0.6%	80.6%	252	18.3%
94005	Brisbane	44	0.6%	81.2%	374	11.8%
94018	El Granada	33	0.5%	81.7%	224	14.7%
94037	Montara	20	0.3%	82.0%	148	13.5%
94017	Daly City	11	0.2%	82.1%	46	23.9%
Sub-Total		5,862	82.1%	82.1%	34,258	17.1%
All Other		1,277	17.9%	100%		
Total		7,139	100%			

Source: OSHPD Patient Discharge Database, 2013

Note: Excludes normal newborns

EXHIBIT 2

celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "*Prime Healthcare*" or similar "*Prime*" branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Grant of Right of First Refusal. If, on or after the Effective Time, Prime Healthcare or PHF desires to sell any religious asset or religious object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase such religious asset or object at fair market value (each such right and option, a "*Right of First Refusal*"). As soon as practicable, Prime Healthcare or PHF shall provide DOCMSC with written notice of the proposal (the "*Proposal Notice*"). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide Prime Healthcare or PHF, respectively, with written notice of such exercise no later than sixty (60) days following DOCMSC' receipt of the Proposal Notice (the "*Expiration Date*"). In the event that DOCMSC does not exercise the Right of First Refusal

Conditions to Change in Control and Governance of O'Connor Hospital¹ and Approval of the Definitive Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

I.

These Conditions shall be legally binding on Prime Healthcare Services, Inc., a Delaware corporation, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare Services, Inc. or Prime Healthcare Holdings, Inc. (collectively Prime), Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation, Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, St. Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, St. Louise Regional Hospital Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, DCHS Medical Foundation, a California nonprofit religious corporation, St. Francis de Paul Ethics Corporation, a California nonprofit religious corporation, St. Francis Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Caymans entity, DePaul Ventures, LLC, a California limited liability company, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, merger, or acquisition of all or substantially all of the assets of O'Connor Hospital, or the real property on which O'Connor Hospital, is located, any and all current and future owners, managers, lessees, or operators of O'Connor Hospital, and any and all current and future lessees and owners of the real property on which O'Connor Hospital is located.

II.

The transaction approved by the Attorney General consists of the Definitive Agreement dated October 10, 2014, Amendment No. 1 to Definitive Agreement dated October 23, 2014, Second Amendment to Definitive Agreement dated January 31, 2015, and any agreements or documents referenced in or attached as an exhibit or schedule to the Definitive Agreement. All the entities

¹ Throughout this document, the term "O'Connor Hospital" shall mean the general acute care hospital located at 2105 Forest Avenue, San Jose, CA 95128, and any other clinics, laboratories, units, services, or beds included on the license issued to O'Connor Hospital by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

listed in Condition I shall fulfill the terms of the Definitive Agreement, any amendments to the Definitive Agreement, and any other documents referenced in them. All the entities listed in Condition I shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Definitive 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 5917.

III.

For ten years from the closing date of the Definitive Agreement, O'Connor Hospital, and all future owners, managers, lessees, or operators of O'Connor Hospital 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 O'Connor Hospital;
- (b) Transfer control, responsibility, management, or governance of O'Connor Hospital. The substitution or addition of a new corporate member or members of O'Connor Hospital or Prime that transfers the control of, responsibility for or governance of O'Connor Hospital, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of O'Connor Hospital or Prime or any arrangement, written or oral, that would transfer voting control of the members of the governing body of O'Connor Hospital or Prime shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Definitive Agreement, O'Connor Hospital 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, provide, and expand the following healthcare services at current² licensure and designation with the same types and/or levels of services:

- a. 24-hour emergency medical services, including a minimum of 23 emergency treatment stations;
- b. Intensive care services, including a minimum of 14 intensive care beds;
- c. Coronary care services, including a minimum of 8 coronary care beds;
- d. Obstetric services, including a minimum of 39 obstetrics beds;
- e. Sub-acute care services, including a minimum of 24 sub-acute beds;
- f. Women's health services, including mammography; and
- g. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

² The term "current" or "currently" throughout this document means as of January 1, 2014.

O'Connor Hospital 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 at least five years from the closing date of the Definitive Agreement, O'Connor Hospital shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Cardiac services, including the two cardiac catheterizations and designation as a STEMI Receiving Center;
- b. Cancer services, including radiation therapy and the Ambulatory Infusion Center;
- c. Advanced certification as a Primary Stroke Center;
- d. Neonatal intensive care services, including a minimum of 10 neonatal intensive care beds;
- e. Orthopedics and joint replacement services;
- f. Wound care and hyperbaric medicine services;
- g. Pediatric services, including a minimum of 14 pediatric beds; and
- h. Pediatric Center for Life.

O'Connor Hospital 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.

VI.

For at least ten years from the closing date of the Definitive Agreement, O'Connor Hospital shall maintain physician on-call coverage agreements with currently contracted specialties and/or maintain other comparable coverage arrangements with physicians at fair market value.

VII.

For ten years from the closing date of the Definitive Agreement, O'Connor Hospital shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at O'Connor Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal 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:
 - i.) Local Initiative: Santa Clara Family Health Plan or its successor;
 - ii.) Local Initiative: Santa Clara Valley Health Plan or its successor; and
 - iii.) Commercial Plan: Anthem Blue Cross of California or its successor;

c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at O'Connor Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

VIII.

For six fiscal years from the closing date of the Definitive Agreement, O'Connor Hospital shall provide an annual amount of Charity Care (as defined below) at O'Connor Hospital equal to or greater than \$3,132,916 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by O'Connor Hospital in connection with the operation and provision of services at O'Connor Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by OSHPD for annual hospital reporting purposes.³ O'Connor Hospital shall use and maintain a charity care policy that is no less favorable than O'Connor Hospital's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at O'Connor Hospital shall be decided by the O'Connor Hospital Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition X.

O'Connor Hospital's obligation under this Condition shall be prorated on a daily basis if the closing date of the Definitive Agreement is a date other than the first day of O'Connor Hospital'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at O'Connor Hospital 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, O'Connor Hospital shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in O'Connor Hospital's service area (26 ZIP codes), as defined on page 57 of the Health Care Impact Report, dated December 24, 2014, 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."

IX.

For six fiscal years from the closing date of the Definitive Agreement, O'Connor Hospital shall provide an annual amount of Community Benefit Services at O'Connor Hospital equal to or greater than \$2,718,710 (the "Minimum Community Benefit Services Amount"). For six fiscal years, the following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

- a. Family Medicine Residency Program;
- b. Career Academy;
- c. Health Benefits Resource Center; and
- d. RotaCare San Jose.

The planning of, and any subsequent changes to, the community benefit services provided at O'Connor Hospital shall be decided upon by the O'Connor Hospital's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition X.

O'Connor Hospital's obligation under this Condition shall be prorated on a daily basis if the effective date of the Definitive Agreement is a date other than the first day of O'Connor Hospital'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at O'Connor Hospital 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, O'Connor Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in O'Connor Hospital's service area (26 ZIP codes), as defined on page 57 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For ten years from the closing date of the Definitive Agreement, O'Connor Hospital shall have a Local Governing Board of Directors. O'Connor Hospital's Board of Directors shall consult with the Local Governing Board of Directors prior to making any changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.9 of the Definitive Agreement and attached hereto as Exhibit 2, making changes to the charity care and collection policies and making changes to the charity care services provided at O'Connor Hospital. The members of the Local

Governing Board shall include physicians from O'Connor Hospital's medical staff, O'Connor Hospital's Chief of Staff, one member designated by the Santa Clara County Board of Supervisors, and community representatives from O'Connor Hospital's service area (26 ZIP codes), as defined on page 57 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group such as Community Health Partnership, Inc. 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 Local Governing Board shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

XI.

Within three years of the closing date of the Definitive Agreement, Prime shall make the \$150 million capital expenditures as required under section 7.9, entitled "Capital Commitment," in the Definitive Agreement (attached hereto as Exhibit 2).

XII.

For at least ten years from the closing date of the Definitive Agreement unless otherwise indicated, O'Connor Hospital shall maintain its contracts and any amendments and exhibits thereto with the County of Santa Clara for services, including the following:

- a. Neonatal and Pediatric Services Regional Cooperation Agreement Between O'Connor Hospital and County of Santa Clara;
- b. Hospital Designation Agreement By and Between the County of Santa Clara and Saint Louise Regional Hospital;
- c. Agreement Between the County of Santa Clara and O'Connor Hospital For the Grant of Bioterrorism Hospital Preparedness Program; and
- d. Agreement Between the County of Santa Clara and O'Connor Hospital For Use of Automated Vital Statistics System.

O'Connor shall request that the Neonatal and Pediatric Services Regional Cooperation Agreement Between O'Connor Hospital and County of Santa Clara contract be amended to remove any requirement to comply with and any reference to the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

For at least ten years from the closing date of the Definitive Agreement, O'Connor Hospital shall provide to the Santa Clara County Public Health Department and Santa Clara County Mental Health Department information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for O'Connor Hospital. The goal is to ensure that O'Connor Hospital's decisions or changes in these areas will not be motivated by a

desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XIII.

O'Connor Hospital shall maintain privileges for current medical staff who are in good standing as of the closing date of the Definitive Agreement. Further, the closing of the Definitive Agreement shall not change the medical staff officers, committee chairs, or independence of the O'Connor Hospital's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XIV.

Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at O'Connor Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

XV.

For six fiscal years from the closing date of the Definitive Agreement or until Prime Healthcare Foundation, Inc. no longer owns DCHS Medical Foundation, Prime will reimburse Prime Healthcare Foundation, Inc. for any losses it has with the ownership of DCHS Medical Foundation. Such reimbursement shall be paid within four months of the end of DCHS Medical Foundation's fiscal year.

XVI.

Prior to the closing date of the Definitive Agreement, section 7.4 of the Definitive Agreement will be amended and replaced in its entirety with the language set forth below. Prior to the closing date of the Definitive Agreement, Prime Healthcare Holdings, Inc., a Delaware corporation, and Prime Healthcare Services Inc., a Delaware corporation, shall each execute an acknowledgement and intention to be bound by section 7.4 of the Definitive Agreement on behalf of itself and any of its subsidiaries, parent, general partners, managers, members, affiliates, successors, or assignees.

7.4 Pension Liabilities

a) DOCMSC, DCHS, Prime Healthcare, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare or Prime Healthcare Holdings, Inc. (collectively the Prime Group), and Prime Healthcare Foundation, Inc. (PHF) hereby acknowledge and agree that it is our mutual understanding and intent that the Daughters of Charity Health System Retirement Plan (the Defined Benefit Church Plan) and 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)) (collectively the Defined Contribution Church Plans) will each be automatically converted as a matter of law, immediately as the result of Prime Healthcare's acquisition of control of DCHS as of the Effective Time because Prime Healthcare is not affiliated with the Catholic Church (or any church), from a non-electing church plan defined in Section 3(33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986, as amended (the Code), to an employee pension benefit plan defined in Section 3(2) of ERISA that is not a church plan defined in Section 3(33) of ERISA and Section 414(e) of the Code, and that the Defined Benefit Church Plan and Defined Contribution Church Plans will accordingly be subject to and governed by ERISA immediately as of the Effective Time as a matter of law. The undersigned parties hereby affirm that the foregoing is consistent with our mutual understanding and intent with respect to subdivision (b) and that neither DCHS, DOCMSC, PHF, Prime Healthcare, nor any member of the Prime Group will take any action that would be inconsistent with such understanding and intent or which would otherwise interfere with the Defined Benefit Church Plan or Defined Contribution Church Plans being subject to and governed by ERISA as of the Effective Time.

b) Effective as of the Effective Time, the Prime Group shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to (i) ensure that such plans are subject to Title I of ERISA, (ii) satisfy the requirements of ERISA and the Code, and (iii) ensure coverage of such plans by the Pension Benefit Guaranty Corporation; and, thereafter, shall administer and fund the plans and any successor plans in accordance with the requirements of ERISA and the Code. Effective as of the Effective Time, Prime Group shall assume all of DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans. The funding target of the Defined Benefit Church Plan as of the Effective Time shall be the present value of all benefits accrued or earned under the Defined Benefit Church Plan as of the Effective Time, without regard to any purported limitation based on the plan's assets, as computed in accordance with ERISA. For the avoidance of doubt, the Prime Group shall make all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan, whether the Defined Benefit Church Plan is subject to Title I of ERISA by automatic conversion as a matter of law as of the Effective Time or pursuant to a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Effective Time. The Prime Group shall maintain the Defined Benefit Church Plan as a separate, single-employer plan in accordance with the requirements of ERISA and the Code.

c) The Prime Group shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) The Prime Group shall take any actions necessary to assume DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements as of the Closing Date. The Prime Group shall continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans

immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) The Prime Group shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. The Prime Group shall assume DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

d) The Prime Group shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan or to contribute to any of the Multiemployer Plans. Solely for purposes of this subdivision, the term "*Affiliate*" shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

e) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.4 against the Prime Group.

XVII.

There shall be no restriction or limitation on providing or making reproductive health care services available, including such services prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops, at O'Connor Hospital, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at O'Connor Hospital. Both of these must be explicitly set forth in O'Connor Hospital's written policies, adhered to, and strictly enforced.

XVIII.

Within sixty days of the closing of the Definitive Agreement, O'Connor Hospital Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds in the sum of approximately \$4,800,000 to the California Community Foundation.

a) The funds from O'Connor Hospital Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation's O'Connor Hospital Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of O'Connor Hospital's service area (26 ZIP codes), as described on page 57 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated

December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from O'Connor Hospital Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation's Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XIX.

Within six months of the closing date of the Definitive Agreement, Prime and Prime Healthcare Foundation, Inc. shall revise their written policies, tools, procedures, guidelines, and training materials for their debt collection practices to ensure that they do not violate State and Federal debt collection practices and shall submit their written policies, tools, procedures, guidelines, and training materials to the Attorney General. These written policies, tools, procedures, guidelines, and training materials shall be followed at all California health facilities owned by Prime and Prime Healthcare Foundation, Inc. or their affiliated entities.

XX.

For eleven fiscal years from the closing date of the Definitive Agreement, O'Connor Hospital 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 O'Connor Hospital and the Chief Executive Officer at O'Connor Hospital shall each certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the O'Connor Hospital Board of Directors and the Local Governing Board.

XXI.

At the request of the Attorney General, all parties listed in Condition I 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.

XXII.

Once the Definitive Agreement is closed, all parties listed in Condition I 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 O'CONNOR HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 26 ZIP Codes, from which approximately 82% of its discharges originated in 2013. Approximately 50% of the Hospital's discharges came from the top ten ZIP Codes, located in San Jose, Santa Clara, and Milpitas. In 2013, the Hospital's market share in the service area was 12%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95122	San Jose	695	5.9%	5.9%	4,609	15.1%
95112	San Jose	662	5.6%	11.5%	4,106	16.1%
95127	San Jose	654	5.5%	17.0%	5,050	13.0%
95128	San Jose	628	5.3%	22.3%	3,312	19.0%
95111	San Jose	605	5.1%	27.4%	4,441	13.6%
95050	Santa Clara	583	4.9%	32.3%	2,871	20.3%
95125	San Jose	570	4.8%	37.1%	4,372	13.0%
95116	San Jose	561	4.7%	41.8%	4,942	11.4%
95126	San Jose	519	4.4%	46.2%	2,641	19.7%
95035	Milpitas	413	3.5%	49.7%	4,139	10.0%
95117	San Jose	365	3.1%	52.8%	2,248	16.2%
95121	San Jose	361	3.0%	55.8%	2,639	13.7%
95051	Santa Clara	343	2.9%	58.7%	3,775	9.1%
95132	San Jose	333	2.8%	61.5%	2,674	12.5%
95148	San Jose	308	2.6%	64.1%	2,909	10.6%
95123	San Jose	307	2.6%	66.7%	4,663	6.6%
95136	San Jose	273	2.3%	69.0%	3,121	8.7%
95133	San Jose	237	2.0%	71.0%	1,808	13.1%
95110	San Jose	232	2.0%	73.0%	1,461	15.9%
95008	Campbell	218	1.8%	74.8%	3,238	6.7%
95131	San Jose	217	1.8%	76.6%	1,808	12.0%
95129	San Jose	186	1.6%	78.2%	2,017	9.2%
95124	San Jose	175	1.5%	79.7%	3,328	5.3%
95118	San Jose	174	1.5%	81.2%	2,579	6.7%
95113	San Jose	47	0.4%	81.6%	717	6.6%
95053	Santa Clara	3	0.03%	81.6%	6	50.0%
Sub-Total		9,669	81.6%	81.6%	79,474	12.2%
All Other		2,206	18.4%	100%		
Total		11,875	100%			

Source: OSHPD Patient Discharge Database, 2013

EXHIBIT 2

celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "*Prime Healthcare*" or similar "*Prime*" branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Grant of Right of First Refusal. If, on or after the Effective Time, Prime Healthcare or PHF desires to sell any religious asset or religious object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase such religious asset or object at fair market value (each such right and option, a "*Right of First Refusal*"). As soon as practicable, Prime Healthcare or PHF shall provide DOCMSC with written notice of the proposal (the "*Proposal Notice*"). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide Prime Healthcare or PHF, respectively, with written notice of such exercise no later than sixty (60) days following DOCMSC' receipt of the Proposal Notice (the "*Expiration Date*"). In the event that DOCMSC does not exercise the Right of First Refusal

Conditions to Change in Control and Governance of Saint Louise Regional Hospital¹ and Approval of the Definitive Agreement by and among Daughters of Charity Ministry Services Corporation, Daughters of Charity Health System, Prime Healthcare Services, Inc., and Prime Healthcare Foundation, Inc.

I.

These Conditions shall be legally binding on Prime Healthcare Services, Inc., a Delaware corporation, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare Services, Inc. or Prime Healthcare Holdings, Inc. (collectively Prime), Prime Healthcare Foundation, Inc., a Delaware nonprofit non-stock corporation, Daughters of Charity Ministry Services Corporation, a California nonprofit religious corporation, Daughters of Charity Health System, a California nonprofit religious corporation, St. Vincent Medical Center, a California nonprofit religious corporation, St. Francis Medical Center, a California nonprofit religious corporation, O'Connor Hospital, a California nonprofit religious corporation, St. Louise Regional Hospital, a California nonprofit religious corporation, and Seton Medical Center, a California nonprofit religious corporation, St. Francis Medical Center Foundation, a California nonprofit religious corporation, St. Vincent Foundation, a California nonprofit religious corporation, Seton Medical Center Foundation, a California nonprofit religious corporation, O'Connor Hospital Foundation, a California nonprofit religious corporation, Saint Louise Regional Hospital Foundation, a California nonprofit religious corporation, Caritas Business Services, a California nonprofit religious corporation, DCHS Medical Foundation, a California nonprofit religious corporation, St. Francis de Paul Ethics Corporation, a California nonprofit religious corporation, St. Francis Dialysis Center, Inc., a California nonprofit public benefit corporation, Marillac Insurance Company, Ltd., a Caymans entity, DePaul Ventures, LLC, a California limited liability company, any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, merger, or acquisition of all or substantially all of the assets of Saint Louise Regional Hospital, or the real property on which Saint Louise Regional Hospital, is located, any and all current and future owners, managers, lessees, or operators of Saint Louise Regional Hospital, and any and all current and future lessees and owners of the real property on which Saint Louise Regional Hospital is located.

II.

The transaction approved by the Attorney General consists of the Definitive Agreement dated October 10, 2014, Amendment No. 1 to Definitive Agreement dated October 23, 2014, Second Amendment to Definitive Agreement dated January 31, 2015, and any agreements or documents

¹ Throughout this document, the term "Saint Louise Regional Hospital" shall mean the general acute care hospital located at 9400 No Name Uno, Gilroy, CA 95020, and any other clinics, laboratories, units, services, or beds included on the license issued to Saint Louise Regional Hospital by the California Department of Public Health, effective January 1, 2015, unless otherwise indicated.

referenced in or attached as an exhibit or schedule to the Definitive Agreement. All the entities listed in Condition I shall fulfill the terms of the Definitive Agreement, any amendments to the Definitive Agreement, and any other documents referenced in them. All the entities listed in Condition I shall notify the Attorney General in writing of any proposed modification or rescission of any of the terms of the Definitive 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 5917.

III.

For ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital, and all future owners, managers, lessees, or operators of Saint Louise Regional Hospital 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 Louise Regional Hospital;

(b) Transfer control, responsibility, management, or governance of Saint Louise Regional Hospital. The substitution or addition of a new corporate member or members of Saint Louise Regional Hospital or Prime that transfers the control of, responsibility for or governance of Saint Louise Regional Hospital, 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 Louise Regional Hospital or Prime or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Saint Louise Regional Hospital or Prime shall also be deemed a transfer for purposes of this Condition.

IV.

For ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital 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, provide, and expand the following 24-hour emergency medical services:

- a. 8 emergency treatment stations at a minimum; and
- b. Expand emergency services to include at least 12 emergency treatment stations.

V.

For ten years from the closing date of the Definitive Agreement unless otherwise stated, Saint Louise Regional Hospital shall maintain, provide, and expand the following health care services at current² licensure, types, and/or levels of services:

- a. Critical Care Services, including a minimum of 8 intensive care beds;
- b. Obstetric Services, including a minimum of 10 beds;
- c. Stroke services including telemedicine program for stroke patients and designation as a Primary Stroke Center;
- d. Women's services including pregnancy and delivery services, maternal fetal medicine, mammography, stereotactic breast biopsy, and bone density screening; and
- e. Reproductive health services and expand such services to include those prohibited by the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

Saint Louise Regional Hospital 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.

VI.

For at least five years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall maintain and provide the following services at current licensure, types, and/or levels of services:

- a. Cancer services including medical and surgical;
- b. DePaul Urgent Care Center open and available to patients 7 days a week³;
- c. Wound Care and Hyperbaric Medicine Services, including debridement, compression therapy, growth factor therapy, blood flow measurement, and hyperbaric oxygen therapy;
- d. Pulmonary Rehabilitation Program; and
- e. Asthma and diabetes education.

Saint Louise Regional Hospital 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.

² The term "current" or "currently" throughout this document means as of January 1, 2014.

³ If it is or was closed prior to the closing date of the Definitive Agreement, it must be reopened and provide the same services at current licensure, types, and/or levels of services 7 days a week as if it had never closed.

VII.

For at least ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall maintain physician on-call coverage agreements with currently contracted specialties and/or maintain other comparable coverage arrangements with physicians at fair market value.

VIII.

For ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall:

- a) Be certified to participate in the Medi-Cal program;
- b) Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at Saint Louise Regional Hospital to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal 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:
 - i.) Local Initiative: Santa Clara Family Health Plan or its successor;
 - ii.) Local Initiative: Santa Clara Valley Health Plan or its successor; and
 - iii.) Commercial Plan: Anthem Blue Cross of California or its successor.
- c) Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Saint Louise Regional Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

IX.

For six fiscal years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall provide an annual amount of Charity Care (as defined below) at Saint Louise Regional Hospital equal to or greater than \$2,055,075 (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 Louise Regional Hospital in connection with the operation and provision of services at Saint Louise Regional Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by OSHPD for annual hospital reporting purposes.⁴ Saint Louise Regional Hospital shall

⁴ 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."

use and maintain a charity care policy that is no less favorable than Saint Louis Regional Hospital's current charity care policy and in compliance with California and Federal law. The planning of, and any subsequent changes to, the charity care and collection policies, and charity care services provided at Saint Louis Regional Hospital shall be decided by the Saint Louis Regional Hospital Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

Saint Louis Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the closing date of the Definitive Agreement is a date other than the first day of Saint Louis Regional Hospital'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of charity care provided at Saint Louis Regional Hospital 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 Louis Regional Hospital shall pay an amount equal to the deficiency to a tax-exempt entity that provides direct health care services to residents in Saint Louis Regional Hospital's service area (7 ZIP codes), as defined on page 56 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

X.

For six fiscal years from the closing date of the Definitive Agreement, Saint Louis Regional Hospital shall provide an annual amount of Community Benefit Services at Saint Louis Regional Hospital equal to or greater than \$879,353 (the "Minimum Community Benefit Services Amount"). For six fiscal years, the following community benefit programs shall be maintained with the same or greater level of financial support and in-kind services currently being provided:

- a. Health Benefits Resource Center;
- b. Meals on Wheels;
- c. Nursing Professional Education;
- d. Health Professional Education;
- e. Promotora Coordinator and Diabetes Education; and
- f. Rotacare Lab Tests.

The planning of, and any subsequent changes to, the community benefit services provided at Saint Louis Regional Hospital shall be decided upon by the Saint Louis Regional Hospital's Board of Directors after consultation with the Local Governing Board of Directors as set forth in Condition XI.

Saint Louise Regional Hospital's obligation under this Condition shall be prorated on a daily basis if the effective date of the Definitive Agreement is a date other than the first day of Saint Louise Regional Hospital'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 San Francisco-Oakland-San Jose, CA Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided at Saint Louise Regional Hospital 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 Louise Regional Hospital shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in Saint Louise Regional Hospital's service area (7 ZIP codes), as defined on page 56 of the Health-Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1. Such payment shall be made within four months following the end of such fiscal year.

XI.

For ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall have a Local Governing Board of Directors. Saint Louise Regional Hospital's Board of Directors shall consult with the Local Governing Board of Directors prior to making any changes to medical services, community benefit programs, making capital expenditures including the spending of the funds for the "Capital Commitment" set forth in section 7.9 of the Definitive Agreement and attached hereto as Exhibit 2, making any changes to the charity care and collection policies and making changes to charity care services provided at Saint Louise Regional Hospital. The members of the Local Governing Board shall include physicians from Saint Louise Regional Hospital's medical staff, Saint Louise Regional Hospital's Chief of Staff, one member designated by the Santa Clara County Board of Supervisors, and community representatives from Saint Louise Regional Hospital's service area (7 ZIP codes), as defined on page 56 of the Health Care Impact Report, dated December 24, 2014, and attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group such as Community Health Partnership, Inc. 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 Local Governing Board shall also approve all reports submitted to the Attorney General regarding compliance with these Conditions.

XII.

Within three years of the closing date of the Definitive Agreement, Prime shall make the \$150 million capital expenditures as required under section 7.9, entitled "Capital Commitment," in the Definitive Agreement (attached hereto as Exhibit 2). Within three years of the closing date of the Definitive Agreement, Prime shall commit the necessary capital investment required for the

emergency expansion project that renovates the waiting area, triage spaces, registration, and adds 4 new emergency treatment stations.

XIII.

For at least ten years from the closing date of the Definitive Agreement unless otherwise indicated, Saint Louise Hospital shall maintain its contracts and any amendments and exhibits thereto with the County of Santa Clara for services, including the following:

- a. Consultation and Call Coverage Services Agreement Between Saint Louise Regional Hospital and County of Santa Clara for Perinatology and Obstetrics;
- b. Consultation Services and Call Coverage Services Agreement between Saint Louise Regional Hospital and County of Santa Clara for Neonatology;
- c. Emergency Call Agreement for Obstetrics Assistance;
- d. Hospital Designation Agreement By and Between the County of Santa Clara and Saint Louise Regional Hospital;
- e. Transfer Agreement Between County of Santa Clara and Saint Louise Regional Hospital For Neonatal and Pediatric Intensive Care Services;
- f. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For the Grant of Bioterrorism Hospital Preparedness Program; and
- g. Agreement Between the County of Santa Clara and Saint Louise Regional Hospital For Use of Automated Vital Statistics System.

Saint Louise Regional Hospital shall request that contracts "a," "b," and "c" listed above be amended to remove any requirement to comply with and any reference to the "Ethical and Religious Directives for Catholic Health Care Services" as determined by the United States Conference of Catholic Bishops.

For at least ten years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital shall provide to the Santa Clara County Public Health Department and Santa Clara County Mental Health Department information and documents related to staffing assessments, clinical guidelines, services provided, and technology needs for Saint Louise Regional Hospital. The goal is to ensure that Saint Louise Regional Hospital's decisions or changes in these areas will not be motivated by a desire to move away from serving the Medi-Cal population. Such information and documents will also be provided to the Local Governing Board.

XIV.

Saint Louise Regional Hospital shall maintain privileges for current medical staff who are in good standing as of the closing date of the Definitive Agreement. Further, the closing of the Definitive Agreement shall not change the medical staff officers, committee chairs, or independence of the Saint Louise Regional Hospital's medical staff, and such persons shall remain in good standing for the remainder of their tenure.

XV.

Prime shall commit the necessary investments required to meet and maintain OSHPD seismic compliance requirements at Saint Louise Regional Hospital through 2030 under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

XVI.

For six fiscal years from the closing date of the Definitive Agreement or until Prime Healthcare Foundation, Inc. no longer owns DCHS Medical Foundation, Prime will reimburse Prime Healthcare Foundation, Inc. for any losses it has with the ownership of DCHS Medical Foundation. Such reimbursement shall be paid within four months of the end of DCHS Medical Foundations fiscal year.

XVII.

Prior to the closing date of the Definitive Agreement, section 7.4 of the Definitive Agreement will be amended and replaced in its entirety with the language set forth below. Prior to the closing date of the Definitive Agreement, Prime Healthcare Holdings, Inc., a Delaware corporation, and Prime Healthcare Services Inc., a Delaware corporation, shall each execute an acknowledgement and intention to be bound by section 7.4 of the Definitive Agreement on behalf of itself and any of its subsidiaries, parent, general partners, managers, members, affiliates, successors, or assignees.

7.4 Pension Liabilities

a) DOCMSC, DCHS, Prime Healthcare, Prime Healthcare Holdings, Inc., a Delaware Corporation, and any other subsidiary, parent, general partner, manager, member, affiliate, successor, or assignee of Prime Healthcare or Prime Healthcare Holdings, Inc. (collectively the Prime Group), and Prime Healthcare Foundation, Inc. (PHF) hereby acknowledge and agree that it is our mutual understanding and intent that the Daughters of Charity Health System Retirement Plan (the Defined Benefit Church Plan) and 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)) (collectively the Defined Contribution Church Plans) will each be automatically converted as a matter of law, immediately as the result of Prime Healthcare's acquisition of control of DCHS as of the Effective Time because Prime Healthcare is not affiliated with the Catholic Church (or any church), from a non-electing church plan defined in Section 3(33) of the Employee Retirement Income Security Act of 1974 (ERISA) and Section 414(e) of the Internal Revenue Code of 1986, as amended (the Code), to an employee pension benefit plan defined in Section 3(2) of ERISA that is not a church plan defined in Section 3(33) of ERISA and Section 414(e) of the Code, and that the Defined Benefit Church Plan and Defined Contribution Church Plans will accordingly be subject to and governed by ERISA immediately as of the Effective Time as a matter of law. The undersigned parties hereby affirm that the foregoing is consistent with our mutual understanding

and intent with respect to subdivision (b) and that neither DCHS, DOCMSC, PHF, Prime Healthcare, nor any member of the Prime Group will take any action that would be inconsistent with such understanding and intent or which would otherwise interfere with the Defined Benefit Church Plan or Defined Contribution Church Plans being subject to and governed by ERISA as of the Effective Time.

b) Effective as of the Effective Time, the Prime Group shall cause the Defined Benefit Church Plan and the Defined Contribution Church Plans to be amended as necessary to (i) ensure that such plans are subject to Title I of ERISA, (ii) satisfy the requirements of ERISA and the Code, and (iii) ensure coverage of such plans by the Pension Benefit Guaranty Corporation; and, thereafter, shall administer and fund the plans and any successor plans in accordance with the requirements of ERISA and the Code. Effective as of the Effective Time, Prime Group shall assume all of DCHS' liabilities, be they contingent, interim or otherwise, under the Defined Benefit Church Plan and the Defined Contribution Church Plans. The funding target of the Defined Benefit Church Plan as of the Effective Time shall be the present value of all benefits accrued or earned under the Defined Benefit Church Plan as of the Effective Time, without regard to any purported limitation based on the plan's assets, as computed in accordance with ERISA. For the avoidance of doubt, the Prime Group shall make all contributions necessary to satisfy the funding requirements of ERISA and the Code with respect to benefits accrued under the Defined Benefit Church Plan, whether the Defined Benefit Church Plan is subject to Title I of ERISA by automatic conversion as a matter of law as of the Effective Time or pursuant to a determination that the Defined Benefit Church Plan did not qualify as a "church plan" prior to the Effective Time. The Prime Group shall maintain the Defined Benefit Church Plan as a separate, single-employer plan in accordance with the requirements of ERISA and the Code.

c) The Prime Group shall take the following actions with respect to the Multiemployer Plans to which DCHS has made contributions prior to the Closing Date pursuant to the Collective Bargaining Agreements:

(i) The Prime Group shall take any actions necessary to assume DCHS' obligations to the Multiemployer Plans as required by Collective Bargaining Agreements as of the Closing Date. The Prime Group shall continue to contribute to such Multiemployer Plans, as required by Collective Bargaining Agreements, for substantially the same number of contribution base units for which DCHS had an obligation to contribute to the Multiemployer Plans immediately prior to the Closing Date, as the base units may be modified by such Multiemployer Plans from time to time.

(ii) The Prime Group shall provide funding for the Multiemployer Plans in accordance with the requirements of ERISA and the Code. The Prime Group shall assume DCHS' portion of the liabilities, be they contingent, interim or otherwise, under the Multiemployer Plans as of the Effective Time.

d) The Prime Group shall indemnify, defend and hold harmless DOCMSC and its Affiliates from any liability, be it contingent, interim or otherwise, resulting from any failure or alleged failure by DCHS to satisfy an obligation to fund the Defined Benefit Church Plan

or to contribute to any of the Multiemployer Plans. Solely for purposes of this subdivision, the term “*Affiliate*” shall include any person who may be held jointly and severally liable for the funding of the Defined Benefit Church Plan or any of the Multiemployer Plans under any provision of ERISA.

e) Notwithstanding any limitations set forth in the documents governing the Defined Benefit Church Plan, the Defined Contribution Church Plans, and the Multiemployer Plans, the participants of these plans have the legal right to enforce compliance of Section 7.4 against the Prime Group.

XVIII.

There shall be no restriction on the provision of reproductive health care services, including such services prohibited by the “Ethical and Religious Directives for Catholic Health Care Services” as determined by the United States Conference of Catholic Bishops, at Saint Louise Regional Hospital, its medical office buildings, or at any of its facilities. There shall be no discrimination against any lesbian, gay, bisexual, or transgender individuals at Saint Louise Regional Hospital. Both of these must be explicitly set forth in Saint Louise Regional Hospital’s written policies, adhered to, and strictly enforced.

XIX.

Within sixty days of the closing of the Definitive Agreement, Saint Louise Regional Hospital Foundation shall transfer all charitable assets including, but not limited to, all temporary and permanently restricted funds in the sum of approximately \$1,400,000 to the California Community Foundation.

a) The funds from Saint Louise Regional Hospital Foundation, if not previously restricted to support a specific charitable organization, will be deposited into the California Community Foundation’s Saint Louise Regional Hospital Fund, and used to support nonprofit tax-exempt charitable organizations, clinics and facilities in providing healthcare services to residents of Saint Louise Regional Hospital’s service area (7 ZIP codes), as described on page 56 in the Healthcare Impact Report authored by Medical Development Specialists, LLC, dated December 24, 2014. (Exhibit 1.) The donated funds shall be maintained and used for the purposes specified herein for a period of at least five years.

b) If there are funds from Saint Louise Regional Hospital Foundation previously restricted to support a specific charitable organization, such funds shall be deposited into a fund or funds at California Community Foundation restricted to continuing support for such charitable organization or organizations. Such funds are protected against obsolescence. If the purposes of any restricted fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by California Community Foundation, California Community Foundation’s Board of Directors shall have the ability to modify any restriction or condition on the use such fund.

XX.

Within six months of the closing date of the Definitive Agreement, Prime and Prime Healthcare Foundation, Inc. shall revise their written policies, tools, procedures, guidelines, and training materials for their debt collection practices to ensure that they do not violate State and Federal debt collection practices and shall submit their written policies, tools, procedures, guidelines, and training materials to the Attorney General. These written policies, tools, procedures, guidelines, and training materials shall be followed at all California health facilities owned by Prime and Prime Healthcare Foundation, Inc. or their affiliated entities.

XXI.

For eleven fiscal years from the closing date of the Definitive Agreement, Saint Louise Regional Hospital 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 Louise Regional Hospital and the Chief Executive Officer at Saint Louise Regional Hospital 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 Louise Regional Hospital Board of Directors and the Local Governing Board.

XXII.

At the request of the Attorney General, all parties listed in Condition I 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.

XXIII.

Once the Definitive Agreement is closed, all parties listed in Condition I 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 SAINT LOUISE REGIONAL HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of seven ZIP Codes, from which approximately 90% of its discharges originated in 2013. Approximately 49% of the Hospital's discharges came from the top ZIP Code, located in Gilroy. In 2013, the Hospital's market share in the service area was nearly 21%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2013						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
95020	Gilroy	1,465	48.6%	48.6%	4,545	32.2%
95037	Morgan Hill	726	24.1%	72.6%	3,334	21.8%
95023	Hollister	275	9.1%	81.7%	4,124	6.7%
95046	San Martin	122	4.0%	85.8%	517	23.6%
95021	Gilroy	55	1.8%	87.6%	156	35.3%
95045	San Juan Bautista	42	1.4%	89.0%	373	11.3%
95038	Morgan Hill	24	0.8%	89.8%	139	17.3%
Sub-Total		2,709	89.8%	89.8%	13,188	20.5%
All Other		308	10.2%	100%		
Total		3,017	100%			

Source: OSHPD Patient Discharge Database, 2013

Note: Excludes normal new births

EXHIBIT 2

celebration of Catholic mass and other religious services, and provide an appropriately staffed and funded pastoral care service at the Hospitals.

7.9 Capital Commitment. Within three (3) years following the Effective Time, Prime Healthcare covenants and agrees that it will either spend or commit to spend at least One Hundred Fifty Million Dollars (\$150,000,000) in capital expenditures at the Hospitals.

7.10 Intellectual Property.

(a) Prime Healthcare hereby covenants and agrees not to use the Hospital Trademarks in any manner or in any medium or form that includes or incorporates any Retained Marks (including, without limitation, the DCHS Names). Prime Healthcare further hereby covenants and agrees that all marketing and advertising using the Hospital Trademarks after the Effective Time will be in a form that integrates the use of the name "*Prime Healthcare*" or similar "*Prime*" branding in connection with the use of such Hospital Trademarks in such marketing or advertising materials.

(b) Prime Healthcare covenants not to use the Retained Marks or any marks or domain names that are confusingly similar to the Retained Marks, or any other Retained IP, in any manner and in any medium.

(c) Prime Healthcare shall, as of the Effective Time, (i) discontinue the use of all corporate and trade names, letterhead and business cards that contain any Retained Marks (including, without limitation, the DCHS Names), (ii) use commercially reasonable efforts to file appropriate name change amendments with the California Secretary of State, (iii) use commercially reasonable efforts to promptly replace or modify all exterior and interior fixtures that contain or comprise building signs to remove completely any Retained Marks (including, without limitation, the DCHS Names), and (iv) shall not subsequently change such names to (or otherwise use or employ) any names which contain any Retained Marks (including, without limitation, the DCHS Names).

7.11 DOCMSC Lease. Concurrently with the Closing, PHF shall enter into a lease with DOCMSC pursuant to which the PHF shall lease to DOCMSC the Seton Hall residences located at 262 South Lake Street, Los Angeles, California 90057 for a term of five (5) years at a rate of One Dollar (\$1.00) per year.

7.12 Grant of Right of First Refusal. If, on or after the Effective Time, Prime Healthcare or PHF desires to sell any religious asset or religious object that is not otherwise a Retained Asset to another Person, DOCMSC shall have the right and option, but not the obligation, to purchase such religious asset or object at fair market value (each such right and option, a "*Right of First Refusal*"). As soon as practicable, Prime Healthcare or PHF shall provide DOCMSC with written notice of the proposal (the "*Proposal Notice*"). If DOCMSC wishes to exercise the Right of First Refusal with respect to a particular religious asset or object, DOCMSC must provide Prime Healthcare or PHF, respectively, with written notice of such exercise no later than sixty (60) days following DOCMSC' receipt of the Proposal Notice (the "*Expiration Date*"). In the event that DOCMSC does not exercise the Right of First Refusal