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St. Francis Medical Center - West*

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF HAWAII**

In re)	Case No. 08-01369
)	Chapter 11
CHA Hawaii, LLC, et al., ¹)	(Jointly Administered)
)	
Debtors.)	Judge: Hon. Robert J. Faris
)	
This document relates to:)	
ALL CASES)	

**JOINT PLAN SUPPLEMENT IN SUPPORT OF
SECOND AMENDED JOINT PLAN OF REORGANIZATION
FOR HAWAII MEDICAL CENTER LLC, HAWAII MEDICAL
CENTER WEST, LLC, AND HAWAII MEDICAL CENTER EAST,
LLC PROPOSED BY ST. FRANCIS HEALTHCARE SYSTEM OF
HAWAII, ST. FRANCIS MEDICAL CENTER, AND ST. FRANCIS
MEDICAL CENTER-WEST DATED MARCH 12, 2010**

¹ The “Debtors” are as follows: CHA Hawaii, LLC, a Delaware limited liability company; Hawaii Medical Center LLC, a Hawaii limited liability company; Hawaii Medical Center East, LLC, a Hawaii limited liability company; and Hawaii Medical Center West, LLC, a Hawaii limited liability company.



080136910050600000000001

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

In accordance with the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC Proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, attached hereto are copies of the proposed forms of the following Joint Plan Documents:

- Exhibit 1 - Articles of Incorporation of St. Francis Hospitals Hawaii, St. Francis Hospital-Liliha, and St. Francis Hospital-Ewa
- Exhibit 2 - By-Laws of St. Francis Hospitals Hawaii, St. Francis Hospital-Liliha, and St. Francis Hospital-Ewa
- Exhibit 3 - Loan Agreement and Forms of Term Note A and Term Note B
- Exhibit 4 - Security Agreement for Term Note A and Term Note B
- Exhibit 5 - Form of Mortgage, Security Agreement and Financing Statement for Term Note A and Term Note B
- Exhibit 6 - Form of Term Note C
- Exhibit 7 - Form of Term Note D
- Exhibit 8 - Term Sheet for Working Capital Facility provided by Health Finance Group LLC
- Exhibit 9 - Agreement for Management Services with Brim Healthcare, Inc.
- Exhibit 10 - List of Initial Officers and Directors of the Reorganized Debtors

DATED: May 5, 2010

McCORRISTON MILLER MUKAI
MacKINNON, LLP
Jonathan Steiner

HENNIGAN, BENNETT & DORMAN LLP

/s/ Joshua M. Mester

Bruce Bennett

Joshua M. Mester

*Attorneys for St. Francis Healthcare System
of Hawaii, St. Francis Medical Center, and
St. Francis Medical Center - West*

EXHIBIT 1



**ARTICLES OF INCORPORATION
OF
ST. FRANCIS HOSPITALS HAWAII**

04/15/201020042

The undersigned, desiring to form a nonprofit corporation under the laws of the State of Hawaii in accordance with Chapter 414D of the Hawaii Revised Statutes as amended, and other applicable laws of the State of Hawaii (the "Corporation"), certifies as follows:

ARTICLE I

CORPORATE NAME

The name of the Corporation shall be:

ST. FRANCIS HOSPITALS HAWAII

ARTICLE II

**PRINCIPAL OFFICE
and
REGISTERED AGENT**

The mailing address of the initial principal office of the Corporation is:

2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

The name of the Corporation's initial registered agent and street address of the Corporation's initial registered office in the State of Hawaii are:

Sister Agnelle Ching
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

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ARTICLE III

INCORPORATOR

The name and address of the incorporator of the Corporation are:

Noelani Jinbo
Five Waterfront Plaza, 4th Floor
500 Ala Moana Boulevard
Honolulu, Hawaii 96813

ARTICLE IV

CORPORATE PURPOSES

Section 4.1 General Purposes and Activities. The Corporation is organized and shall be operated exclusively for religious, charitable, scientific, and/or educational purposes and shall be consistent with the basic Catholic philosophy as interpreted by Sisters of St. Francis of the Neumann Communities (the "The Sisters of St. Francis"), all within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation's 501(c)(3) Exempt Purposes"), as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the "Code"). In furtherance of the Corporation's 501(c)(3) Exempt Purposes, the Corporation shall operate exclusively for the benefit and support of St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation ("SFHS"), and its affiliates, so long as SFHS shall qualify for tax-exempt status under Section 501(c)(3) of the Code. The word "affiliate" shall include any Section 501(c)(3) organization related to the Corporation, as parent, subsidiary, or sister organization.

The nature of the Corporation's activities shall be to undertake or support, directly or indirectly, such projects, programs, services, and activities, at such times and in such places, within or without the United States of America, as the Board of Directors of the Corporation (the "Board") determines are appropriate to carry out, promote, or further the Corporation's 501(c)(3) Exempt Purposes.

It is intended that the Corporation shall be exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and that it shall qualify as an organization transfers to which are deductible for federal income, gift, and estate tax purposes by residents and citizens of the United States of America (a "Qualified Charitable Organization").

Section 4.2 Specific Purpose. The specific purpose for which the Corporation is formed is to establish and supervise the operation of subsidiary healthcare organizations for the purpose of facilitating, stimulating, and coordinating the delivery of healthcare services on a

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systematic basis, and thus coordinate the wellness needs of the community served by the Corporation.

Section 4.3 Substitution of Charity. In the event SFHS loses its tax-exempt status under the Code or shall be dissolved, or shall substantially cease its operations, the Board may substitute any other healthcare facility or organization which is under the control of The Sisters of St. Francis and tax-exempt under the Code.

Section 4.4 Restrictions. Notwithstanding any other provision of these Articles of Incorporation, the Corporation's activities and the Board's authority shall be subject to the following restrictions and limitations:

(i) The Corporation shall not carry on any activities not permitted to be carried on by a Qualified Charitable Organization.

(ii) No part of the Corporation's Funds (as such term is defined below in Article V, clause (vi)) shall inure to the benefit of or be distributable to the Corporation's directors, officers, or any other private individual or entity, except in furtherance of the Corporation's 501(c)(3) Exempt Purposes, as payment of reasonable compensation for services rendered, or as payment or reimbursement of reasonable expenses necessary to carrying out the Corporation's 501(c)(3) Exempt Purposes.

(iii) No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE V

CORPORATE POWERS

Subject to the restrictions of Section 4.4 of these Articles of Incorporation and the condition that no power or discretion shall be exercised by the Board in any manner or for any purpose that is not consistent with the Corporation's 501(c)(3) Exempt Purposes, its qualification as a Qualified Charitable Organization, and any Valid Restrictions (as defined below) imposed on contributions to the Corporation, but without otherwise limiting the powers conferred upon the Board by law, the Board is authorized:

(i) From time to time to apply for, purchase, acquire, transfer or otherwise exercise, carry out and enjoy any benefits, rights, privileges, prerogative, or power conferred by, acquired under or granted by any statute, ordinance, order, license, power, authority, franchise, commission, right or privilege, which any government or authority or governmental agency or corporation or other public body may be empowered to enact, make or grant;

(ii) To purchase, acquire, own, hold, lease, either as lessee or as lessor, sell, exchange, mortgage, develop, construct, maintain, equip and operate real property, buildings and all other property of any and every kind or description, whether real, personal or mixed;

(iii) To carry out all or any part of the foregoing objects or purposes as principal, agent or otherwise, either alone or in conjunction with any person, firm, association or other corporation and in any part of the world; and for the purpose of obtaining and furthering any of its objects or purposes, to make and perform such contracts of any kind and description, to do such acts and things and to exercise any and all such powers as a natural person could lawfully make, perform, do or exercise, *provided* that the same shall not be inconsistent with the laws of the State of Hawaii;

(iv) To conduct its business in the State of Hawaii and other states and in the District of Columbia, the territories and possessions of the United States and in foreign countries, and to have and exercise all the powers conferred by the State of Hawaii upon a corporation formed under the laws, pursuant to and under which the Corporation is formed as such laws are now in effect or may at any time hereafter be amended;

(v) To receive and accept gifts, legacies, grants, loans, and other contributions to the Corporation from any persons or entities, in cash or in other property acceptable to the Board, including restricted contributions, provided that any restrictions are consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization and are imposed by the donor by a written instrument that is accepted by the Board by resolution ("Valid Restrictions").

(vi) To maintain and administer the Corporation's assets, including all contributions received, all income earned on those assets and contributions, and any gains therefrom (the "Corporation's Funds") and, unless otherwise specifically required, to mingle restricted contributions with other assets of the Corporation's Funds for investment purposes.

(vii) To retain, acquire, or sell any property without regard to diversification or to whether some or all of the property so acquired or retained is unproductive or wasting or is of a kind or size which, but for this express authority, would not be considered proper.

(viii) To use and apply the Corporation's Funds, make expenditures and payments therefrom, and make distributions, program-related loans, program-related investments, and other grants from the Corporation's Funds, in such amounts, at such times, in such manner, and for such of the Corporation's 501(c)(3) Exempt Purposes as the Board in its sole discretion determines from time to time, subject to any Valid Restrictions imposed on contributions to the Corporation's Funds.

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(ix) To initiate and participate in fundraising activities, expeditions, or other projects that may be undertaken by the Corporation in order to further or promote the Corporation's 501(c)(3) Exempt Purposes.

(x) To guarantee the obligations of any affiliate of the Corporation, so long as such organization(s) shall at all times qualify as exempt under Section 501(c)(3) of the Code.

(xi) To issue bonds, notes, debentures, or other evidences of indebtedness or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation, to secure the same by mortgage, deed of trust, pledge or otherwise, or to issue the same unsecured, and to purchase or otherwise acquire its bonds, notes, debentures, or other evidences of its indebtedness or obligations.

(xii) To the extent a corporation organized under the laws of the State of Hawaii may now or hereafter lawfully do so, to engage in or carry on any and every act or activity necessary, suitable, convenient, or proper for, in connection with, or incident to the promotion, furtherance, or accomplishment of any of the Corporation's 501(c)(3) Exempt Purposes, or designed, directly or indirectly, to promote the interests of the Corporation, and to engage in any lawful act or activity that is consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization.

ARTICLE VI

CORPORATE LIFE

The duration of the Corporation shall be perpetual.

ARTICLE VII

DIRECTORS

Section 7.1 Board of Directors. The number of directors shall be fixed by the Board in accordance with the Corporation's bylaws. The Board shall have and may exercise all the powers of the Corporation except as otherwise provided herein or in the Corporation's bylaws.

Section 7.2 Officers. The officers of the Corporation shall be a president, one or more vice-presidents, a secretary and a treasurer. The Corporation may have such additional officers as shall be determined in accordance with the Corporation's bylaws. The officers shall have the powers, perform the duties and be appointed in the manner set forth in the bylaws. Any two or more offices may be held by the same person unless such practice is prohibited by the bylaws: *provided, however,* that not less than two persons shall be officers.

ARTICLE VIII

LIABILITY AND INDEMNIFICATION OF OFFICERS,
DIRECTORS, EMPLOYEES AND AGENTS

Section 8.1 No Liability to Corporation.

(i) No director or former director of the Corporation shall be personally liable to the Corporation for monetary damages for breach of the director's duties to the Corporation, except this limitation of liability shall not limit liability for (a) any breach of the director's duty of loyalty to the Corporation, (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) any transaction in which a director received an improper personal economic benefit or (d) violations of Hawaii law relating to director conflicts of interest, loans to directors or guaranty of obligations of directors or director liability for unlawful distributions.

(ii) In addition to and without in any respect narrowing the limitation of liability of directors and former directors set forth in subsection 8.1(i), no person who serves as a director or officer of the Corporation without remuneration or expectation of remuneration shall be liable for damage, injury, or loss caused by or resulting from the director's or officer's performance of, or failure to perform duties of, the position to which the person was elected or appointed, unless the director or officer was grossly negligent in the performance of, or failure to perform, such duties. For purposes of this section, remuneration does not include payment or reimbursement of reasonable expenses incurred by or on behalf of a director or officer or the provision of indemnification or insurance for actions as a director or officer.

(iii) Any repeal, amendment, or other modification of this Section 8.1 shall have prospective effect only and shall not affect the limitation of liability afforded by its provisions, or give rise to or increase any liability, for acts or omissions occurring prior to such repeal, amendment or other modification.

Section 8.2 Indemnity.

(i) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct

was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(ii) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; *provided* that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(iii) To the extent that a person seeking indemnification under Section 8.2(i) or 8.2(ii) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(iv) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of conduct set forth in Section 8.2(i) or 8.2(ii) above. Such determination may be made (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(v) The Board may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under Section 8.2(i) or 8.2(ii) above, *provided* that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Section 8.2.

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(vi) The indemnification provided by this Section 8.2 shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(vii) The Corporation may purchase and maintain insurance on behalf of any person described in Section 8.2(i) or 8.2(ii) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify the person against such liability under this Section 8.2.

(viii) This Section 8.2 shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Articles of Incorporation with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE IX

MEMBERSHIP

The Corporation shall have member(s). The member(s) of the Corporation shall not be liable for the debts, obligations and liabilities of the Corporation.

ARTICLE X

NON-PROFIT

The Corporation is not organized for profit and it will not issue any stock. No part of its assets, income or earnings shall be distributed to any director, officer, employee or any private individual, except that reasonable compensation may be paid for services actually rendered to or for the Corporation effecting one or more of its objects and purposes or for reimbursement of expenses incurred on behalf of the Corporation. No director, officer or employee of the Corporation, or any private individual, shall be entitled to share in the distribution of any of the Corporation's assets on dissolution of the Corporation.

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ARTICLE XI

CORPORATE LIABILITY

The property of the Corporation shall alone be liable in law for the debts and liabilities of the Corporation. The officers and directors of the Corporation shall incur no personal liability for said debts and liabilities by reason of such position, except as noted in Section 414D-152 of the Hawaii Revised Statutes.

ARTICLE XII

CORPORATE LIQUIDATION OR DISSOLUTION

The Corporation may be liquidated or dissolved at any time. Subject to any Valid Restrictions imposed on contributions to the Corporation, upon the winding up and dissolution of the Corporation, all the Corporation's assets remaining after payment or adequate provision for the lawful debts and obligations of the Corporation and the expenses of its liquidation or dissolution shall be distributed (i) for such of the Corporation's 501(c)(3) Exempt Purposes (including by distribution to or for the use of one or more Qualified Charitable Organizations) and in such manner and proportions as the Board shall determine in its discretion, or (ii) by a court of competent jurisdiction in the State of Hawaii, exclusively for such of the Corporation's 501(c)(3) Exempt Purposes or to such one or more Qualified Charitable Organizations having similar 501(c)(3) Exempt Purposes as the court shall determine.

ARTICLE XIII

BYLAWS

Section 13.1 Adoption. The bylaws shall be adopted by the Board.

Section 13.2 Amendment. The bylaws of the Corporation may be altered, amended or repealed by the Board.

ARTICLE XIV

AMENDMENT

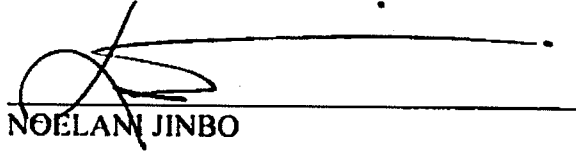
These Articles of Incorporation shall be subject to amendment at any time in the manner provided by law and from time to time in a manner and for a purpose that is consistent with the Corporation's qualification as a Qualified Charitable Organization and any Valid Restrictions imposed on contributions to the Corporation's Funds; provided, however, that no amendment hereto may remove these restrictions on amendment.

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The undersigned certifies under the penalties of Section 414D-12, Hawaii Revised Statutes, that the undersigned has read the above statements and that the same are true and correct.

Signed this 15th day of April, 2010.

"Incorporator"



NOELANI JINBO

04/16/2010 02:00:42

04/16/2010 02:00:42



**ARTICLES OF INCORPORATION
OF
ST. FRANCIS HOSPITAL - LILIHA**

04/15/201020043

The undersigned, desiring to form a nonprofit corporation under the laws of the State of Hawaii in accordance with Chapter 414D of the Hawaii Revised Statutes as amended, and other applicable laws of the State of Hawaii (the "Corporation"), certifies as follows:

ARTICLE I

CORPORATE NAME

The name of the Corporation shall be:

ST. FRANCIS HOSPITAL - LILIHA

ARTICLE II

PRINCIPAL OFFICE

and

REGISTERED AGENT

The mailing address of the initial principal office of the Corporation is:

2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

The name of the Corporation's initial registered agent and street address of the Corporation's initial registered office in the State of Hawaii are:

Sister Agnelle Ching
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

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ARTICLE III

INCORPORATOR

The name and address of the incorporator of the Corporation are:

Noelani Jinbo
Five Waterfront Plaza, 4th Floor
500 Ala Moana Boulevard
Honolulu, Hawaii 96813

ARTICLE IV

CORPORATE PURPOSES

Section 4.1 General Purposes and Activities. The Corporation is organized and shall be operated exclusively for religious, charitable, scientific, and/or educational purposes and shall be consistent with the basic Catholic philosophy as interpreted by Sisters of St. Francis of the Neumann Communities (the "The Sisters of St. Francis"), all within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation's 501(c)(3) Exempt Purposes"), as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the "Code"). In furtherance of the Corporation's 501(c)(3) Exempt Purposes, the Corporation shall operate exclusively for the benefit and support of St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation and subsidiary of St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation ("SFHS"), and its affiliates, so long as SFHS shall qualify for tax-exempt status under Section 501(c)(3) of the Code. The word "affiliate" shall include any Section 501(c)(3) organization related to the Corporation, as parent, subsidiary, or sister organization.

The nature of the Corporation's activities shall be to undertake or support, directly or indirectly, such projects, programs, services, and activities, at such times and in such places, within or without the United States of America, as the Board of Directors of the Corporation (the "Board") determines are appropriate to carry out, promote, or further the Corporation's 501(c)(3) Exempt Purposes.

It is intended that the Corporation shall be exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and that it shall qualify as an organization transfers to which are deductible for federal income, gift, and estate tax purposes by residents and citizens of the United States of America (a "Qualified Charitable Organization").

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Section 4.2 Specific Purpose. The specific purpose for which the Corporation is formed is to staff, operate and maintain a hospital and ancillary healthcare businesses in Honolulu, Hawaii and such other places as the Board shall determine.

Section 4.3 Substitution of Charity. In the event SFHS loses its tax-exempt status under the Code or shall be dissolved, or shall substantially cease its operations, the Board may substitute any other healthcare facility or organization which is under the control of The Sisters of St. Francis and tax-exempt under the Code.

Section 4.4 Restrictions. Notwithstanding any other provision of these Articles of Incorporation, the Corporation's activities and the Board's authority shall be subject to the following restrictions and limitations:

(i) The Corporation shall not carry on any activities not permitted to be carried on by a Qualified Charitable Organization.

(ii) No part of the Corporation's Funds (as such term is defined below in Article V, clause (vi)) shall inure to the benefit of or be distributable to the Corporation's directors, officers, or any other private individual or entity, except in furtherance of the Corporation's 501(c)(3) Exempt Purposes, as payment of reasonable compensation for services rendered, or as payment or reimbursement of reasonable expenses necessary to carrying out the Corporation's 501(c)(3) Exempt Purposes.

(iii) No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE V

CORPORATE POWERS

Subject to the restrictions of Section 4.4 of these Articles of Incorporation and the condition that no power or discretion shall be exercised by the Board in any manner or for any purpose that is not consistent with the Corporation's 501(c)(3) Exempt Purposes, its qualification as a Qualified Charitable Organization, and any Valid Restrictions (as defined below) imposed on contributions to the Corporation, but without otherwise limiting the powers conferred upon the Board by law, the Board is authorized:

(i) From time to time to apply for, purchase, acquire, transfer or otherwise exercise, carry out and enjoy any benefits, rights, privileges, prerogative, or power conferred by, acquired under or granted by any statute, ordinance, order, license, power, authority,

franchise, commission, right or privilege, which any government or authority or governmental agency or corporation or other public body may be empowered to enact, make or grant;

(ii) To purchase, acquire, own, hold, lease, either as lessee or as lessor, sell, exchange, mortgage, develop, construct, maintain, equip and operate real property, buildings and all other property of any and every kind or description, whether real, personal or mixed;

(iii) To carry out all or any part of the foregoing objects or purposes as principal, agent or otherwise, either alone or in conjunction with any person, firm, association or other corporation and in any part of the world; and for the purpose of obtaining and furthering any of its objects or purposes, to make and perform such contracts of any kind and description, to do such acts and things and to exercise any and all such powers as a natural person could lawfully make, perform, do or exercise, *provided that the same shall not be inconsistent with the laws of the State of Hawaii*;

(iv) To conduct its business in the State of Hawaii and other states and in the District of Columbia, the territories and possessions of the United States and in foreign countries, and to have and exercise all the powers conferred by the State of Hawaii upon a corporation formed under the laws, pursuant to and under which the Corporation is formed as such laws are now in effect or may at any time hereafter be amended:

(v) To receive and accept gifts, legacies, grants, loans, and other contributions to the Corporation from any persons or entities, in cash or in other property acceptable to the Board, including restricted contributions, provided that any restrictions are consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization and are imposed by the donor by a written instrument that is accepted by the Board by resolution ("Valid Restrictions").

(vi) To maintain and administer the Corporation's assets, including all contributions received, all income earned on those assets and contributions, and any gains therefrom (the "Corporation's Funds") and, unless otherwise specifically required, to mingle restricted contributions with other assets of the Corporation's Funds for investment purposes.

(vii) To retain, acquire, or sell any property without regard to diversification or to whether some or all of the property so acquired or retained is unproductive or wasting or is of a kind or size which, but for this express authority, would not be considered proper.

(viii) To use and apply the Corporation's Funds, make expenditures and payments therefrom, and make distributions, program-related loans, program-related investments, and other grants from the Corporation's Funds, in such amounts, at such times, in such manner, and for such of the Corporation's 501(c)(3) Exempt Purposes as the Board in its sole discretion determines from time to time, subject to any Valid Restrictions imposed on contributions to the Corporation's Funds.

(ix) To initiate and participate in fundraising activities, expeditions, or other projects that may be undertaken by the Corporation in order to further or promote the Corporation's 501(c)(3) Exempt Purposes.

(x) To guarantee the obligations of any affiliate of the Corporation, so long as such organization(s) shall at all times qualify as exempt under Section 501(c)(3) of the Code.

(xi) To issue bonds, notes, debentures, or other evidences of indebtedness or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation, to secure the same by mortgage, deed of trust, pledge or otherwise, or to issue the same unsecured, and to purchase or otherwise acquire its bonds, notes, debentures, or other evidences of its indebtedness or obligations.

(xii) To the extent a corporation organized under the laws of the State of Hawaii may now or hereafter lawfully do so, to engage in or carry on any and every act or activity necessary, suitable, convenient, or proper for, in connection with, or incident to the promotion, furtherance, or accomplishment of any of the Corporation's 501(c)(3) Exempt Purposes, or designed, directly or indirectly, to promote the interests of the Corporation, and to engage in any lawful act or activity that is consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization.

ARTICLE VI

CORPORATE LIFE

The duration of the Corporation shall be perpetual.

ARTICLE VII

DIRECTORS

Section 7.1 Board of Directors. The number of directors shall be fixed by the Board in accordance with the Corporation's bylaws. The Board shall have and may exercise all the powers of the Corporation except as otherwise provided herein or in the Corporation's bylaws.

Section 7.2 Officers. The officers of the Corporation shall be a president, one or more vice-presidents, a secretary and a treasurer. The Corporation may have such additional officers as shall be determined in accordance with the Corporation's bylaws. The officers shall have the powers, perform the duties and be appointed in the manner set forth in the bylaws. Any two or more offices may be held by the same person unless such practice is prohibited by the bylaws: *provided, however,* that not less than two persons shall be officers.

ARTICLE VIII

LIABILITY AND INDEMNIFICATION OF OFFICERS,
DIRECTORS, EMPLOYEES AND AGENTS

Section 8.1 No Liability to Corporation.

(i) No director or former director of the Corporation shall be personally liable to the Corporation for monetary damages for breach of the director's duties to the Corporation, except this limitation of liability shall not limit liability for (a) any breach of the director's duty of loyalty to the Corporation, (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) any transaction in which a director received an improper personal economic benefit or (d) violations of Hawaii law relating to director conflicts of interest, loans to directors or guaranty of obligations of directors or director liability for unlawful distributions.

(ii) In addition to and without in any respect narrowing the limitation of liability of directors and former directors set forth in subsection 8.1(i), no person who serves as a director or officer of the Corporation without remuneration or expectation of remuneration shall be liable for damage, injury, or loss caused by or resulting from the director's or officer's performance of, or failure to perform duties of, the position to which the person was elected or appointed, unless the director or officer was grossly negligent in the performance of, or failure to perform, such duties. For purposes of this section, remuneration does not include payment or reimbursement of reasonable expenses incurred by or on behalf of a director or officer or the provision of indemnification or insurance for actions as a director or officer.

(iii) Any repeal, amendment, or other modification of this Section 8.1 shall have prospective effect only and shall not affect the limitation of liability afforded by its provisions, or give rise to or increase any liability, for acts or omissions occurring prior to such repeal, amendment or other modification.

Section 8.2 Indemnity.

(i) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct

was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(ii) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; *provided* that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(iii) To the extent that a person seeking indemnification under Section 8.2(i) or 8.2(ii) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(iv) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of conduct set forth in Section 8.2(i) or 8.2(ii) above. Such determination may be made (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(v) The Board may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under Section 8.2(i) or 8.2(ii) above, *provided* that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Section 8.2.

(vi) The indemnification provided by this Section 8.2 shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(vii) The Corporation may purchase and maintain insurance on behalf of any person described in Section 8.2(i) or 8.2(ii) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify the person against such liability under this Section 8.2.

(viii) This Section 8.2 shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Articles of Incorporation with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE IX

MEMBERSHIP

The Corporation shall have member(s). The member(s) of the Corporation shall not be liable for the debts, obligations and liabilities of the Corporation.

ARTICLE X

NON-PROFIT

The Corporation is not organized for profit and it will not issue any stock. No part of its assets, income or earnings shall be distributed to any director, officer, employee or any private individual, except that reasonable compensation may be paid for services actually rendered to or for the Corporation effecting one or more of its objects and purposes or for reimbursement of expenses incurred on behalf of the Corporation. No director, officer or employee of the Corporation, or any private individual, shall be entitled to share in the distribution of any of the Corporation's assets on dissolution of the Corporation.

ARTICLE XI

CORPORATE LIABILITY

The property of the Corporation shall alone be liable in law for the debts and liabilities of the Corporation. The officers and directors of the Corporation shall incur no personal liability for said debts and liabilities by reason of such position, except as noted in Section 414D-152 of the Hawaii Revised Statutes.

ARTICLE XII

CORPORATE LIQUIDATION OR DISSOLUTION

The Corporation may be liquidated or dissolved at any time. Subject to any Valid Restrictions imposed on contributions to the Corporation, upon the winding up and dissolution of the Corporation, all the Corporation's assets remaining after payment or adequate provision for the lawful debts and obligations of the Corporation and the expenses of its liquidation or dissolution shall be distributed (i) for such of the Corporation's 501(c)(3) Exempt Purposes (including by distribution to or for the use of one or more Qualified Charitable Organizations) and in such manner and proportions as the Board shall determine in its discretion, or (ii) by a court of competent jurisdiction in the State of Hawaii, exclusively for such of the Corporation's 501(c)(3) Exempt Purposes or to such one or more Qualified Charitable Organizations having similar 501(c)(3) Exempt Purposes as the court shall determine.

ARTICLE XIII

BYLAWS

Section 13.1 Adoption. The bylaws shall be adopted by the Board.

Section 13.2 Amendment. The bylaws of the Corporation may be altered, amended or repealed by the Board.

ARTICLE XIV

AMENDMENT

These Articles of Incorporation shall be subject to amendment at any time in the manner provided by law and from time to time in a manner and for a purpose that is consistent with the Corporation's qualification as a Qualified Charitable Organization and any Valid Restrictions imposed on contributions to the Corporation's Funds; provided, however, that no amendment hereto may remove these restrictions on amendment.

The undersigned certifies under the penalties of Section 414D-12, Hawaii Revised Statutes, that the undersigned has read the above statements and that the same are true and correct.

Signed this 15th day of April, 2010.

"Incorporator"



NOELANI VINBO

04/16/201020043

04/16/201020043



**ARTICLES OF INCORPORATION
OF
ST. FRANCIS HOSPITAL - EWA**

04/15/201020044

The undersigned, desiring to form a nonprofit corporation under the laws of the State of Hawaii in accordance with Chapter 414D of the Hawaii Revised Statutes as amended, and other applicable laws of the State of Hawaii (the "Corporation"), certifies as follows:

ARTICLE I

CORPORATE NAME

The name of the Corporation shall be:

ST. FRANCIS HOSPITAL - EWA

ARTICLE II

**PRINCIPAL OFFICE
and
REGISTERED AGENT**

The mailing address of the initial principal office of the Corporation is:

**2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817**

The name of the Corporation's initial registered agent and street address of the Corporation's initial registered office in the State of Hawaii are:

**Sister Agnelle Ching
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817**

04/16/201020044

ARTICLE III

INCORPORATOR

The name and address of the incorporator of the Corporation are:

Noelani Jinbo
Five Waterfront Plaza, 4th Floor
500 Ala Moana Boulevard
Honolulu, Hawaii 96813

ARTICLE IV

CORPORATE PURPOSES

Section 4.1 General Purposes and Activities. The Corporation is organized and shall be operated exclusively for religious, charitable, scientific, and/or educational purposes and shall be consistent with the basic Catholic philosophy as interpreted by Sisters of St. Francis of the Neumann Communities (the "The Sisters of St. Francis"), all within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation's 501(c)(3) Exempt Purposes"), as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the "Code"). In furtherance of the Corporation's 501(c)(3) Exempt Purposes, the Corporation shall operate exclusively for the benefit and support of St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation and subsidiary of St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation ("SFHS"), and its affiliates, so long as SFHS shall qualify for tax-exempt status under Section 501(c)(3) of the Code. The word "affiliate" shall include any Section 501(c)(3) organization related to the Corporation, as parent, subsidiary, or sister organization.

The nature of the Corporation's activities shall be to undertake or support, directly or indirectly, such projects, programs, services, and activities, at such times and in such places, within or without the United States of America, as the Board of Directors of the Corporation (the "Board") determines are appropriate to carry out, promote, or further the Corporation's 501(c)(3) Exempt Purposes.

It is intended that the Corporation shall be exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code, and that it shall qualify as an organization transfers to which are deductible for federal income, gift, and estate tax purposes by residents and citizens of the United States of America (a "Qualified Charitable Organization").

Section 4.2 Specific Purpose. The specific purpose for which the Corporation is formed is to staff, operate and maintain a hospital and ancillary healthcare businesses in Ewa Beach, Hawaii and such other places as the Board shall determine.

Section 4.3 Substitution of Charity. In the event SFHS loses its tax-exempt status under the Code or shall be dissolved, or shall substantially cease its operations, the Board may substitute any other healthcare facility or organization which is under the control of The Sisters of St. Francis, and tax-exempt under the Code.

Section 4.4 Restrictions. Notwithstanding any other provision of these Articles of Incorporation, the Corporation's activities and the Board's authority shall be subject to the following restrictions and limitations:

(i) The Corporation shall not carry on any activities not permitted to be carried on by a Qualified Charitable Organization.

(ii) No part of the Corporation's Funds (as such term is defined below in Article V, clause (vi)) shall inure to the benefit of or be distributable to the Corporation's directors, officers, or any other private individual or entity, except in furtherance of the Corporation's 501(c)(3) Exempt Purposes, as payment of reasonable compensation for services rendered, or as payment or reimbursement of reasonable expenses necessary to carrying out the Corporation's 501(c)(3) Exempt Purposes.

(iii) No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

ARTICLE V

CORPORATE POWERS

Subject to the restrictions of Section 4.4 of these Articles of Incorporation and the condition that no power or discretion shall be exercised by the Board in any manner or for any purpose that is not consistent with the Corporation's 501(c)(3) Exempt Purposes, its qualification as a Qualified Charitable Organization, and any Valid Restrictions (as defined below) imposed on contributions to the Corporation, but without otherwise limiting the powers conferred upon the Board by law, the Board is authorized:

(i) From time to time to apply for, purchase, acquire, transfer or otherwise exercise, carry out and enjoy any benefits, rights, privileges, prerogative, or power conferred by, acquired under or granted by any statute, ordinance, order, license, power, authority, franchise.

commission, right or privilege, which any government or authority or governmental agency or corporation or other public body may be empowered to enact, make or grant;

(ii) To purchase, acquire, own, hold, lease, either as lessee or as lessor, sell, exchange, mortgage, develop, construct, maintain, equip and operate real property, buildings and all other property of any and every kind or description, whether real, personal or mixed;

(iii) To carry out all or any part of the foregoing objects or purposes as principal, agent or otherwise, either alone or in conjunction with any person, firm, association or other corporation and in any part of the world; and for the purpose of obtaining and furthering any of its objects or purposes, to make and perform such contracts of any kind and description, to do such acts and things and to exercise any and all such powers as a natural person could lawfully make, perform, do or exercise, *provided* that the same shall not be inconsistent with the laws of the State of Hawaii;

(iv) To conduct its business in the State of Hawaii and other states and in the District of Columbia, the territories and possessions of the United States and in foreign countries, and to have and exercise all the powers conferred by the State of Hawaii upon a corporation formed under the laws, pursuant to and under which the Corporation is formed as such laws are now in effect or may at any time hereafter be amended;

(v) To receive and accept gifts, legacies, grants, loans, and other contributions to the Corporation from any persons or entities, in cash or in other property acceptable to the Board, including restricted contributions, provided that any restrictions are consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization and are imposed by the donor by a written instrument that is accepted by the Board by resolution ("Valid Restrictions").

(vi) To maintain and administer the Corporation's assets, including all contributions received, all income earned on those assets and contributions, and any gains therefrom (the "Corporation's Funds") and, unless otherwise specifically required, to mingle restricted contributions with other assets of the Corporation's Funds for investment purposes.

(vii) To retain, acquire, or sell any property without regard to diversification or to whether some or all of the property so acquired or retained is unproductive or wasting or is of a kind or size which, but for this express authority, would not be considered proper.

(viii) To use and apply the Corporation's Funds, make expenditures and payments therefrom, and make distributions, program-related loans, program-related investments, and other grants from the Corporation's Funds, in such amounts, at such times, in such manner, and for such of the Corporation's 501(c)(3) Exempt Purposes as the Board in its sole discretion determines from time to time, subject to any Valid Restrictions imposed on contributions to the Corporation's Funds.

(ix) To initiate and participate in fundraising activities, expeditions, or other projects that may be undertaken by the Corporation in order to further or promote the Corporation's 501(c)(3) Exempt Purposes.

(x) To guarantee the obligations of any affiliate of the Corporation, so long as such organization(s) shall at all times qualify as exempt under Section 501(c)(3) of the Code.

(xi) To issue bonds, notes, debentures, or other evidences of indebtedness or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation, to secure the same by mortgage, deed of trust, pledge or otherwise, or to issue the same unsecured, and to purchase or otherwise acquire its bonds, notes, debentures, or other evidences of its indebtedness or obligations.

(xii) To the extent a corporation organized under the laws of the State of Hawaii may now or hereafter lawfully do so, to engage in or carry on any and every act or activity necessary, suitable, convenient, or proper for, in connection with, or incident to the promotion, furtherance, or accomplishment of any of the Corporation's 501(c)(3) Exempt Purposes, or designed, directly or indirectly, to promote the interests of the Corporation, and to engage in any lawful act or activity that is consistent with the Corporation's 501(c)(3) Exempt Purposes and its qualification as a Qualified Charitable Organization.

ARTICLE VI

CORPORATE LIFE

The duration of the Corporation shall be perpetual.

ARTICLE VII

DIRECTORS

Section 7.1 Board of Directors. The number of directors shall be fixed by the Board in accordance with the Corporation's bylaws. The Board shall have and may exercise all the powers of the Corporation except as otherwise provided herein or in the Corporation's bylaws.

Section 7.2 Officers. The officers of the Corporation shall be a president, one or more vice-presidents, a secretary and a treasurer. The Corporation may have such additional officers as shall be determined in accordance with the Corporation's bylaws. The officers shall have the powers, perform the duties and be appointed in the manner set forth in the bylaws. Any two or more offices may be held by the same person unless such practice is prohibited by the bylaws; *provided, however,* that not less than two persons shall be officers.

ARTICLE VIII

LIABILITY AND INDEMNIFICATION OF OFFICERS,
DIRECTORS, EMPLOYEES AND AGENTS

Section 8.1 No Liability to Corporation.

(i) No director or former director of the Corporation shall be personally liable to the Corporation for monetary damages for breach of the director's duties to the Corporation, except this limitation of liability shall not limit liability for (a) any breach of the director's duty of loyalty to the Corporation, (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) any transaction in which a director received an improper personal economic benefit or (d) violations of Hawaii law relating to director conflicts of interest, loans to directors or guaranty of obligations of directors or director liability for unlawful distributions.

(ii) In addition to and without in any respect narrowing the limitation of liability of directors and former directors set forth in subsection 8.1(i), no person who serves as a director or officer of the Corporation without remuneration or expectation of remuneration shall be liable for damage, injury, or loss caused by or resulting from the director's or officer's performance of, or failure to perform duties of, the position to which the person was elected or appointed, unless the director or officer was grossly negligent in the performance of, or failure to perform, such duties. For purposes of this section, remuneration does not include payment or reimbursement of reasonable expenses incurred by or on behalf of a director or officer or the provision of indemnification or insurance for actions as a director or officer.

(iii) Any repeal, amendment, or other modification of this Section 8.1 shall have prospective effect only and shall not affect the limitation of liability afforded by its provisions, or give rise to or increase any liability, for acts or omissions occurring prior to such repeal, amendment or other modification.

Section 8.2 Indemnity.

(i) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct

was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(ii) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; *provided* that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(iii) To the extent that a person seeking indemnification under Section 8.2(i) or 8.2(ii) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(iv) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of conduct set forth in Section 8.2(i) or 8.2(ii) above. Such determination may be made (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(v) The Board may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under Section 8.2(i) or 8.2(ii) above, *provided* that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Section 8.2.

(vi) The indemnification provided by this Section 8.2 shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(vii) The Corporation may purchase and maintain insurance on behalf of any person described in Section 8.2(i) or 8.2(ii) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify the person against such liability under this Section 8.2.

(viii) This Section 8.2 shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Articles of Incorporation with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE IX

MEMBERSHIP

The Corporation shall have member(s). The member(s) of the Corporation shall not be liable for the debts, obligations and liabilities of the Corporation.

ARTICLE X

NON-PROFIT

The Corporation is not organized for profit and it will not issue any stock. No part of its assets, income or earnings shall be distributed to any director, officer, employee or any private individual, except that reasonable compensation may be paid for services actually rendered to or for the Corporation effecting one or more of its objects and purposes or for reimbursement of expenses incurred on behalf of the Corporation. No director, officer or employee of the Corporation, or any private individual, shall be entitled to share in the distribution of any of the Corporation's assets on dissolution of the Corporation.

ARTICLE XI

CORPORATE LIABILITY

The property of the Corporation shall alone be liable in law for the debts and liabilities of the Corporation. The officers and directors of the Corporation shall incur no personal liability for said debts and liabilities by reason of such position, except as noted in Section 414D-152 of the Hawaii Revised Statutes.

ARTICLE XII

CORPORATE LIQUIDATION OR DISSOLUTION

The Corporation may be liquidated or dissolved at any time. Subject to any Valid Restrictions imposed on contributions to the Corporation, upon the winding up and dissolution of the Corporation, all the Corporation's assets remaining after payment or adequate provision for the lawful debts and obligations of the Corporation and the expenses of its liquidation or dissolution shall be distributed (i) for such of the Corporation's 501(c)(3) Exempt Purposes (including by distribution to or for the use of one or more Qualified Charitable Organizations) and in such manner and proportions as the Board shall determine in its discretion, or (ii) by a court of competent jurisdiction in the State of Hawaii, exclusively for such of the Corporation's 501(c)(3) Exempt Purposes or to such one or more Qualified Charitable Organizations having similar 501(c)(3) Exempt Purposes as the court shall determine.

ARTICLE XIII

BYLAWS

Section 13.1 Adoption. The bylaws shall be adopted by the Board.

Section 13.2 Amendment. The bylaws of the Corporation may be altered, amended or repealed by the Board.

ARTICLE XIV

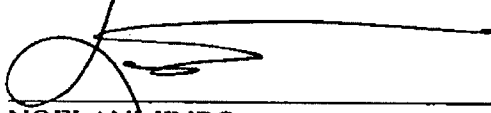
AMENDMENT

These Articles of Incorporation shall be subject to amendment at any time in the manner provided by law and from time to time in a manner and for a purpose that is consistent with the Corporation's qualification as a Qualified Charitable Organization and any Valid Restrictions imposed on contributions to the Corporation's Funds; provided, however, that no amendment hereto may remove these restrictions on amendment.

The undersigned certifies under the penalties of Section 414D-12, Hawaii Revised Statutes, that the undersigned has read the above statements and that the same are true and correct.

Signed this 15th day of April, 2010.

"Incorporator"



NOELANI JINBO

04/16/201020044

04/16/201020044

EXHIBIT 2

BYLAWS OF
ST. FRANCIS HOSPITALS HAWAII

ARTICLE I

ACTIVITIES

The activities of this Corporation shall be those necessary and appropriate to accomplish the purposes of the Corporation as stated in its Articles of Incorporation.

ARTICLE II

OFFICES

Section 2.1 Registered Office. The registered office of the Corporation shall be at such place in the State of Hawaii as the Board of Directors shall from time to time determine. The initial registered office of the Corporation is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817.

Section 2.2 Other Offices. The Corporation may have such other principal offices in or out of the State of Hawaii as the Board of Directors may designate.

ARTICLE III

MEMBERS

Section 3.1 Members. Membership in the Corporation shall be limited to St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation (the "Sole Member").

Section 3.2 Rights of the Sole Member. The Sole Member shall have powers over certain actions taken by the Board of Directors as provided in these Bylaws and shall be entitled to share in the distribution of the corporate assets if, upon dissolution of the Corporation, the Sole Member qualifies as an exempt organization under Section 501(c)(3) of the Internal

Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the “Code”).

Section 3.3 Restriction on Powers. The general powers granted to the Board of Directors are limited or restricted to the extent that certain actions of the Corporation require the approval and consent of the Sole Member as follows:

(a) Approval of the Corporation’s annual budget, including budgets for operations, capital expenditures, and cash flow;

(b) Approval of the appointment of the Chief Operating Officer of the Corporation;

(c) Any change in purpose, philosophy or objectives of the Corporation;

(d) Final decision on the number of directors constituting the entire Board of Directors and the appointment or removal of any member(s) and elected officer(s) of the Board of Directors;

(e) Any loans or evidences of indebtedness which are secured by or affect the real property and/or assets of the Corporation or of the Sole Member or the Sole Member’s subsidiary corporations and contracted on behalf of the Corporation; and

(f) Amendment of the Articles of Incorporation and/or these Bylaws of the Corporation.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors. All the corporate powers, except such as are otherwise provided in these Bylaws and in the laws of the State of Hawaii, shall be and are hereby vested in

and shall be exercised by the Board of Directors. The Board of Directors may by general resolution delegate to committees of their own number, or to officers or other key management personnel of the Corporation, such powers as it may see fit. The Board of Directors shall make provision for the annual self-evaluations of the Board of Directors as a whole, and of the Chief Operating Officer, to be submitted in writing to the Sole Member, relative to the performance of the Board of Directors and the Chief Operating Officer, and shall also make provision for the annual disclosure statement for potential duality and/or conflict of interest by each member of the Board of Directors.

Section 4.2 Number and Qualification of Directors. The Board of Directors of the Corporation shall be comprised of at least three individuals, with the actual authorized number of directors constituting the whole Board of Directors of the Corporation being fixed by resolution of the Sole Member from time to time.

Section 4.3 Term of Office. Directors may be appointed from time to time as prescribed in Section 4.4 of these Bylaws. Each director shall hold office for a term of three (3) years, unless removed sooner pursuant to Section 4.6 of these Bylaws. The terms of the directors shall be staggered so that the terms will expire in separate consecutive years. A director may be reappointed to succeed himself/herself.

Section 4.4 Appointment of Directors. The directors of the Corporation shall be selected by the Sole Member. At least ten (10) days in advance of the Corporation's annual meeting for the election of directors, the Sole Member shall give notice to the Board of Directors with the names of the individuals who will constitute the directors to be elected or appointed at such annual meeting.

Section 4.5 Vacancies. Any vacancy occurring on the Board of Directors and any directorship to be filled by reason of any increase in the number of directors may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, subject to the approval by the Sole Member. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office.

Section 4.6 Removal. Any director may be removed from office at any time, with or without cause, by the Sole Member or by the affirmative vote of a majority of the Board of Directors with the approval of the Sole Member.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held, at least annually, at such times and places as the Board of Directors may provide by resolution. No notice other than such resolution need be given.

Section 5.2 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Sole Member or by any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place for holding any special meeting of the Board of Directors called by them at any place within the State of Hawaii, unless the Board of Directors approves the holding of such meeting at a place outside the State of Hawaii. Notice of each special meeting shall be given in accordance with Section 5.3 of these Bylaws.

Section 5.3 Notice. The Secretary shall give notice of each meeting of the Board of Directors (for which notice is required) in writing by mailing the same not less than three (3) days before the meeting or by giving notice personally, by telephone, by electronic mail,

or by facsimile not less than two (2) days before the meeting. The failure of any director to receive such notice shall not invalidate the proceedings of any meeting for which proper notice was given and at which a quorum of the directors is present. Notice need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, a notice or waiver of notice need not state the purposes of such meeting.

Section 5.4 Quorum and Adjournment. A majority of the number of directors fixed pursuant to these Bylaws shall constitute a quorum. No action taken, other than the appointment of directors to fill vacancies, shall bind the Corporation unless it shall receive the concurring vote of a majority of the directors present at a meeting at which a quorum is present. In the absence of a quorum, the presiding officer or a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is present.

Section 5.5 Electronic/Telephone Meetings. Subject to the notice requirements in Section 5.3 hereof, any or all members of the Board of Directors or any committee designated thereby may participate in a regular or special meeting of the Board of Directors or of such committee by, or conduct the meeting through the use of, any means of communication by which all the members of the Board of Directors participating may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 5.6 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee designated thereby may be taken if all the Directors or all of the members of the committee, as the case may, sign a written consent setting forth the action taken or to be taken at any time before or after the intended effective date of

such action. Such consent shall be filed with the minutes of the Board of Directors or committee, as the case may be, and shall have the same effect as a unanimous vote.

Section 5.7 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent or refusal to vote is entered in the minutes of the meeting or unless the director either files a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards such dissent by certified mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 5.8 Voting as Member or Shareholder. The vote of the Corporation as a member or shareholder of another Corporation shall be determined by the vote of a majority of the directors of the Corporation present at a meeting at which a quorum is present; provided, however, that if the vote is to amend or approve the amendment of the Articles of Incorporation or Bylaws of the other corporation, then the vote of two-thirds of the directors so present at such a meeting shall be required to amend or approve the amendments of said Articles of Incorporation or Bylaws.

Section 5.9 Proxy. Voting by proxy shall not be permitted at any meeting of the Board of Directors or of any committees, boards or bodies created by the Board of Directors.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1 Powers. The corporate powers of this Corporation shall be vested in the Board of Directors to the fullest extent permitted by the laws of the State of Hawaii. The Board

of Directors shall have general charge of the affairs, funds and property of the Corporation, and shall have full power, and it shall be their duty, to enforce these Bylaws.

Section 6.2 Duties. It shall be the duty of the Board of Directors to oversee, manage and control the affairs and business of the Corporation and to promulgate and enforce rules and regulations therefor not inconsistent with law, the Articles of Incorporation or these Bylaws of the Corporation.

Section 6.3 Chairman. The Board of Directors may appoint from among its members a Chairman who shall preside at all Board of Directors' meetings, serve during the pleasure of the Board of Directors, and perform such other duties as may be assigned to the Chairman by the Articles of Incorporation, these Bylaws or the Board of Directors.

Section 6.4 Committees. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate and appoint one or more committees, which committees, to the extent provided in such resolution, shall have and exercise all the authority of the Board of Directors, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. The Corporation may also have such advisory committees as the Board of Directors may provide from time to time. Such advisory committees shall not have the authority to act on behalf of the Corporation, but shall only advise the Board of Directors.

ARTICLE VII

OFFICERS

Section 7.1 Number. The officers of the Corporation shall be the President, one or more Vice Presidents, the Secretary, the Treasurer and such other officers as the Board of Directors shall from time to time elect with such duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

Section 7.2 Election and Term of Office. All officers shall be elected by the Board of Directors and shall serve until their successors are elected. Any two or more offices may be held by the same person, provided that the Corporation shall have not fewer than two persons as officers. All officers shall be subject to removal at any time by the Board of Directors whenever in the judgment of the Board of Directors the best interests of the Corporation shall be served thereby. The Board of Directors may, in its discretion, elect acting or temporary officers, elect officers to fill vacancies occurring for any reason whatsoever, and limit or enlarge the duties and powers of any officer elected by it. Officers need not be directors of the Corporation.

Section 7.3 President. The President shall preside at all meetings of the Members and, in the absence of the Chairman of the Board of Directors or if no Chairman of the Board of Directors is then in office, the President shall preside at all meetings of the Board of Directors. Unless otherwise determined by the Board of Directors, the President shall have general charge and supervision of the Corporation. The President shall perform such other duties as are incident to the office or are required by the Board of Directors.

Section 7.4 Vice President. In the absence or disability or refusal to act by the President, the Vice President or Vice Presidents shall, in the order designated by the Board of Directors, perform all of the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President or Vice Presidents shall have such powers and perform such other duties as from time to time may be prescribed by the President, the Board of Directors or these Bylaws.

Section 7.5 Treasurer. The Treasurer shall be the chief financial officer of the Corporation and exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall perform all other duties assigned by the Board of Directors.

Section 7.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and all committees thereof. The Secretary shall keep or cause to be kept a register showing the names of the directors and officers with their addresses. The Secretary shall give notice in conformity with these Bylaws of all meetings of the Board of Directors. The Secretary shall also perform all other duties assigned by the Board of Directors.

ARTICLE VIII

AUDITOR

An auditor may be elected by the Board of Directors to serve until a successor is elected. No director or officer of the Corporation shall be eligible to serve as auditor.

ARTICLE IX

DISBURSEMENTS AND CONTRIBUTIONS

Section 9.1 Disbursements. Disbursements of the funds of the Corporation for the purposes for which it is organized shall be made by the officers designated by the Board of Directors in its discretion.

Section 9.2 Limitations on Disbursements. The Board of Directors shall not authorize any disbursements or contributions of the funds or assets of the Corporation to or for the benefit, directly or indirectly, of any director or officer of the Corporation, except (1) for reasonable payments for services actually rendered to the Corporation by directors or officers as employees or directors of the Corporation, and (2) for reimbursement of reasonable expenses to such officers and directors incurred in the course of performing services for the Corporation.

ARTICLE X

LIABILITY AND INDEMNIFICATION

Section 10.1 Liability. Any person who serves as a director or officer of the Corporation without remuneration or the expectation of remuneration shall not be liable for damage, injury or loss caused by or resulting from such person's performance of, or failure to perform, duties of the position to which the person was appointed, unless the person was grossly negligent in the performance of, or failure to perform, such duties.

Section 10.2 Indemnification.

(a) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and,

with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; provided that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(c) To the extent that a person seeking indemnification under paragraphs (a) or (b) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(d) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of

conduct set forth in paragraphs (a) or (b) above. Such determination may be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(e) The Board of Directors may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under paragraphs (a) or (b) above, provided that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Article.

(f) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any Bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(g) The Corporation may purchase and maintain insurance on behalf of any person described in paragraphs (a) or (b) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the

Corporation would have the power to indemnify the person against such liability under this Article.

(h) This Article shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Bylaws with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Inspection of Corporate Records. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection upon the written demand of any director, at any reasonable time, and for a purpose reasonably related to such director's interests as a director. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection at all times and at any time upon the demand of the Sole Member. Such inspection may be made in person or by an agent or attorney, and shall include the right to make copies.

Section 11.2 Execution of Instruments.

(a) All checks and other orders for the payment of money, drafts, notes, bonds, acceptances, contracts, and all other instruments, except as otherwise provided in these Bylaws, shall be signed by such person or persons as shall be provided by general or special resolution of the Board of Directors, and in the absence of any provision in these Bylaws or any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the

President or Vice President, and by the Treasurer or the Secretary. Unless authorized by the Board of Directors, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

(b) The Board of Directors may, from time to time by resolution, provide for the execution of any corporate instrument or document, including, but not limited to checks, by the printed, lithographed or engraved facsimile signature or signatures of the person or persons authorized to sign such documents.

Section 11.3 Inspection of Bylaws. The Corporation shall keep in its principal office the original or a copy of these Bylaws as amended, certified by the Secretary, which shall be open to inspection by the directors and the Sole Member at all reasonable times during office hours.

ARTICLE XII

SEAL

The Corporation may, but shall not be required to, have a seal of such form as the Board of Directors may from time to time determine, which may be altered at will, and which may be used, or a facsimile of it used, by impressing or affixing or in any other manner reproducing it.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of July and end on the last day of June in each year.

ARTICLE XIV

AMENDMENTS

The Bylaws may be amended or repealed in accordance with the provisions of the Corporation's Articles of Incorporation.

Adopted: Effective _____, 2010.

Secretary

**BYLAWS OF
ST. FRANCIS HOSPITAL – LILIHA**

ARTICLE I

ACTIVITIES

The activities of this Corporation shall be those necessary and appropriate to accomplish the purposes of the Corporation as stated in its Articles of Incorporation.

ARTICLE II

OFFICES

Section 2.1 Registered Office. The registered office of the Corporation shall be at such place in the State of Hawaii as the Board of Directors shall from time to time determine. The initial registered office of the Corporation is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817.

Section 2.2 Other Offices. The Corporation may have such other principal offices in or out of the State of Hawaii as the Board of Directors may designate.

ARTICLE III

MEMBERS

Section 3.1 Members. Membership in the Corporation shall be limited to St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation (the “Sole Member”).

Section 3.2 Rights of the Sole Member. The Sole Member shall have powers over certain actions taken by the Board of Directors as provided in these Bylaws and shall be entitled to share in the distribution of the corporate assets if, upon dissolution of the Corporation, the Sole Member qualifies as an exempt organization under Section 501(c)(3) of the Internal

Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the “Code”).

Section 3.3 Restriction on Powers. The general powers granted to the Board of Directors are limited or restricted to the extent that certain actions of the Corporation require the approval and consent of the Sole Member as follows:

(a) Approval of the Corporation’s annual budget, including budgets for operations, capital expenditures, and cash flow;

(b) Approval of the appointment of the Chief Operating Officer of the Corporation;

(c) Any change in purpose, philosophy or objectives of the Corporation;

(d) Final decision on the number of directors constituting the entire Board of Directors and the appointment or removal of any member(s) and elected officer(s) of the Board of Directors;

(e) Any loans or evidences of indebtedness which are secured by or affect the real property and/or assets of the Corporation or of the Sole Member or the Sole Member’s subsidiary corporations and contracted on behalf of the Corporation; and

(f) Amendment of the Articles of Incorporation and/or these Bylaws of the Corporation.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors. All the corporate powers, except such as are otherwise provided in these Bylaws and in the laws of the State of Hawaii, shall be and are hereby vested in

and shall be exercised by the Board of Directors. The Board of Directors may by general resolution delegate to committees of their own number, or to officers or other key management personnel of the Corporation, such powers as it may see fit. The Board of Directors shall make provision for the annual self-evaluations of the Board of Directors as a whole, and of the Chief Operating Officer, to be submitted in writing to the Sole Member, relative to the performance of the Board of Directors and the Chief Operating Officer, and shall also make provision for the annual disclosure statement for potential duality and/or conflict of interest by each member of the Board of Directors.

Section 4.2 Number and Qualification of Directors. The Board of Directors of the Corporation shall be comprised of at least three individuals, with the actual authorized number of directors constituting the whole Board of Directors of the Corporation being fixed by resolution of the Sole Member from time to time.

Section 4.3 Term of Office. Directors may be appointed from time to time as prescribed in Section 4.4 of these Bylaws. Each director shall hold office for a term of three (3) years, unless removed sooner pursuant to Section 4.6 of these Bylaws. The terms of the directors shall be staggered so that the terms will expire in separate consecutive years. A director may be reappointed to succeed himself/herself.

Section 4.4 Appointment of Directors. The directors of the Corporation shall be selected by the Sole Member. At least ten (10) days in advance of the Corporation's annual meeting for the election of directors, the Sole Member shall give notice to the Board of Directors with the names of the individuals who will constitute the directors to be elected or appointed at such annual meeting.

Section 4.5 Vacancies. Any vacancy occurring on the Board of Directors and any directorship to be filled by reason of any increase in the number of directors may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, subject to the approval by the Sole Member. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office.

Section 4.6 Removal. Any director may be removed from office at any time, with or without cause, by the Sole Member or by the affirmative vote of a majority of the Board of Directors with the approval of the Sole Member.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held, at least annually, at such times and places as the Board of Directors may provide by resolution. No notice other than such resolution need be given.

Section 5.2 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Sole Member or by any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place for holding any special meeting of the Board of Directors called by them at any place within the State of Hawaii, unless the Board of Directors approves the holding of such meeting at a place outside the State of Hawaii. Notice of each special meeting shall be given in accordance with Section 5.3 of these Bylaws.

Section 5.3 Notice. The Secretary shall give notice of each meeting of the Board of Directors (for which notice is required) in writing by mailing the same not less than three (3) days before the meeting or by giving notice personally, by telephone, by electronic mail,

or by facsimile not less than two (2) days before the meeting. The failure of any director to receive such notice shall not invalidate the proceedings of any meeting for which proper notice was given and at which a quorum of the directors is present. Notice need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, a notice or waiver of notice need not state the purposes of such meeting.

Section 5.4 Quorum and Adjournment. A majority of the number of directors fixed pursuant to these Bylaws shall constitute a quorum. No action taken, other than the appointment of directors to fill vacancies, shall bind the Corporation unless it shall receive the concurring vote of a majority of the directors present at a meeting at which a quorum is present. In the absence of a quorum, the presiding officer or a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is present.

Section 5.5 Electronic/Telephone Meetings. Subject to the notice requirements in Section 5.3 hereof, any or all members of the Board of Directors or any committee designated thereby may participate in a regular or special meeting of the Board of Directors or of such committee by, or conduct the meeting through the use of, any means of communication by which all the members of the Board of Directors participating may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 5.6 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee designated thereby may be taken if all the Directors or all of the members of the committee, as the case may, sign a written consent setting forth the action taken or to be taken at any time before or after the intended effective date of

such action. Such consent shall be filed with the minutes of the Board of Directors or committee, as the case may be, and shall have the same effect as a unanimous vote.

Section 5.7 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent or refusal to vote is entered in the minutes of the meeting or unless the director either files a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards such dissent by certified mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 5.8 Voting as Member or Shareholder. The vote of the Corporation as a member or shareholder of another Corporation shall be determined by the vote of a majority of the directors of the Corporation present at a meeting at which a quorum is present; provided, however, that if the vote is to amend or approve the amendment of the Articles of Incorporation or Bylaws of the other corporation, then the vote of two-thirds of the directors so present at such a meeting shall be required to amend or approve the amendments of said Articles of Incorporation or Bylaws.

Section 5.9 Proxy. Voting by proxy shall not be permitted at any meeting of the Board of Directors or of any committees, boards or bodies created by the Board of Directors.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1 Powers. The corporate powers of this Corporation shall be vested in the Board of Directors to the fullest extent permitted by the laws of the State of Hawaii. The Board

of Directors shall have general charge of the affairs, funds and property of the Corporation, and shall have full power, and it shall be their duty, to enforce these Bylaws.

Section 6.2 Duties. It shall be the duty of the Board of Directors to oversee, manage and control the affairs and business of the Corporation and to promulgate and enforce rules and regulations therefor not inconsistent with law, the Articles of Incorporation or these Bylaws of the Corporation.

Section 6.3 Chairman. The Board of Directors may appoint from among its members a Chairman who shall preside at all Board of Directors' meetings, serve during the pleasure of the Board of Directors, and perform such other duties as may be assigned to the Chairman by the Articles of Incorporation, these Bylaws or the Board of Directors.

Section 6.4 Committees. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate and appoint one or more committees, which committees, to the extent provided in such resolution, shall have and exercise all the authority of the Board of Directors, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. The Corporation may also have such advisory committees as the Board of Directors may provide from time to time. Such advisory committees shall not have the authority to act on behalf of the Corporation, but shall only advise the Board of Directors.

ARTICLE VII

OFFICERS

Section 7.1 Number. The officers of the Corporation shall be the President, one or more Vice Presidents, the Secretary, the Treasurer and such other officers as the Board of Directors shall from time to time elect with such duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

Section 7.2 Election and Term of Office. All officers shall be elected by the Board of Directors and shall serve until their successors are elected. Any two or more offices may be held by the same person, provided that the Corporation shall have not fewer than two persons as officers. All officers shall be subject to removal at any time by the Board of Directors whenever in the judgment of the Board of Directors the best interests of the Corporation shall be served thereby. The Board of Directors may, in its discretion, elect acting or temporary officers, elect officers to fill vacancies occurring for any reason whatsoever, and limit or enlarge the duties and powers of any officer elected by it. Officers need not be directors of the Corporation.

Section 7.3 President. The President shall preside at all meetings of the Members and, in the absence of the Chairman of the Board of Directors or if no Chairman of the Board of Directors is then in office, the President shall preside at all meetings of the Board of Directors. Unless otherwise determined by the Board of Directors, the President shall have general charge and supervision of the Corporation. The President shall perform such other duties as are incident to the office or are required by the Board of Directors.

Section 7.4 Vice President. In the absence or disability or refusal to act by the President, the Vice President or Vice Presidents shall, in the order designated by the Board of Directors, perform all of the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President or Vice Presidents shall have such powers and perform such other duties as from time to time may be prescribed by the President, the Board of Directors or these Bylaws.

Section 7.5 Treasurer. The Treasurer shall be the chief financial officer of the Corporation and exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall perform all other duties assigned by the Board of Directors.

Section 7.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and all committees thereof. The Secretary shall keep or cause to be kept a register showing the names of the directors and officers with their addresses. The Secretary shall give notice in conformity with these Bylaws of all meetings of the Board of Directors. The Secretary shall also perform all other duties assigned by the Board of Directors.

ARTICLE VIII

AUDITOR

An auditor may be elected by the Board of Directors to serve until a successor is elected. No director or officer of the Corporation shall be eligible to serve as auditor.

ARTICLE IX

DISBURSEMENTS AND CONTRIBUTIONS

Section 9.1 Disbursements. Disbursements of the funds of the Corporation for the purposes for which it is organized shall be made by the officers designated by the Board of Directors in its discretion.

Section 9.2 Limitations on Disbursements. The Board of Directors shall not authorize any disbursements or contributions of the funds or assets of the Corporation to or for the benefit, directly or indirectly, of any director or officer of the Corporation, except (1) for reasonable payments for services actually rendered to the Corporation by directors or officers as employees or directors of the Corporation, and (2) for reimbursement of reasonable expenses to such officers and directors incurred in the course of performing services for the Corporation.

ARTICLE X

LIABILITY AND INDEMNIFICATION

Section 10.1 Liability. Any person who serves as a director or officer of the Corporation without remuneration or the expectation of remuneration shall not be liable for damage, injury or loss caused by or resulting from such person's performance of, or failure to perform, duties of the position to which the person was appointed, unless the person was grossly negligent in the performance of, or failure to perform, such duties.

Section 10.2 Indemnification.

(a) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and,

with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; provided that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(c) To the extent that a person seeking indemnification under paragraphs (a) or (b) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(d) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of

conduct set forth in paragraphs (a) or (b) above. Such determination may be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(e) The Board of Directors may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under paragraphs (a) or (b) above, provided that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Article.

(f) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any Bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(g) The Corporation may purchase and maintain insurance on behalf of any person described in paragraphs (a) or (b) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the

Corporation would have the power to indemnify the person against such liability under this Article.

(h) This Article shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Bylaws with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Inspection of Corporate Records. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection upon the written demand of any director, at any reasonable time, and for a purpose reasonably related to such director's interests as a director. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection at all times and at any time upon the demand of the Sole Member. Such inspection may be made in person or by an agent or attorney, and shall include the right to make copies.

Section 11.2 Execution of Instruments.

(a) All checks and other orders for the payment of money, drafts, notes, bonds, acceptances, contracts, and all other instruments, except as otherwise provided in these Bylaws, shall be signed by such person or persons as shall be provided by general or special resolution of the Board of Directors, and in the absence of any provision in these Bylaws or any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the

President or Vice President, and by the Treasurer or the Secretary. Unless authorized by the Board of Directors, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

(b) The Board of Directors may, from time to time by resolution, provide for the execution of any corporate instrument or document, including, but not limited to checks, by the printed, lithographed or engraved facsimile signature or signatures of the person or persons authorized to sign such documents.

Section 11.3 Inspection of Bylaws. The Corporation shall keep in its principal office the original or a copy of these Bylaws as amended, certified by the Secretary, which shall be open to inspection by the directors and the Sole Member at all reasonable times during office hours.

ARTICLE XII

SEAL

The Corporation may, but shall not be required to, have a seal of such form as the Board of Directors may from time to time determine, which may be altered at will, and which may be used, or a facsimile of it used, by impressing or affixing or in any other manner reproducing it.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of July and end on the last day of June in each year.

ARTICLE XIV

AMENDMENTS

The Bylaws may be amended or repealed in accordance with the provisions of the Corporation's Articles of Incorporation.

Adopted: Effective _____, 2010.

Secretary

BYLAWS OF
ST. FRANCIS HOSPITAL – EWA

ARTICLE I

ACTIVITIES

The activities of this Corporation shall be those necessary and appropriate to accomplish the purposes of the Corporation as stated in its Articles of Incorporation.

ARTICLE II

OFFICES

Section 2.1 Registered Office. The registered office of the Corporation shall be at such place in the State of Hawaii as the Board of Directors shall from time to time determine. The initial registered office of the Corporation is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817.

Section 2.2 Other Offices. The Corporation may have such other principal offices in or out of the State of Hawaii as the Board of Directors may designate.

ARTICLE III

MEMBERS

Section 3.1 Members. Membership in the Corporation shall be limited to St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation (the “Sole Member”).

Section 3.2 Rights of the Sole Member. The Sole Member shall have powers over certain actions taken by the Board of Directors as provided in these Bylaws and shall be entitled to share in the distribution of the corporate assets if, upon dissolution of the Corporation, the Sole Member qualifies as an exempt organization under Section 501(c)(3) of the Internal

Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue law (the “Code”).

Section 3.3 Restriction on Powers. The general powers granted to the Board of Directors are limited or restricted to the extent that certain actions of the Corporation require the approval and consent of the Sole Member as follows:

(a) Approval of the Corporation’s annual budget, including budgets for operations, capital expenditures, and cash flow;

(b) Approval of the appointment of the Chief Operating Officer of the Corporation;

(c) Any change in purpose, philosophy or objectives of the Corporation;

(d) Final decision on the number of directors constituting the entire Board of Directors and the appointment or removal of any member(s) and elected officer(s) of the Board of Directors;

(e) Any loans or evidences of indebtedness which are secured by or affect the real property and/or assets of the Corporation or of the Sole Member or the Sole Member’s subsidiary corporations and contracted on behalf of the Corporation; and

(f) Amendment of the Articles of Incorporation and/or these Bylaws of the Corporation.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors. All the corporate powers, except such as are otherwise provided in these Bylaws and in the laws of the State of Hawaii, shall be and are hereby vested in

and shall be exercised by the Board of Directors. The Board of Directors may by general resolution delegate to committees of their own number, or to officers or other key management personnel of the Corporation, such powers as it may see fit. The Board of Directors shall make provision for the annual self-evaluations of the Board of Directors as a whole, and of the Chief Operating Officer, to be submitted in writing to the Sole Member, relative to the performance of the Board of Directors and the Chief Operating Officer, and shall also make provision for the annual disclosure statement for potential duality and/or conflict of interest by each member of the Board of Directors.

Section 4.2 Number and Qualification of Directors. The Board of Directors of the Corporation shall be comprised of at least three individuals, with the actual authorized number of directors constituting the whole Board of Directors of the Corporation being fixed by resolution of the Sole Member from time to time.

Section 4.3 Term of Office. Directors may be appointed from time to time as prescribed in Section 4.4 of these Bylaws. Each director shall hold office for a term of three (3) years, unless removed sooner pursuant to Section 4.6 of these Bylaws. The terms of the directors shall be staggered so that the terms will expire in separate consecutive years. A director may be reappointed to succeed himself/herself.

Section 4.4 Appointment of Directors. The directors of the Corporation shall be selected by the Sole Member. At least ten (10) days in advance of the Corporation's annual meeting for the election of directors, the Sole Member shall give notice to the Board of Directors with the names of the individuals who will constitute the directors to be elected or appointed at such annual meeting.

Section 4.5 Vacancies. Any vacancy occurring on the Board of Directors and any directorship to be filled by reason of any increase in the number of directors may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, subject to the approval by the Sole Member. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office.

Section 4.6 Removal. Any director may be removed from office at any time, with or without cause, by the Sole Member or by the affirmative vote of a majority of the Board of Directors with the approval of the Sole Member.

ARTICLE V

MEETINGS OF THE BOARD OF DIRECTORS

Section 5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held, at least annually, at such times and places as the Board of Directors may provide by resolution. No notice other than such resolution need be given.

Section 5.2 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Sole Member or by any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place for holding any special meeting of the Board of Directors called by them at any place within the State of Hawaii, unless the Board of Directors approves the holding of such meeting at a place outside the State of Hawaii. Notice of each special meeting shall be given in accordance with Section 5.3 of these Bylaws.

Section 5.3 Notice. The Secretary shall give notice of each meeting of the Board of Directors (for which notice is required) in writing by mailing the same not less than three (3) days before the meeting or by giving notice personally, by telephone, by electronic mail,

or by facsimile not less than two (2) days before the meeting. The failure of any director to receive such notice shall not invalidate the proceedings of any meeting for which proper notice was given and at which a quorum of the directors is present. Notice need not be given to any director who shall, either before or after the meeting, submit a signed waiver of notice or attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, a notice or waiver of notice need not state the purposes of such meeting.

Section 5.4 Quorum and Adjournment. A majority of the number of directors fixed pursuant to these Bylaws shall constitute a quorum. No action taken, other than the appointment of directors to fill vacancies, shall bind the Corporation unless it shall receive the concurring vote of a majority of the directors present at a meeting at which a quorum is present. In the absence of a quorum, the presiding officer or a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is present.

Section 5.5 Electronic/Telephone Meetings. Subject to the notice requirements in Section 5.3 hereof, any or all members of the Board of Directors or any committee designated thereby may participate in a regular or special meeting of the Board of Directors or of such committee by, or conduct the meeting through the use of, any means of communication by which all the members of the Board of Directors participating may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 5.6 Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee designated thereby may be taken if all the Directors or all of the members of the committee, as the case may, sign a written consent setting forth the action taken or to be taken at any time before or after the intended effective date of

such action. Such consent shall be filed with the minutes of the Board of Directors or committee, as the case may be, and shall have the same effect as a unanimous vote.

Section 5.7 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent or refusal to vote is entered in the minutes of the meeting or unless the director either files a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards such dissent by certified mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 5.8 Voting as Member or Shareholder. The vote of the Corporation as a member or shareholder of another Corporation shall be determined by the vote of a majority of the directors of the Corporation present at a meeting at which a quorum is present; provided, however, that if the vote is to amend or approve the amendment of the Articles of Incorporation or Bylaws of the other corporation, then the vote of two-thirds of the directors so present at such a meeting shall be required to amend or approve the amendments of said Articles of Incorporation or Bylaws.

Section 5.9 Proxy. Voting by proxy shall not be permitted at any meeting of the Board of Directors or of any committees, boards or bodies created by the Board of Directors.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 6.1 Powers. The corporate powers of this Corporation shall be vested in the Board of Directors to the fullest extent permitted by the laws of the State of Hawaii. The Board

of Directors shall have general charge of the affairs, funds and property of the Corporation, and shall have full power, and it shall be their duty, to enforce these Bylaws.

Section 6.2 Duties. It shall be the duty of the Board of Directors to oversee, manage and control the affairs and business of the Corporation and to promulgate and enforce rules and regulations therefor not inconsistent with law, the Articles of Incorporation or these Bylaws of the Corporation.

Section 6.3 Chairman. The Board of Directors may appoint from among its members a Chairman who shall preside at all Board of Directors' meetings, serve during the pleasure of the Board of Directors, and perform such other duties as may be assigned to the Chairman by the Articles of Incorporation, these Bylaws or the Board of Directors.

Section 6.4 Committees. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate and appoint one or more committees, which committees, to the extent provided in such resolution, shall have and exercise all the authority of the Board of Directors, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. The Corporation may also have such advisory committees as the Board of Directors may provide from time to time. Such advisory committees shall not have the authority to act on behalf of the Corporation, but shall only advise the Board of Directors.

ARTICLE VII

OFFICERS

Section 7.1 Number. The officers of the Corporation shall be the President, one or more Vice Presidents, the Secretary, the Treasurer and such other officers as the Board of Directors shall from time to time elect with such duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

Section 7.2 Election and Term of Office. All officers shall be elected by the Board of Directors and shall serve until their successors are elected. Any two or more offices may be held by the same person, provided that the Corporation shall have not fewer than two persons as officers. All officers shall be subject to removal at any time by the Board of Directors whenever in the judgment of the Board of Directors the best interests of the Corporation shall be served thereby. The Board of Directors may, in its discretion, elect acting or temporary officers, elect officers to fill vacancies occurring for any reason whatsoever, and limit or enlarge the duties and powers of any officer elected by it. Officers need not be directors of the Corporation.

Section 7.3 President. The President shall preside at all meetings of the Members and, in the absence of the Chairman of the Board of Directors or if no Chairman of the Board of Directors is then in office, the President shall preside at all meetings of the Board of Directors. Unless otherwise determined by the Board of Directors, the President shall have general charge and supervision of the Corporation. The President shall perform such other duties as are incident to the office or are required by the Board of Directors.

Section 7.4 Vice President. In the absence or disability or refusal to act by the President, the Vice President or Vice Presidents shall, in the order designated by the Board of Directors, perform all of the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President or Vice Presidents shall have such powers and perform such other duties as from time to time may be prescribed by the President, the Board of Directors or these Bylaws.

Section 7.5 Treasurer. The Treasurer shall be the chief financial officer of the Corporation and exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall perform all other duties assigned by the Board of Directors.

Section 7.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and all committees thereof. The Secretary shall keep or cause to be kept a register showing the names of the directors and officers with their addresses. The Secretary shall give notice in conformity with these Bylaws of all meetings of the Board of Directors. The Secretary shall also perform all other duties assigned by the Board of Directors.

ARTICLE VIII

AUDITOR

An auditor may be elected by the Board of Directors to serve until a successor is elected. No director or officer of the Corporation shall be eligible to serve as auditor.

ARTICLE IX

DISBURSEMENTS AND CONTRIBUTIONS

Section 9.1 Disbursements. Disbursements of the funds of the Corporation for the purposes for which it is organized shall be made by the officers designated by the Board of Directors in its discretion.

Section 9.2 Limitations on Disbursements. The Board of Directors shall not authorize any disbursements or contributions of the funds or assets of the Corporation to or for the benefit, directly or indirectly, of any director or officer of the Corporation, except (1) for reasonable payments for services actually rendered to the Corporation by directors or officers as employees or directors of the Corporation, and (2) for reimbursement of reasonable expenses to such officers and directors incurred in the course of performing services for the Corporation.

ARTICLE X

LIABILITY AND INDEMNIFICATION

Section 10.1 Liability. Any person who serves as a director or officer of the Corporation without remuneration or the expectation of remuneration shall not be liable for damage, injury or loss caused by or resulting from such person's performance of, or failure to perform, duties of the position to which the person was appointed, unless the person was grossly negligent in the performance of, or failure to perform, such duties.

Section 10.2 Indemnification.

(a) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, against expenses, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The terminating of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation and,

with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or is or was serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise against expenses and attorneys' fees actually and reasonably incurred by such person in the defense or settlement of such action or suit if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; provided that no indemnification shall be made in respect of any claim, issue, or matter as to which such person is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses and attorneys' fees which such court deems proper.

(c) To the extent that a person seeking indemnification under paragraphs (a) or (b) above has been successful on the merits or otherwise in defense of any action, suit or proceeding, or any claim, issue or matter therein, the Corporation shall indemnify such person against expenses and attorneys' fees actually and reasonably incurred in connection therewith.

(d) The Corporation shall make indemnification payments to or on behalf of the person seeking them only if authorized in the specific case upon a determination that indemnification of such person is proper because such person meets the applicable standards of

conduct set forth in paragraphs (a) or (b) above. Such determination may be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion to the Corporation, or (3) by the court in which such action, suit or proceeding was pending upon application made by the Corporation or the person seeking indemnification or the attorney or other person rendering services in connection with the defense, whether or not such application is opposed by the Corporation.

(e) The Board of Directors may authorize payment in advance of final disposition of an action, suit or proceeding for the expenses and attorneys' fees incurred by a person seeking indemnification under paragraphs (a) or (b) above, provided that such person delivers a written undertaking to repay such amount unless it is ultimately determined that such person is entitled to be indemnified under this Article.

(f) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification are entitled under any Bylaw, agreement, vote of disinterested directors or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who ceases to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

(g) The Corporation may purchase and maintain insurance on behalf of any person described in paragraphs (a) or (b) above against any liability asserted against or incurred by such person in any such capacity or arising out of his or her status as such, whether or not the

Corporation would have the power to indemnify the person against such liability under this Article.

(h) This Article shall be effective with respect to any person who is a director, officer, employee or agent of the Corporation or is serving in such capacity at the request of the Corporation in any other corporation, partnership, joint venture, trust or other enterprise, at any time on or after the effective date of these Bylaws with respect to any action, suit or proceeding pending on or after that date against such person based upon his or her acting in such capacity before or after that date.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Inspection of Corporate Records. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection upon the written demand of any director, at any reasonable time, and for a purpose reasonably related to such director's interests as a director. The books of account and minutes of proceedings of the Board of Directors and all committees thereof shall be open to inspection at all times and at any time upon the demand of the Sole Member. Such inspection may be made in person or by an agent or attorney, and shall include the right to make copies.

Section 11.2 Execution of Instruments.

(a) All checks and other orders for the payment of money, drafts, notes, bonds, acceptances, contracts, and all other instruments, except as otherwise provided in these Bylaws, shall be signed by such person or persons as shall be provided by general or special resolution of the Board of Directors, and in the absence of any provision in these Bylaws or any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the

President or Vice President, and by the Treasurer or the Secretary. Unless authorized by the Board of Directors, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

(b) The Board of Directors may, from time to time by resolution, provide for the execution of any corporate instrument or document, including, but not limited to checks, by the printed, lithographed or engraved facsimile signature or signatures of the person or persons authorized to sign such documents.

Section 11.3 Inspection of Bylaws. The Corporation shall keep in its principal office the original or a copy of these Bylaws as amended, certified by the Secretary, which shall be open to inspection by the directors and the Sole Member at all reasonable times during office hours.

ARTICLE XII

SEAL

The Corporation may, but shall not be required to, have a seal of such form as the Board of Directors may from time to time determine, which may be altered at will, and which may be used, or a facsimile of it used, by impressing or affixing or in any other manner reproducing it.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of July and end on the last day of June in each year.

ARTICLE XIV

AMENDMENTS

The Bylaws may be amended or repealed in accordance with the provisions of the Corporation's Articles of Incorporation.

Adopted: Effective _____, 2010.

Secretary

EXHIBIT 3

LOAN AGREEMENT

Dated as of _____, 2010

by and among

**ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII,
as Lender and Agent for the Lenders**

**ST. FRANCIS MEDICAL CENTER,
as Lender**

and

**ST. FRANCIS MEDICAL CENTER - WEST,
as Lender**

and

**ST. FRANCIS HOSPITALS HAWAII,
as Borrower**

**ST. FRANCIS HOSPITAL-LILIHA,
as Borrower**

and

**ST. FRANCIS HOSPITAL-EWA,
as Borrower**

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), is entered into as of _____, 2010, by and among St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation (the "System"), as lender hereunder (in such capacity, a "Lender") and as agent for the lenders hereunder (in such capacity, the "Agent"), St. Francis Medical Center, a Hawaii nonprofit corporation ("SFMC"), and St. Francis Medical Center-West, a Hawaii nonprofit corporation ("SFMC-West"), as lenders hereunder (each, a "Lender" and collectively, together with the System as a Lender hereunder, the "Lenders"), and St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation ("SFHH"), St. Francis Hospital-Liliha, a Hawaii nonprofit corporation ("SFH-Liliha"), and St. Francis Hospital-Ewa, a Hawaii nonprofit corporation ("SFH-Ewa"), as borrowers hereunder (each, a "Borrower" and collectively, the "Borrowers").

RECITALS

A. Pursuant to the terms of the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC Proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, filed in the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court") in the case of *CHA Hawaii, LLC et al.*, Case No. 08-01369 (as it may be modified, amended, or supplemented from time to time, the "Reorganization Plan"), as confirmed by the Bankruptcy Court pursuant to the _____ entered on _____, 2010, the Borrowers together acquired substantially all of the assets constituting the hospital acute care and outpatient services business of Hawaii Medical Center LLC, a Hawaii limited liability company, Hawaii Medical Center East, LLC, a Hawaii limited liability company, and Hawaii Medical Center West, LLC, a Hawaii limited liability company.

B. Pursuant to the terms and subject to the conditions contained in the Reorganization Plan, the Lenders agreed to accept from the Borrowers a Promissory Note (Term Note A) in the original principal amount of Twenty Million Dollars (\$20,000,000) to evidence the Term Loan A set forth in this Agreement, and a Promissory Note (Term Note B) in the original principal amount of Thirty-Seven Million Five Hundred Thousand Dollars (\$37,500,000) to evidence the Term Loan B set forth in this Agreement.

C. The Agent, the Lenders and the Borrowers are entering into this Agreement to set forth the agreements among such parties with respect to the Term Loans undertaken by the Borrowers in the Reorganization Plan.

D. For purposes of this Agreement, all terms used and not otherwise defined herein shall have the meanings set forth in Annex A. All Annexes, Disclosure Schedules, Exhibits and other attachments hereto (collectively, "Appendices") are incorporated herein by reference and, taken together with this Agreement including the foregoing Recitals, shall constitute but a single agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties to this Agreement, each intending to be legally bound, do hereby agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 The Term Loans.

(a) Term Loan A. Subject to the terms and conditions hereof, the Lenders hereby agree to extend Term Loan A, in the principal amount of Twenty Million Dollars (\$20,000,000), to the Borrowers on the Closing Date. Term Loan A shall be payable in accordance with the following:

(i) Term Loan A shall bear interest at the rate of ten percent (10%) per annum; subject, however, to the further provisions of Section 1.4. Interest at such rate shall be payable semiannually on January 1, 2011 and on each July 1 and January 1 thereafter through and including January 1, 2017 and at the final maturity of Term Loan A on July 1, 2017.

(ii) Term Loan A shall mature and be payable in full as to principal on July 1, 2017.

Term Loan A shall be evidenced by a note substantially in the form set forth as Exhibit 1.1 ("Term Note A"), which shall be executed and delivered by the Borrowers in favor of the Agent for the benefit of the Lenders.

(b) Term Loan B. Subject to the terms and conditions hereof, the Lenders hereby agree to extend Term Loan B, in the principal amount of Thirty-Seven Million Five Hundred Thousand Dollars (\$37,500,000), to the Borrowers on the Closing Date. Term Loan B shall be payable in accordance with the following:

(i) Term Loan B shall bear interest at the rate of seven percent (7%) per annum; subject, however, to the further provisions of Section 1.4. Interest at such rate shall be payable semiannually on January 1, 2011 and on each July 1 and January 1 thereafter through and including January 1, 2017 and at the final maturity of Term Loan A on July 1, 2017.

(ii) Term Loan B shall mature and be payable in full as to principal on July 1, 2017. The amount payable as to principal shall be equal to the applicable percentage of the outstanding principal amount of Term Loan B, based on the Borrower's average EBIDA for the four most recent Fiscal Years prior to the maturity date of Term Loan B:

<u>Average EBIDA</u>	<u>Percent of Outstanding Principal</u>
Less than \$11,000,000	60%
Greater than \$11,000,000, but less than or equal to \$13,500,000	80%
Greater than \$13,500,000, but less than or equal to \$16,000,000	100%
Greater than \$16,000,000	160%

Payment of the applicable amount, whether greater or less than the outstanding principal amount of Term Loan B, shall constitute payment in full of the principal amount of such Loan.

Term Loan B shall be evidenced by a note substantially in the form set forth as Exhibit 1.1 (“Term Note B”), which shall be executed and delivered by the Borrowers in favor of the Agent for the benefit of the Lenders.

1.2 Prepayment of Loans.

(a) Voluntary Prepayments. The Borrowers may, at any time on at least five (5) days’ prior written notice to Agent, voluntarily prepay all or a portion of Term Loan A or Term Loan B or both, as determined by the Agent, together with accrued interest on the Loan or portion thereof being prepaid, without premium or penalty.

(b) Mandatory Prepayments. Immediately upon receipt by the Borrowers of (i) any insurance proceeds received upon damage to or destruction of all or any portion of the Collateral and not used to repair or replace the Collateral pursuant to Section 5.5 hereof, or (ii) if required pursuant to Section 6.7 hereof, the proceeds of any disposition of all or any portion of the Collateral (including any disposition under power of eminent domain), the Borrowers shall prepay Term Loan A or the Term Loan B or both, as determined by the Agent, together with accrued interest on the Loan or portion thereof being prepaid, in an amount equal to all such proceeds, net of commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction.

1.3 Deposit and Receipt Of Payments. The Borrowers shall make each payment under this Agreement by wire transfer not later than 2:00 p.m. (Hawaii time) on the day when due, in immediately available funds, to the Agent’s designated Collection Account. Payments received in the Collection Account after 2:00 p.m. (Hawaii time) on any Business Day shall be deemed to have been received on the following Business Day.

1.4 Certain Further Provisions Regarding Payments of Interest and Principal.

(a) Default Rate. So long as a Default or Event of Default shall have occurred and be continuing, at the election of the Agent, confirmed by written notice from the Agent to the Borrowers, the interest rates applicable to the Loans shall each be increased by three percent (3%) per annum above the rates otherwise applicable hereunder (“Default Rate”). Interest at the

Default Rate shall accrue from the initial date of such Default or Event of Default until that Default or Event of Default is cured or waived and shall be payable upon demand.

(b) Maximum Lawful Rate. Notwithstanding anything to the contrary set forth herein, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the “Maximum Lawful Rate”), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.1(a) and (b) above, unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this subsection (b) shall again apply. In no event shall the total interest received by the Lenders pursuant to the terms hereof exceed the amount which the Lenders could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this subsection (b), such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this subsection (b), a court of competent jurisdiction shall finally determine that Lenders have received interest hereunder in excess of the Maximum Lawful Rate, the Agent shall, upon receipt of monies from the Lenders, refund any such excess to the Borrowers or as a court of competent jurisdiction may otherwise order.

(c) Calculation of Interest. All payments of interest hereunder, whether at the applicable rates specified in Section 1.1 or at the Default Rate or Maximum Lawful Rate specified in this Section 1.4, shall be calculated on the basis of the actual number of days elapsed and a year of 360 days.

(d) Late Charge. If the Borrowers fail to make any payment of principal or interest on the Loans when due and payable and such failure continues for more than five (5) days, each such overdue payment shall be subject to a one-time late charge (the “Late Charge”) equal to three percent (3%) of the amount overdue, in addition to the Default Rate, payable without demand to Agent for the benefit of Lenders. In view of the difficulty of determining the amount of damages which may result from an overdue payment of principal or interest, the Borrowers and the Lenders have mutually agreed that the Late Charge shall be paid as liquidated damages, and not as a penalty. The Borrowers and the Lenders hereby acknowledge and agree that the extent of damages to the Lenders caused by an overdue payment of principal or interest hereunder would be extremely difficult to ascertain, the amount of the Late Charge as liquidated damages is fair and reasonable in view of such difficulty, and the payment of such liquidated damages does not constitute a penalty. The Borrowers hereby forever waive and agree to forego to the fullest extent under applicable law any and all rights they have or in the future may have to bring any action, lawsuit, or proceeding disputing or otherwise objecting to the foregoing and to the payment of the Late Charge as liquidated damages.

(e) No Deduction or Setoffs. Except as hereinafter provided, All payments due from the Borrowers hereunder shall be made without deduction or setoff of any kind whatsoever. Without limiting the generality of the foregoing, payments due from the Borrowers hereunder shall not be subject to deduction or setoff by reason of any claims the Borrowers may have against the Agent, any Lender or any Affiliates of the Agent or a Lender under or with respect to any other transactions between the Borrowers and such parties.

1.5 Indemnity. The Borrowers shall indemnify, defend, and hold harmless the Agent, each Lender and each of their Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against, and shall reimburse and compensate each Indemnified Person for, any and all suits, actions, proceedings, investigations, litigation, claims, costs, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal and in any bankruptcy proceedings) which may be instituted or asserted against or incurred by any such Indemnified Person (whether or not any of them is designated as a party in any suit, action, or proceeding) as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents, the administration of such credit, the taking or holding of any Collateral, the enforcement of any pledge, mortgage, security interest, or any other right contained in this Agreement or in any of the Loan Documents and otherwise in connection with, relating to or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of, relating to or incurred in connection with disputes between or among any parties to any of the Loan Documents, whether or not arising from direct first party claims or from third party claims (collectively, "Indemnified Liabilities"); provided, however, that the Borrowers shall not be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct as determined in a final judgment by a court of competent jurisdiction. No Indemnified Person shall be responsible or liable to any other party to any Loan Document or any successor, assignee or third party beneficiary of such Person or any other Person asserting claims derivatively through such party, for indirect, punitive, exemplary or consequential damages which may be alleged as a result of credit having been extended, suspended or terminated under any Loan Document or as a result of any other transaction contemplated hereunder or thereunder or any actions or failures to act in connection therewith. All obligations of the Borrowers to any Indemnified Person shall be additional Obligations hereunder and under the Loan Documents secured by the Collateral. The Borrowers' indemnity obligations contained in this Section 1.5 shall survive the Termination Date and the repayment of all principal, interest, or fees payable in connection with the Obligations.

1.6 Access. Each Borrower shall, during normal business hours and without unreasonable disruption of the Borrower's business, from time to time upon three (3) Business Days' prior written notice as frequently as the Agent determines to be appropriate (i) provide the Agent and any of its officers, employees, agents and advisors access to its properties, facilities, advisors and employees (including officers and any other persons who constitute management) of such Borrower and to the Collateral, (ii) permit the Agent, and any of its officers, employees, agents and advisors, to inspect, audit and make extracts from such Borrower's books and records, and (iii) permit the Agent and its officers, employees, agents and advisors, to inspect, review, evaluate and make test verifications and counts of the Accounts and Collateral of such Borrower. If no Default or Event of Default shall have occurred and be continuing, each Borrower shall be obligated to pay or reimburse the Agent for the costs of only one Collateral examination pursuant to clause (ii) and (iii) above in each calendar year, and any additional Collateral examinations made in any calendar year shall be at the Lenders' expense. If a Default or Event of Default shall have occurred and be continuing or if access is necessary to preserve or

protect the Collateral, as determined by the Agent, each Borrower shall provide such access at all times and without advance notice. Furthermore, each Borrower shall provide the Agent with access to its suppliers and customers. Each Borrower shall make available to the Agent, as quickly as is reasonably possible under the circumstances, originals or copies of all books and records which the Agent may request. Each Borrower shall deliver any document or instrument necessary for the Agent, as it may reasonably request from time to time, to obtain records from any service bureau or other Person which maintains records for such Borrower, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by such Borrower.

1.7 Taxes.

(a) Any and all payments by the Borrowers hereunder or under the Notes shall be made, in accordance with this Section 1.7, free and clear of and without deduction for any and all present or future Taxes. If the Borrowers shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) such sums payable shall be increased as much as shall be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 1.7), the Agent and each Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrowers shall make such deductions, and (iii) the Borrowers shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, the Borrowers shall furnish to the Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) The Borrowers shall indemnify (which indemnification, for the avoidance of doubt, shall survive indefinitely) and, within ten (10) days of demand therefor, pay the Agent, for its benefit and the benefit of Lenders, for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.7) paid by the Agent or the Lenders, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

1.8 Joint and Severable Obligations. All payment obligations of the Borrowers hereunder and under the Notes, and all other obligations to perform and observe the Borrowers' covenants and agreements hereunder, shall constitute joint and several obligations of the Borrowers.

2. CONDITIONS PRECEDENT

Notwithstanding any other provision of this Agreement and without affecting in any manner the rights of the Agent or any Lender hereunder, the Borrowers shall not have any rights under this Agreement, and the Agent and Lenders shall not be obligated to make any Loan hereunder, or to take, fulfill, or perform any other action hereunder, unless and until the following conditions have been satisfied, in the Agent's sole discretion, or waived in writing by the Agent:

2.1 Credit Agreement; Loan Documents. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, the Borrowers, the Agent and the Lenders; and the Agent and the Lenders shall have received such documents, instruments, agreements and

legal opinions as the Agent or the Lenders shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, each in form and substance reasonably satisfactory to the Agent.

2.2 Approvals. The Agent shall have received (i) satisfactory evidence that the Borrowers have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereunder and thereunder, or (ii) from each Borrower, an officer's certificate in form and substance satisfactory to the Agent affirming that no such consents or approvals are required.

2.3 Closing for Transfer of Hospital Assets. The transfer of the Hospital Assets to SFH-Liliha and SFH-Ewa shall have been consummated in accordance with the Reorganization Plan and all applicable regulatory requirements.

2.4 Representations, Warranties and Covenants. As of the Closing Date, all representations and warranties by the Borrowers contained in the Loan Documents shall be true and correct, and all covenants and other agreements of the Borrowers contained in the Loan Documents shall have been complied with in full.

2.6 No Material Adverse Effect. As of the Closing Date, no event or circumstance having a Material Adverse Effect shall have occurred and be continuing.

2.7 Payment of Loan Closing Costs. The Borrowers shall pay (or reimburse the Agent or its counsel for advances of) all closing costs relating to the recordation of the Mortgages, the filing of the UCC Financing Statements and the issuance of the Lenders' policy of title insurance, including filing fees, title insurance premiums, costs of related lien and court searches and other costs and expenses pertaining to the foregoing.

3. REPRESENTATIONS AND WARRANTIES

To induce the Lenders to make the Loans and to induce the Agent to undertake its obligations hereunder and under the other Loan Documents, the Borrowers make the following representations and warranties to the Agent and each Lender, each and all of which representations and warranties shall survive the execution and delivery of this Agreement.

3.1 Corporate Existence; Compliance With Law. Each Borrower (a) is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Hawaii, (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in a Material Adverse Effect, (c) has been determined to be exempt from federal taxation under Section 501(c)(3) of the IRC, and nothing has occurred which would cause the loss of such tax exempt status or qualification, (d) has the requisite power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now, heretofore and hereafter proposed to be conducted, (e) subject to specific representations set forth herein as to certain matters, has all

licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, (f) is in compliance with its Articles of Incorporation and Bylaws, and (g) subject to specific representations set forth herein as to certain matters, is in compliance with all applicable provisions of law.

3.2 Executive Offices; FEIN. As of the Closing Date, the current location of each Borrower's chief executive office and principal place of business is set forth in Disclosure Schedule 3.2 and such location has not changed within the twelve (12) months preceding the Closing Date. In addition, Disclosure Schedule 3.2 lists the federal employer identification number ("FEIN") of each Borrower.

3.3 Corporate Power, Authorization, Enforceable Obligations. The execution, delivery and performance by each Borrower of the Loan Documents and the creation of all Liens provided for therein (a) are within such Borrower's power as a Hawaii nonprofit corporation, (b) have been duly authorized by all necessary or proper corporate actions, (c) do not contravene any provision of such Borrower's Articles of Incorporation or Bylaws, (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority, (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Borrower is a party or by which such Borrower or any of its property is bound, (f) do not result in the creation or imposition of any Lien upon any of the property of the Borrowers other than those in favor of the Agent for the benefit of the Lenders pursuant to the Loan Documents, and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.2, all of which will have been duly obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Loan Documents shall have been duly executed and delivered by each Borrower and each such Loan Document shall then constitute a legal, valid and binding obligation of such Borrower enforceable against it in accordance with its terms.

3.4 Material Adverse Effect. Except as disclosed on Disclosure Schedule 3.4, since their inception, (a) the Borrowers have not incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments which are not reflected in the Financial Statements delivered as Disclosure Schedule 3.4 and which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Borrower or has become binding upon such Borrower's assets and no law or regulation applicable to such Borrower has been adopted which has had or could reasonably be expected to have a Material Adverse Effect, (c) no Borrower is in default, and to the best of each Borrower's knowledge no third party is in default, under any material contract, lease or other agreement or instrument, which alone or in the aggregate would have a Material Adverse Effect, and (d) no event has occurred which, alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.5 Ownership Of Property; Liens. As of the Closing Date, the real estate ("Real Estate") listed on Disclosure Schedule 3.5 constitutes all of the real property owned, leased, subleased, or used by the Borrowers. Except as described on Disclosure Schedule 3.5, each Borrower owns good and marketable fee simple title to all of its owned real estate, and valid and

marketable leasehold interests in all of its leased Real Estate, all as described on Disclosure Schedule 3.5, and copies of all such leases or a summary of terms thereof satisfactory to the Agent have been delivered to the Agent. Disclosure Schedule 3.5 further describes any Real Estate with respect to which any Borrower is a lessor, sublessor or assignor as of the Closing Date. Each Borrower also has good and marketable title to, or valid leasehold interests in, all of its personal properties and assets. Except as disclosed on Disclosure Schedule 3.5, as of the Closing Date, none of the properties and assets of any Borrower are subject to any Liens other than Permitted Encumbrances. Except as listed on Disclosure Schedule 3.5, each Borrower has received all deeds, assignments, waivers, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Borrower's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule 3.5 also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which they are currently occupied and used have been lawfully issued and are in full force and effect.

3.6 Labor Matters. As of the Closing Date, (a) no strikes or other material labor disputes against any Borrower are pending or, to such Borrower's best knowledge, threatened, (b) hours worked by and payment made to employees of each Borrower comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matter, (c) all payments due from each Borrower for employee health and welfare insurance have been paid or accrued as a liability on the books of such Borrower, (d) except as set forth in Disclosure Schedule 3.6, no Borrower is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement or any employment agreement (and true and complete copies of any agreements described on Disclosure Schedule 3.6 have been delivered to the Agent), (e) there is no organizing activity involving any Borrower pending or, to each Borrower's best knowledge, threatened by any labor union or group of employees, (f) there are no representation proceedings pending or, to each Borrower's best knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Borrower has made a pending demand for recognition, and (g) except as set forth in Disclosure Schedule 3.6, there are no complaints or charges against any Borrower pending or, to the best knowledge of such Borrower, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment of any individual by such Borrower.

3.7 Ventures, Subsidiaries And Affiliates; Outstanding Indebtedness. Except as set forth in Disclosure Schedule 3.7, no Borrower has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the outstanding members and the amounts of their respective interests in each Borrower are set forth on Disclosure Schedule 3.7. All outstanding Indebtedness of the Borrowers as of the Closing Date is described in Section 6.3 and Disclosure Schedule 6.3.

3.8 Government Regulations. No Borrower is subject to regulation under any federal or state statute that restricts or limits such Borrower's ability to incur the Loans or other Indebtedness or to perform its obligations hereunder. Neither the making of the Loans by the

Lenders to the Borrowers, nor the repayment thereof will violate any provision of any such statute or any rule, regulation or order issued by a Governmental Authority to which any Borrower is subject.

3.9 Taxes. All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by each Borrower have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with Section 5.2(b). Proper and accurate amounts have been withheld by each Borrower from its employees for all periods in full and complete compliance with all applicable federal, state, local and foreign law and such amounts withheld have been timely paid to the appropriate Governmental Authorities. Except as disclosed on Disclosure Schedule 3.9, (a) none of the tax returns of any Borrower are currently being audited by the IRS or any other applicable Governmental Authority and there are no outstanding assessments or threatened assessments in connection with any current or prior audit, or otherwise currently outstanding, and (b) no Borrower has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. As of the Closing Date, no Borrower has agreed or been requested to make any adjustment under Section 481(a) of the IRC, by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.10 ERISA.

(a) Disclosure Schedule 3.10 lists and separately identifies all Title IV Plans, Multiemployer Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form 5500 for each such Plan, have been made available to the Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify, or will be timely submitted to the IRS for a determination of its initial qualified status, under Section 401 of the IRC, and the trusts created thereunder have been determined to be exempt from tax, or will be timely submitted to the IRS for a determination of its initial exempt status, under the provisions of Section 501 of the IRC. Except as set forth on Disclosure Schedule 3.10, to the best knowledge of each Borrower, nothing has occurred which would cause the loss of such qualification or tax-exempt status. Each Plan is in substantial compliance with the applicable provisions of ERISA and the IRC, including the filing of reports required under the IRC or ERISA. No Borrower or ERISA Affiliate of a Borrower has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan which could subject any Borrower or ERISA Affiliate to a material penalty or liability. No Borrower or ERISA Affiliate of a Borrower has engaged in a prohibited transaction, as defined in Section 406 of ERISA and Section 4975 of the IRC, in connection with any Plan, which would subject any Borrower to a material tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the IRC.

(b) Except as set forth in Disclosure Schedule 3.10, (i) no Title IV Plan has any Unfunded Pension Liability, (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur,

(iii) there are no pending, or to the best knowledge of each Borrower, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan, (iv) no Borrower or ERISA Affiliate has incurred or reasonably expects to incur any material liability as a result of a complete or partial withdrawal from a Multiemployer Plan, (v) within the last five (5) years no Title IV Plan with any Unfunded Pension Liability has been transferred outside of the “controlled group” (within the meaning of Section 4001(a)(14) of ERISA) of a Borrower or an ERISA Affiliate, and (vi) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor’s Rating Group or the equivalent by another nationally recognized rating agency.

3.11 No Litigation. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the best knowledge of each Borrower, threatened against any Borrower, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, “Litigation”), (a) that challenges any Borrower’s right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) that has a reasonable risk of being determined adversely to any Borrower and which, if so determined, could have a Material Adverse Effect. As of the Closing Date there is no Litigation pending or, to the knowledge of each Borrower, threatened which seeks damages in excess of \$100,000 or injunctive relief or alleges criminal misconduct of any Borrower.

3.12 Brokers. No broker or finder acting on behalf of the Borrowers brought about the obtaining, making or closing of the Loans, and no Borrower has any obligation to any Person in respect of any finder’s or brokerage fees in connection therewith.

3.13 Intellectual Property. As of the Closing Date, each Borrower owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, Trademark, Copyright and License is listed, together with application or registration numbers, as applicable, in Disclosure Schedule 3.13 hereto. Each Borrower conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person nor, to the best knowledge of each Borrower, do any other Person’s activities constitute infringement of or interference with any Intellectual Property of any Borrower.

3.14 Full Disclosure. No information contained in this Agreement, any of the other Loan Documents or Collateral Reports or other reports delivered prior to the Closing Date, or from time to time delivered hereunder by or on behalf of a Borrower to the Agent or the Lenders pursuant to the terms of this Agreement or the other Loan Documents contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Liens granted to the Agent for the benefit of the Agent and the Lenders pursuant to the Collateral Documents will at all times be fully perfected first priority Liens with respect to the obligations under Term Loan A and fully perfected second priority Liens with respect to the obligations under Term Loan B in and to the Collateral described therein, subject, as to priority, only to Permitted Encumbrances with respect to the Collateral.

3.15 Insurance. Disclosure Schedule 3.15 lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by the Borrowers.

3.16 Deposit Accounts. Disclosure Schedule 3.16 lists all banks and other financial institutions at which each Borrower maintains deposits and/or other accounts as of the Closing Date, and such Disclosure Schedule 3.16 correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number.

3.17 Government Contracts. Except as set forth in Disclosure Schedule 3.17, as of the Closing Date, no Borrower is a party to any contract or agreement with any Governmental Authority and the Borrowers' Accounts are not subject to the Federal Assignment of Claims Act (31 U.S.C. Section 3727), as amended, or any similar state or local laws.

3.18 Customer And Trade Relations. As of the Closing Date, there exists no actual or, to the best knowledge of each Borrower, threatened termination or cancellation of, or any material adverse modification or change in (a) the business relationship of any Borrower with any customer or group of customers, or (b) the business relationship of any Borrower with any supplier material to its operations.

3.19 Agreements And Other Documents. As of the Closing Date, each Borrower has provided to the Agent accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject and each of which are listed on Disclosure Schedule 3.20: supply agreements and purchase agreements not terminable by such Borrower within sixty (60) days following written notice issued by such Borrower and involving transactions in excess of One Hundred Thousand Dollars (\$100,000) per annum; any lease of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of One Hundred Thousand Dollars (\$100,000) per annum; licenses and permits held by such Borrower, the absence of which could be reasonably likely to have a Material Adverse Effect; and instruments or documents evidencing Indebtedness of such Borrower and any security interest granted by such Borrower with respect thereto.

3.20 Solvency. Each Borrower is and will be Solvent both before and after giving effect to (a) the Loans to be made or extended on the date such Loans are made or extended, (b) any other action or transfer of any kind permitted by the Loan Documents and (c) the payment and accrual of all transaction costs in connection with the foregoing.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports And Notices. From and after the Closing Date and until the Termination Date, the Borrowers shall deliver to the Agent and the Lenders (a) the Financial Statements, notices and other information at the times and in the manner set forth in Annex B, and (b) the Collateral Reports at the times, to the Persons and in the manner set forth in Annex C.

4.2 Communication With Accountants. Each Borrower hereby authorizes the Agent, upon providing such Borrower with reasonable prior notice and an opportunity to participate, to communicate directly with such Borrower's independent certified public accountant(s) and advisors and authorizes and shall instruct such accountant(s) and advisors to disclose and make

available to the Agent any and all Financial Statements and other supporting financial documents, schedules and information relating to such Borrower (including copies of any issued management letters) with respect to the business, financial condition and other affairs of such Borrower, excluding any information the disclosure of which would cause a waiver of the attorney-client privilege between such Borrower and its legal counsel.

5. AFFIRMATIVE COVENANTS

The Borrowers agree that from and after the Closing Date and until the Termination Date:

5.1 Maintenance Of Existence And Conduct Of Business. Each Borrower shall (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, nonprofit tax exempt status and characterization, and its rights and franchises, (b) obtain all necessary and appropriate third party and governmental waivers and consents, (c) continue to conduct its business substantially as now conducted and as contemplated by the Articles of Incorporation and Bylaws of such Borrower, or as otherwise permitted hereunder, (d) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices, and (e) transact business only in its registered name or in such business and trade names as are set forth in Disclosure Schedule 5.1.

5.2 Payment Of Obligations.

(a) Subject to Section 5.2(b), each Borrower shall pay and discharge or cause to be paid and discharged within the time period permitted by applicable law all Charges due and payable by it, including (i) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, and (ii) lawful and valid claims for labor, materials, supplies and services or otherwise, before any thereof shall become past due.

(b) Any Borrower may in good faith contest, by appropriate proceedings, the validity or amount of any Charges described in Section 5.2(a); provided, however, that (i) adequate reserves with respect to such contest are maintained on the books of such Borrower in accordance with GAAP, (ii) no Lien shall be imposed to secure payment of such Charges that is superior to any of the Liens securing the Obligations and such contest is maintained and prosecuted or defended continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, (iv) such Borrower shall promptly pay or discharge such contested Charges or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to the Agent evidence acceptable to the Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Borrower or the conditions set forth in this Section 5.2(b) are no longer met, and (v) the Agent has not advised such Borrower in writing that the Agent reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect.

5.3 Books And Records. Each Borrower shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP.

5.4 Financial Covenants. The Borrowers shall observe, perform and comply with all of the financial covenants (the “Financial Covenants”) set forth in Annex D.

5.5 Insurance; Damage To Or Destruction Of Collateral.

(a) The Borrowers shall, at their sole cost and expense, at all times until the Termination Date, insure the Collateral for its full replacement value and maintain commercially reasonable insurance protection against all risks for the Borrowers’ industry, size, and circumstances which is customary for similarly situated businesses and which is in form, coverage scope, and amounts and with insurers reasonably acceptable to the Agent, including maintaining the insurance policies described on Disclosure Schedule 3.15 as in effect on the date hereof or similar replacement policies in form and amounts and with insurers reasonably acceptable to the Agent. Notwithstanding any determination by the Agent as to the acceptability of any insurer, it is expressly understood and agreed that the Borrowers, and not the Agent or any Lender, shall select the insurers providing the required coverages hereunder, except if any Borrower fails to obtain or maintain any such coverage and the Agent obtains and maintains the same as hereinafter provided. Such policies of insurance (or the loss payable and additional insured endorsements delivered to the Agent) shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days’ prior written notice to the Agent in the event of any non-renewal, cancellation or amendment of any such insurance policy. If a Borrower at any time or times hereafter shall fail to obtain or maintain any of the insurance policies required above or to pay all premiums relating thereto, the Agent may at any time or times thereafter obtain and maintain such insurance policies and pay such premiums and take any other action with respect thereto which the Agent deems advisable; provided, however, that the Agent shall have no obligation to obtain insurance for such Borrower or pay any premiums therefor; provided, further, however, that if the Agent does obtain any such insurance, neither the Agent nor any Lender shall be deemed to have waived any Default or Event of Default arising from such Borrower’s failure to maintain such insurance or pay any premiums therefor. Any and all sums so disbursed, including attorneys’ fees, court costs and other charges related thereto, shall be payable on demand by the Borrowers to the Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) The Borrowers shall deliver to the Agent, in form and substance satisfactory to the Agent, endorsements to (i) all “All Risk” and business interruption insurance policies naming the Agent as loss payee, and (ii) all general liability and other liability insurance policies naming the Agent as additional insured. The Borrowers irrevocably make, constitute and appoint the Agent (and all officers, employees or agents designated by the Agent), so long as any Default or Event of Default shall have occurred and be continuing or the anticipated insurance proceeds exceed Two Million Dollars (\$2,000,000), as the Borrowers’ true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such “All Risk” insurance policies, endorsing the name of the applicable Borrower on any check or other item of payment for the proceeds of such “All Risk” insurance policies and for making all determinations and decisions with respect to such “All Risk” insurance policies. The Agent shall

have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney.

(c) If requested by the Agent, the Borrowers shall deliver to the Agent from time to time a report of a reputable insurance broker or consultant, satisfactory to the Agent, with respect to the adequacy of the Borrowers' insurance coverages (including the risks covered, coverage limits, deductibles and other material provisions) and the recommendations (if any) of the broker or consultant for changes to such coverages, taking into account the Borrower's industry, size, operations and other considerations deemed relevant by the broker or consultant in its professional judgment.

(d) The Borrowers shall promptly notify the Agent (i) of any loss, damage, or destruction to the Collateral in the amount of One Million Dollars (\$1,000,000) or more if such loss, damage or destruction is covered by insurance, and (ii) of any loss, damage, or destruction to the Collateral in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) or more if such loss, damage or destruction is not covered by insurance. If the damage or destruction is covered by insurance and if the proceeds of such insurance exceed Two Million Dollars (\$2,000,000) in the aggregate, the net amount of such proceeds (after deducting the expenses, if any, incurred by the Agent in the collection or handling thereof) shall be applied, at the option of the Agent, either to prepay the Obligations in accordance with Section 1.2(b), or to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, such option may be exercised upon notice to the Agent by the Borrower suffering the casualty giving rise to such insurance proceeds if such casualty would not reasonably be expected to have a Material Adverse Effect and the insurance proceeds do not exceed Two Million Dollars (\$2,000,000) in the aggregate; provided, however, that if such Borrower chooses to replace, restore, repair or rebuild the property, but shall not have completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within one hundred eighty (180) days of such casualty, the Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.2(b). To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.2(b). Notwithstanding anything in this Section 5.5 to the contrary, the Agent's and the Lenders' rights to insurance proceeds from the loss, damage or destruction of real property leased or rented by a Borrower shall be subject to the superior rights, if any, of the lessor(s) of such property.

5.6 Compliance With Laws. The Borrowers shall comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to licensing (but excluding those relating to ERISA and labor matters and Environmental Laws and Environmental Permits, which are addressed elsewhere in this Agreement), except to the extent otherwise expressly permitted hereunder or to the extent that the failure to comply, individually or in the aggregate, would not have a Material Adverse Effect.

5.7 Supplemental Disclosure. From time to time as may be reasonably requested by the Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of a Default or an Event of Default), the Borrowers shall supplement each Disclosure Schedule hereto, or any representation or warranty herein or in any other Loan Document, with respect to any matter hereafter arising which, if existing or occurring at the date

of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or warranty or which is necessary to correct any information in such Disclosure Schedule or representation or warranty which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); provided, however, that no such supplement to any such Disclosure Schedule or representation or warranty shall amend, supplement or otherwise modify such Disclosure Schedule or representation, or be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by the Agent in writing.

5.8 Intellectual Property. Each Borrower will conduct its business and affairs without knowingly infringing or interfering with any Intellectual Property of any other Person in any material respect.

5.9 Environmental Matters. Each Borrower shall and shall cause each Person within its control owning or possessing any of the Collateral or participating in any aspect of the operations of such Borrower to (a) conduct its operations and keep and maintain its Real Estate (whether owned, leased or subleased by such Borrower) in compliance with all Environmental Laws and Environmental Permits other than noncompliance which would not have a Material Adverse Effect, (b) implement any and all investigation, remediation, removal and other response actions which are appropriate or necessary to maintain the Real Estate in the condition existing prior to any material Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or material Release of any such Hazardous Material, (c) notify the Agent and Lenders promptly after such Borrower becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate which is reasonably likely to result in Environmental Liabilities, individually or in the aggregate, in excess of Two Hundred Fifty Thousand Dollars (\$250,000), and (d) promptly forward to the Agent and the Lenders a copy of any order, notice, request for information or any communication or report received by such Borrower in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that would result in Environmental Liabilities, individually or in the aggregate, in excess of Two Hundred Fifty Thousand Dollars (\$250,000), in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened to take any action in connection with any such violation, Release or other matter. If the Agent at any time has a reasonable objective basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Borrower or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, which, in each case, could reasonably be expected to have a Material Adverse Effect, then such Borrower shall, upon the Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at such Borrower's expense, as the Agent may from time to time reasonably request, which audits, samples and reports shall be conducted or compiled by reputable environmental consulting firms acceptable to the Agent and shall be in form and substance reasonably acceptable to the Agent, and (ii) permit the Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and

testing as the Agent deems appropriate, including subsurface sampling of soil and groundwater, and shall reimburse the Agent for the costs thereof.

5.10 Landlords' Agreements; Mortgagee Agreements And Bailee Letters. Each Borrower shall obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property or mortgagee of owned property or with respect to any warehouse, processor or converter facility or other location as of the Closing Date set forth on Disclosure Schedule 5.10, which letter or agreement shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Inventory or Collateral at that location and which letter or agreement shall otherwise be satisfactory in form and substance to the Agent. After the Closing Date, no real property or warehouse space shall be leased or acquired by any Borrower and no Inventory shall be shipped to a processor or converter under arrangements established after the Closing Date without the prior written consent of the Agent, which shall not be unreasonably withheld, delayed or conditioned; provided that such consent shall not be required with respect to Inventory located in a warehouse or other storage facility if the value of the Inventory, together with all other Inventory located in a warehouse or other storage facility, is less than Two Hundred Fifty Thousand Dollars (\$250,000) or if a landlord or mortgagee agreement or bailee letter, as appropriate, satisfactory in form and substance to the Agent, shall first have been obtained with respect to such location. Each Borrower shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located, except to the extent that such amounts are being contested by such Borrower in good faith and cash reserves equal to such contested amounts are maintained by such Borrower for payment thereof. To the extent otherwise permitted hereunder, if a Borrower proposes to acquire a fee ownership interest in Real Estate after the Closing Date, such Borrower shall, if required by the Agent, provide to the Agent a mortgage or deed of trust granting the Agent a first priority Lien with respect to obligations under Term Loan A and a second priority Lien with respect to obligations under Term Loan B on such Real Estate, together with environmental audits, mortgage title insurance commitment, real property survey, local counsel opinion(s), and, if required by the Agent, supplemental casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by the Agent, in each case, in form and substance reasonably satisfactory to the Agent.

5.11 Agreements With Management. Each Borrower will obtain or maintain existing employment agreements, confidentiality agreements, and non-compete agreements and other relevant agreements reasonably satisfactory to the Agent from such officers and other members of senior management as are identified from time to time by the Agent.

5.12 Notices of Certain Transactions. To the extent expressly permitted by this Agreement, the Borrowers may enter into secured or unsecured borrowing transactions, including leasing transactions, without obtaining the consent of the Agent. In the case of any such transaction or series of related transactions in excess of One Million Dollars (\$1,000,000), notwithstanding the fact that the consent of the Agent is not required, the Borrower entering into the same shall give contemporaneous notice of the transaction to the Agent and, upon request by the Agent, provide the Agent with copies of all transaction documents relating thereto. In the event that any Payor contract representing ten percent (10%) or more of a Borrower's annual net patient service revenues is terminated or substantially amended, such Borrower shall give notice

of such termination or amendment within five (5) Business Days after the occurrence thereof and shall provide the Agent with copies of all notices, correspondence, and transaction documents relating thereto.

5.13 Compliance Certificate. Each and every time that any Borrower proposes to incur or receive an advance of any Capital Leases, Subordinated Debt or Indebtedness for Capital Expenditures pursuant to Section 6.3, such Borrower shall deliver a Compliance Certificate to the Agent, at least three (3) Business Days in advance of the date scheduled for such proposed transaction (or prior to submitting a request for an advance referred to in clause (a) above), certifying (1) compliance with each of the Financial Covenants set forth on Annex D on a pro forma basis after giving effect to such proposed transaction, (2) the date proposed for completing such transaction, (3) that no Default or Event of Default has occurred and is continuing, or will have occurred and be continuing, at the proposed time of making such transaction, and (4) that the consummation of such transaction will not cause, create, or result in a Default or an Event of Default. So long as such Compliance Certificate is received by the Agent within the prescribed time period and is reasonably satisfactory to the Agent, then such Borrower shall be permitted to complete such proposed transaction within forty-five (45) Business Days after the proposed date of the transaction set forth in the Compliance Certificate. If the proposed transaction is not completed within such period, then such Borrower will again be required to submit a similar Compliance Certificate to the Agent as a condition precedent to the undertaking of such proposed transaction.

5.14 Minimum Capital Expenditures. The Borrowers shall make such Capital Expenditures as shall be necessary or appropriate in order to keep their respective facilities in proper condition and working order. The Borrowers shall make Capital Expenditures for such purpose aggregating not less than Five Million Dollars (\$5,000,000) annually.

5.15 Further Assurances. Each Borrower agrees that it will, at its expense and upon request of the Agent, duly execute and deliver, or cause to be duly executed and delivered, to the Agent and the Lenders such further instruments, and will do and cause to be done such further acts, as may be necessary or proper in the reasonable opinion of the Agent to carry out more effectively the provisions and purposes of this Agreement or any Loan Document. Without limiting the generality of the foregoing, it is expressly understood and agreed that, except as otherwise provided in the Collateral Documents, the Borrowers' Obligations shall at all times be secured by perfected Liens, with the priorities specified in this Agreement and the Collateral Documents and subject only to Permitted Encumbrances, on Collateral consisting of all assets of the Borrowers. Accordingly, if any such assets required to be included in the Collateral, whether now existing or hereafter acquired or arising, are not subject to the requisite Lien securing the Obligations, the Borrower that owns such assets shall notify the Agent in writing of such fact immediately upon learning of the same, and shall take such further actions and execute and deliver such further documents, including additional Collateral Documents or amendments to Collateral Documents, as the Agent determines in its discretion to be reasonably necessary or appropriate to remedy the situation.

6. NEGATIVE COVENANTS

The Borrowers agree that, without the prior written consent of the Agent, from and after the Closing Date and until the Termination Date:

6.1 Mergers, Subsidiaries, Etc. No Borrower shall, directly or indirectly, by operation of law or otherwise, (a) form or acquire any Subsidiary, (b) merge or consolidate with, acquire all or substantially all of the assets of, transfer all or substantially all of its assets to, or otherwise combine with or acquire, any Person, or (c) convert into any other type of entity or any entity incorporated, organized, or formed under the laws of any jurisdiction other than the State of Hawaii.

6.2 Investments, Loans And Advances. Except as otherwise expressly permitted by this Section 6, or in Disclosure Schedule 6.2, no Borrower shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except for investments in (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one (1) year from the date of acquisition thereof, (b) commercial paper maturing no more than one (1) year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (c) certificates of deposit, maturing no more than one (1) year from the date of creation thereof, issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than Three Hundred Million Dollars (\$300,000,000) and having a senior unsecured credit rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (d) time deposits, maturing no more than thirty (30) days from the date of creation thereof with A Rated Banks, and (e) mutual funds that invest solely in one or more of the investments described in clauses (a) through (d) above.

6.3 Indebtedness. The Borrowers shall not create, incur, assume or permit to exist any Indebtedness, except (without duplication) (a) the Loans and the other Obligations, (b) Capital Leases, as identified on Disclosure Schedule 6.3, (c) other Indebtedness in existence as of the Closing Date, as identified on Disclosure Schedule 6.3, (d) unsecured trade payables in the ordinary course of business, (e) Subordinated Debt, (f) Indebtedness for Capital Expenditures relating to building renovations and building additions up to a maximum amount at any time outstanding of Seven Million Dollars (\$7,000,000) in aggregate unpaid principal amount, and (g) any extension, renewal or refinancing of any of the foregoing, provided that the principal amount of any such Indebtedness, the interest rate thereon and the scheduled payments of principal and interest with respect thereto may not be increased without the prior consent of the Agent. The Borrowers shall not, as guarantors, create, incur, assume or permit to exist any Guaranteed Indebtedness.

6.4 Affiliate Transactions and Employee Loans. Except for transactions in existence on the Closing Date, as identified on Disclosure Schedule 6.4(a), no Borrower shall (a) enter into or be a party to any transaction with any Affiliate or any officer, director or employee thereof (other than compensation paid to employees of such Borrower) in an aggregate amount greater than Two Hundred Fifty Thousand Dollars (\$250,000) per person in any Fiscal Year, or (b) advance any funds or extend credit to any officer, director, employee or Affiliate of such Borrower, except for proper business expenses incurred by officers, directors, or employees on the Borrower's behalf in the ordinary course of business.

6.5 Capital Structure And Business. Except for insubstantial deviations, no Borrower shall (a) make any changes in any of its business objectives, purposes or operations

which would in any way adversely affect the repayment of the Loans or any of the other Obligations or have or result in a Material Adverse Effect, (b) make any change in its capital structure as described on Disclosure Schedule 3.7, (c) amend its Articles of Incorporation or Bylaws in a manner which would adversely affect the Agent or any Lender or such Borrower's duty or ability to repay the Obligations, or (d) engage in any business other than the businesses currently engaged in by them or businesses reasonably related thereto.

6.6 Liens. The Borrowers shall not create, incur, assume or permit to exist any Lien on or with respect to their properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances, (b) Liens in existence on the date hereof and identified on Disclosure Schedule 3.5, (c) Liens securing Subordinated Debt, (d) subordinate Liens for Capital Expenditures permitted by Section 6.3(f), and (e) Liens on Equipment under Capital Leases permitted by Section 6.3(b).

6.7 Disposition of Assets. No Borrower shall sell, transfer, convey, assign or otherwise dispose of any of its assets, other than (a) the sale of Inventory in the ordinary course of business, (b) the sale, transfer, conveyance, assignment or other disposition of Equipment and Fixtures having a value not exceeding Five Hundred Thousand Dollars (\$500,000) in the aggregate in any Fiscal Year, or (c) the sale, transfer, conveyance, assignment or other disposition of Equipment and Fixtures the net proceeds of which are applied and used to replace such Equipment and Fixtures with assets of comparable utility and value. With respect to any disposition of assets permitted pursuant to clause (b) of this Section 6.7, the Agent agrees, on reasonable prior written notice from the Borrower proposing such disposition, to release its Lien for the benefit of the Agent and the Lenders on such assets or other properties in order to permit such Borrower to effect such disposition and shall execute and deliver to such Borrower, at the Borrower's expense, appropriate termination statements and other releases as reasonably requested by the Borrower. In the case of any disposition of assets other than as permitted above, the consent of the Agent shall be required and such consent may be conditioned, in the discretion of the Agent, upon the application of the disposition proceeds to the prepayment of the Loans pursuant to Section 1.2(b).

6.8 ERISA. The Borrowers shall not cause or permit to occur, or cause or permit any ERISA Affiliate to cause or permit to occur, (a) an event which could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA, or (b) an ERISA Event which would have a Material Adverse Effect.

6.9 Hazardous Materials. The Borrowers shall not cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or Environmental Liabilities which would not have a Material Adverse Effect.

6.10 Sale-Leasebacks. The Borrowers shall not engage in any sale-leaseback, synthetic lease or similar transaction involving any of their assets.

6.11 Cancellation Of Indebtedness. The Borrowers shall not cancel any claim or debt owing to them, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

6.12 Change Of Corporate Name Or Location; Change Of Fiscal Year. No Borrower shall (a) change its name as it appears in official filings in the jurisdiction of its incorporation, organization or formation, (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, (c) change the type of entity that it is, (d) change any organization identification number issued by its jurisdiction of incorporation, organization or formation, or (e) change its jurisdiction of incorporation, organization or formation, in each case without at least thirty (30) days' prior written notice to the Agent and after the Agent's written acknowledgment that any reasonable action requested by the Agent in connection therewith, including any action necessary to continue the perfection of any Liens in favor of the Agent for the benefit of the Agent and the Lenders in any Collateral, has been completed or taken, and provided, further, that any such new location shall be in the United States. Without limiting the generality of the foregoing, no Borrower shall change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed in connection with any Loan Document seriously misleading within the meaning of Sections 490:9-506 through 490:9-508 of the Code or any other then applicable provision of the Code except upon prior written notice to the Agent and after the Agent's written acknowledgment that any reasonable action requested by the Agent in connection therewith, including any action necessary to continue the perfection of any Liens in favor of the Agent for the benefit of the Agent and the Lenders in any Collateral, has been completed or taken. No Borrower shall change its Fiscal Year.

6.13 No Impairment Of Intercompany Transfers. No Borrower shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents or as required by law, rule or regulation applicable to the operations of such Borrower) which could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of such Borrower to the Borrower.

6.14 Leases. No Borrower shall enter into any operating lease for Equipment or Real Estate, if the aggregate of all such operating lease payments payable in any year due from or payable by such Borrower would exceed One Million Dollars (\$1,000,000); provided, however, that lease payments pursuant to the leases with respect to the Real Estate set forth on Disclosure Schedule 3.5 (or any lease approved by the Agent in advance as a replacement for any expired or terminated lease with respect to the Real Estate set forth on Disclosure Schedule 3.5) shall not be included in calculating the aggregate amount of such operating lease payments.

7. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

7.1 Events Of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an "Event of Default" hereunder:

(a) The Borrowers fail to make any payment of principal of, or interest on, any Loan or any of the other Obligations when due and payable.

(b) The Borrowers fail to pay or reimburse the Agent or any Lender for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following the Agent's written demand for such reimbursement or payment of expenses.

(c) The Borrowers shall fail or neglect to perform, keep or observe any of the provisions of Sections 5.1, 5.2, 5.4, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.10, 6.11, 6.12 or 6.14, or any of the provisions set forth in Annex D.

(d) The Borrowers shall fail or neglect to perform, keep or observe any of the provisions of Sections 4, 5 or 6 (other than those matters provided in subsection (c) above) or any provisions set forth in Annex B or Annex C, respectively, and the same shall remain unremedied for ten (10) days or more.

(e) The Borrowers shall fail or neglect to perform, keep or observe any other provision of this Agreement or any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section 7.1) and the same shall remain unremedied for thirty (30) days or more.

(f) A default or breach shall occur under any other agreement, document or instrument to which any Borrower is a party which is not cured within any applicable grace period set forth in such agreement, document or instrument, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness (other than the Obligations) or operating lease of such Borrower in excess of One Million Dollars (\$1,000,000) in the aggregate, or (ii) causes, or permits any holder of such Indebtedness or operating lease or a trustee to cause, such Indebtedness or operating lease or a portion thereof in excess of Five Hundred Thousand Dollars (\$500,000), in the aggregate, to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(g) Any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate made or delivered to the Agent or any Lender by the Borrowers is untrue or incorrect in any material respect as of the date when made or deemed made.

(h) Assets of any Borrower with a fair market value of Two Hundred Fifty Thousand Dollars (\$250,000) or more in the aggregate shall be attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of a Borrower and such condition continues for thirty (30) days or more.

(i) A case or proceeding shall have been commenced against a Borrower seeking a decree or order in respect of such Borrower (i) under Title 11 of the United States Code, as now constituted or hereafter amended or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for such Borrower or a Subsidiary or of any substantial part of

any such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of such Borrower or a Subsidiary, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or such court shall enter a decree or order granting the relief sought in such case or proceeding.

(j) A Borrower (i) shall file a petition seeking relief under Title 11 of United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) shall fail to contest in a timely and appropriate manner or shall consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such Borrower or a Subsidiary or of any substantial part of any such Person's assets, (iii) shall make an assignment for the benefit of creditors, (iv) shall take any action in furtherance of any of the foregoing, or (v) shall admit in writing its inability to, or shall be generally unable to, pay its debts as such debts become due.

(k) A final judgment or judgments for the payment of money in excess of Five Hundred Thousand Dollars (\$500,000) in the aggregate at any time outstanding shall be rendered against any Borrower unless (i) within sixty (60) days after the entry thereof, the same shall have been discharged or execution thereof stayed or bonded pending appeal, or shall have been discharged prior to the expiration of any such stay, or (ii) the amount of the judgment or judgments in question is fully covered by insurance (subject to applicable deductibles) and the Agent receives evidence of such coverage reasonably satisfactory to it.

(l) Any material provision of any Loan Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or the Borrowers or any of them shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any security interest created under any Loan Document shall cease to be a valid and perfected first priority security interest or Lien with respect to obligations under Term Loan A or a valid and perfected second priority security interest or Lien with respect to obligations under Term Loan B (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(m) A breach, default, or event of default shall have occurred and be continuing (i) for at least thirty (30) days under either of the Weinberg Space Leases, or (ii) for at least thirty (30) days under that certain Equipment Lease Agreement No. 2375 dated June 30, 2003, by and among Bank of Hawaii, SFMC, and SFMC-West, as supplemented by Exhibits 1631 and 1632 thereto, and assigned to the Borrowers.

7.2 Remedies.

(a) If any Default or Event of Default shall have occurred and be continuing, the Agent may, without prior notice, (a) increase the rate of interest applicable to the Loans to the Default Rate, (b) declare all or any portion of the Obligations, including all or any portion of any Loan, to be forthwith due and payable, all without presentment, demand, protest or further notice of any kind, each of which are expressly waived by the Borrowers, and (c) exercise any rights and remedies provided to the Agent and the Lenders under the Loan Documents and/or at

law or equity, including all remedies provided under the Code; provided, however, that upon the occurrence of an Event of Default specified in Sections 7.1(h), (i) or (j), the Loans and all of the other Obligations shall become immediately due and payable without declaration, notice or demand by any Person. In any such event, the Agent shall give written notice to the Borrowers of any action taken pursuant to the foregoing within a reasonable time after such action is taken.

(b) Any provision hereof to the contrary notwithstanding, if a Default or Event of Default shall have occurred and be continuing, any monies held by the Agent or any Lender and available to pay the Obligations hereunder, including amounts realized upon the exercise of remedies hereunder, shall be applied: FIRST, to the payment of fees and expenses owed to the Agent or any Lender, including any such fees and expenses incurred in connection with the enforcement of and exercise of remedies under the Loan Documents; SECOND, to the payment of the interest on either or both Loans, as determined by the Agent in its sole discretion; and THIRD, to the payment of the principal of either or both Loans, as determined by the Agent in its sole discretion.

7.3 Waivers By Borrowers. Except as otherwise provided in this Agreement or by applicable law, each Borrower irrevocably (a) waives presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by the Agent or any Lender on which such Borrower may in any way be liable, and ratifies and confirms whatever the Agent or any Lender may do in this regard, (b) waives all rights to notice and a hearing prior to the Agent's or any Lender's taking possession or control of, or to the Agent's or any Lender's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing the Agent or any Lender to exercise any of its remedies, and (c) waives the benefit of all valuation, appraisal, marshaling, redemption, and exemption laws.

7.4 Election Of Remedies. If the Agent or any Lender may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving the Agent or any Lender a Lien upon any Collateral, whether owned by a Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, the Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 7. If, in the exercise of any of its rights and remedies, the Agent or any Lender shall forfeit any of its rights or remedies, including any right to enter a deficiency judgment against a Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, such Borrower hereby consents to such action by the Agent or any Lender and waives any claim based upon such action, even if such action by the Agent or any Lender shall result in a full or partial loss of any rights of subrogation which such Borrower might otherwise have had but for such action by the Agent or any Lender. In the event the Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by this Agreement, by law or the Loan Documents, the Agent or any Lender may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by the Agent or any Lender, but shall be credited against the Obligations.

8. SUCCESSORS AND ASSIGNS

8.1 Successors And Assigns. The Loan Documents shall be binding on and shall inure to the benefit of the Borrowers, the Agent and each Lender and their respective successors and assigns (including, in the case of a Borrower, a debtor-in-possession on behalf of such Borrower), except as otherwise provided herein or therein. The Borrowers may not assign, transfer, hypothecate or otherwise convey their rights, benefits, obligations or duties under any of the Loan Documents without the prior express written consent of the Agent. Any such purported assignment, transfer, hypothecation or other conveyance by a Borrower without the prior express written consent of the Agent shall be null and void ab initio. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of the Borrowers, the Agent and each Lender with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any kind of any of the terms and provisions of any of the Loan Documents.

9. MISCELLANEOUS

9.1 Complete Agreement; Modification Of Agreement. The Loan Documents constitute the complete agreement among the parties with respect to the subject matter thereof, and the Loan Documents may not be modified, altered or amended except as set forth in Section 9.2 below. Any letter of interest, proposal letter, term sheet, commitment letter or fee letter between or among the Borrowers, the Agent and any Lender or any of their respective affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

9.2 Amendments And Waivers. Neither this Agreement nor any other Loan Document nor any of the terms or provisions hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the Borrowers (except with respect to matters exclusively between the Agent and the Lenders) and by the Agent on behalf of the Agent and the Lenders; provided, however, that no such change, waiver, discharge or termination shall, without the consent of each affected Lender, (a) extend the scheduled final maturity of either Loan, or any portion thereof, or reduce the rate or extend the time of payment of interest (other than as a result of waiving the imposition of any Default Rate) thereon, or reduce the principal amount thereof, (b) release Collateral (except as expressly permitted by the Loan Documents), (c) amend, modify or waive any provision of this Section 9.2, or Section 9.3, or (d) consent to the assignment or transfer by a Borrower of any of its rights and obligations under this Agreement.

Upon the indefeasible payment in full in cash and complete performance of all of the Obligations, the Agent on behalf of the Agent and the Lenders shall deliver to the Borrowers such termination statements, mortgage releases and other documents as are necessary or appropriate to evidence the termination of the Liens in favor of the Agent for the benefit of the Agent and the Lenders securing payment of the Obligations.

9.3 Fees And Expenses. The Borrowers shall, no later than five (5) Business Days after written notice thereof, reimburse the Agent for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and

management consultants and appraisers) for advice, assistance, or other representation in connection with:

(a) any amendment, modification or waiver of, or consent with respect to, any of the Loan Documents or advice in connection with the administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(b) any Litigation (whether instituted by the Agent, any Lender, any Borrower or any other Person) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection therewith or herewith, whether as party, witness, or otherwise, including any Litigation, and any appeal or review thereof, in connection with a case commenced by or against a Borrower or any other Person that may be obligated to the Agent or any Lender by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default, but excluding any Litigation brought by a Borrower against the Agent or the Lenders based on a claim that it or they have breached their obligations under the Loan Documents, if it is determined in a final and nonappealable decision by a court of competent jurisdiction that such Borrower is the Prevailing Party in such Litigation;

(c) any attempt to enforce any remedies of the Agent or any Lender against the Borrowers or any other Person that may be obligated to the Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default;

(d) any work-out or restructuring of the Loans during the pendency of one or more Events of Default; and

(e) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any Borrower or its affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral, including, as to each clause of this Section 9.3, all reasonable attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate or bankruptcy proceedings.

All expenses, costs, charges and other fees incurred by counsel and others in any way or respect arising in connection with or relating to any of the events or actions described in this Section 9.3 shall be payable, on demand, by the Borrowers to the Agent, and shall form a part of the Obligations and be secured by the Collateral. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of attorneys, accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

9.4 No Waiver. Any failure by the Agent or any Lender, at any time or times, to require strict performance by the Borrowers of any provision of any of the Loan Documents shall not waive, affect or diminish any right of the Agent or any Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of the Borrowers contained in this Agreement or any of the other Loan Documents and no Default or Event of Default shall be deemed to have been suspended or waived by the Agent or any Lender, unless such suspension or waiver is by a written instrument signed by an officer or other authorized employee of the Agent and directed to the Borrowers specifying such suspension or waiver.

9.5 Remedies. The Agent's and each Lender's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies which the Agent or any Lender may have under any other agreement, including without limitation the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

9.6 Severability. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

9.7 Conflict Of Terms. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

9.8 Information. The Agent and each Lender may disclose, from time to time, information regarding the Borrowers and their Affiliates (a) to Persons employed or engaged by the Agent and each Lender in evaluating, approving, structuring or administering the Loans, (b) to any bona fide assignee or participant or potential assignee or participant (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to others to the same extent as permitted on the part of the Agent and the Lenders under this Section 9.8), (c) as required or requested by any Governmental Authority or reasonably believed by the Agent or any Lender to be compelled by any court decree, subpoena or legal order or process, (d) as, on the advice (which need not be in writing) of the Agent's or any Lender's counsel, required by law, (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which the Agent or any Lender is a party, or (f) that ceases to be confidential through no fault of the Agent or any Lender. The Agent, each Lender, and each other Person to whom disclosure is permitted pursuant to this Section 9.8, shall hold in strict confidence any non-public information provided by the Borrowers, their Affiliates or their respective agents and representatives, and agree to refrain from disclosing any such non-public information to any Person other than as expressly

permitted in this Agreement and to use such non-public information only for the purposes contemplated by this Agreement.

9.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS (AND IN ANY SUCH CASE, STRICTLY LIMITED TO THE EXTENT PROVIDED), IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF HAWAII APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE (WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICT OF LAWS OR THE CHOICE OF LAW RULES OF ANY JURISDICTION TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF HAWAII WOULD BE REQUIRED OR PERMITTED THEREBY) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH BORROWER HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN OR AMONG ANY OF THE PARTIES HERETO PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, HOWEVER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE AGENT OR ANY LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE AGENT OR ANY LENDER. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND HEREBY WAIVES ANY OBJECTION WHICH SUCH BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR INCONVENIENT FORUM (*FORUM NON CONVENIENS*) AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE BORROWER AT THE ADDRESS SET FORTH IN ANNEX F OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF THE BORROWER'S ACTUAL RECEIPT THEREOF OR TWO (2) BUSINESS DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

9.10 Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties

desires to give or serve upon any other party any communication with respect to this Agreement or any of the Loan Documents, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and two (2) Business Days after deposit in the United States mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission during business hours on any Business Day, or, if after 5:00 p.m. (HST) on a Business Day or at any time on a day which is not a Business Day, then as of 9:00 a.m. (HST) on the next succeeding Business Day, when sent by telecopy, electronic mail, or other similar facsimile transmission (with such telecopy, electronic mail, or facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this Section 9.10), (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which communications shall be addressed to the party to be notified and sent to the address, facsimile number, or electronic mail address indicated on Annex E or to such other address (or facsimile number or electronic mail address) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than the Borrowers, the Lenders, or the Agent) designated on Annex E to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. The Chief Administrative Officer of the Agent (or any other individual designated by the Agent from time to time with written notice given to the Borrowers) shall act as the Agent's representative to receive from the Borrowers all notices, respond to all requests made by the Borrowers for waiver or consent, and to otherwise communicate with the Borrowers for all purposes of this Agreement and the Loan Documents, and the Agent shall cause its representative to respond to requests made by the Borrowers and to communicate with the Borrowers in a timely and commercially reasonable manner.

9.11 Section Titles. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement among the parties hereto.

9.12 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. Electronically transmitted or facsimile copies of original signature pages shall be deemed to be, and shall be legally effective as, originally signed signature pages for all purposes of this Agreement.

9.13 **WAIVER OF JURY TRIAL**. **BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, EACH OF THE PARTIES HERETO WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY**

ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG THE AGENT, ANY LENDER AND THE BORROWERS ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN OR AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATING HERETO AND THERETO.

9.14 Reinstatement. Unless otherwise determined by a court of competent jurisdiction in a final, non-appealable decree, this Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Borrower for liquidation or reorganization, should any Borrower become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of such Borrower's assets, and this Agreement shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. Unless otherwise determined by a court of competent jurisdiction in a final, non-appealable decree, in the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

9.15 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

10. THE AGENT

10.1 Appointment, Powers And Immunities. Each Lender hereby irrevocably appoints and authorizes the System to act as Agent under the Loan Documents with such powers as are specifically delegated to the Agent by the terms of the Loan Documents, together with such other powers as are reasonably incidental thereto.

10.2 Reliance By Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, facsimile transmission, or electronic mail) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent.

10.3 Reliance By Borrower. The Borrowers shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, facsimile transmission, or electronic mail), instrument or agreement provided by the Agent hereunder, and any of the foregoing so provided by the Agent shall be binding upon the Lenders.

10.4 Defaults. The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default (other than the non-payment of principal of or interest on the Loans) unless such Agent has received notice from a Lender or a Borrower specifying such Default which states that such notice is a “Notice of Default.”

10.5 Resignation Of the Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the other Lenders and the Borrowers. Upon any such resignation, the Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Lenders nor shall a successor Agent have accepted such appointment within thirty (30) days after the resigning Agent gives notice of resignation, then the resigning Agent may, on behalf of the Lenders, appoint a successor Agent. Upon the acceptance of any appointment as an Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent, and the resigning Agent shall be discharged from its duties and obligations hereunder. After any resigning Agent’s resignation hereunder as an Agent, the provisions of Section 1.5 and this Section 10 shall continue in effect for such resigning Agent’s benefit in respect of any actions taken or omitted to be taken by it while it was acting as an Agent.

10.6 Consents Under Loan Documents. Except as otherwise provided in Section 9.2 with respect to this Agreement, the Agent may consent to any modification, supplement or waiver under any of the Loan Documents on behalf of the Lenders.

10.7 Collateral Matters.

(a) Except as otherwise expressly provided for in this Agreement, the Agent shall have no obligation whatsoever to any Lender or any other Person to investigate, confirm or assure that the Collateral exists or is owned by a Borrower or is cared for, protected or insured or has been encumbered, or whether any particular reserves are appropriate, or that the Liens granted to the Agent for the benefit of the Agent and the Lenders herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights authorities and powers granted or available to the Agent in any of the Loan Documents, it being understood and agreed that (i) in respect of the Collateral, or any act, omission or event related thereto, the Agent may act in any manner deemed appropriate, in its sole discretion, given the Agent’s own interest in the Collateral as a Lender and (ii) that the Agent shall have no duty or liability whatsoever to any other Lender, other than liability for its own gross negligence or willful misconduct as determined by a final judgment of a court of competent jurisdiction.

(b) Each Lender hereby appoints the Agent and each other Lender as its agent for the purpose of perfecting the Agent’s security interest for the benefit of the Agent and the Lenders in assets which, in accordance with Articles 8 and 9 of the Code, can be perfected only by possession or control. Should any Lender (other than the Agent) obtain possession or control of any such Collateral, such Lender shall notify the Agent thereof and, promptly upon the Agent’s request therefor, shall deliver such Collateral or control thereof to the Agent or in accordance with the Agent’s instructions.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII, as Lender and Agent for the Lenders

By: _____

Name:

Title:

ST. FRANCIS MEDICAL CENTER, as Lender

By: _____

Name:

Title:

ST. FRANCIS MEDICAL CENTER-WEST, as Lender

By: _____

Name:

Title:

**ST. FRANCIS HOSPITALS HAWAII,
as Borrower**

By: _____
Name:
Title:

**ST. FRANCIS HOSPITAL-LILIHA,
as Borrower**

By: _____
Name:
Title:

**ST. FRANCIS HOSPITAL-EWA,
as Borrower**

By: _____
Name:
Title:

ANNEX A (Recitals)

to

LOAN AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all section references in the following definitions shall refer to Sections of the Agreement:

“A Rated Bank” shall have the meaning set forth in Section 6.2.

“Account Debtor” shall mean a Person who may become obligated to a Borrower under, with respect to, or on account of, an Account.

“Account” shall mean any “account,” as such term is defined in the Code, now owned or hereafter acquired by a Borrower and, in any event, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, Documents or Instruments) now owned or hereafter received or acquired by or belonging or owing to such Borrower, whether arising out of goods sold or services rendered by it or from any other transaction (including any such obligations which may be characterized as an account or contract right under the Code), (b) all of such Borrower’s rights in, to and under all purchase orders or receipts now owned or hereafter acquired by it for goods or services, (c) all of such Borrower’s rights to any goods represented by any of the foregoing (including unpaid sellers’ rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due to such Borrower (i) for property sold, leased, licensed, assigned or otherwise disposed of, (ii) for a policy of insurance issued or to be issued, (iii) for a secondary obligation incurred or to be incurred, (iv) for energy provided or to be provided, (v) for the use or hire of a vessel under a charter or other contract, (vi) arising out of the use of a credit card or charge card, or (vii) for services rendered or to be rendered by such Borrower or in connection with any other transaction (whether or not yet earned by performance on the part of such Borrower) now or hereafter in existence, (e) all health-care-insurance receivables, and (f) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or any other Person with respect to any of the foregoing.

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, ten percent (10%) or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person’s officers, directors, joint venturers and partners, (d) each Person that is a Guarantor, and (e) each Person that is a family member of any Person described in the foregoing clauses (a) through (d). For the purposes of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or

otherwise; provided, however, that the term “Affiliate,” when used with respect to a Borrower or any Affiliate of a Borrower, shall specifically exclude the Agent or any Lender.

“Agent” shall have the meaning set forth in the introductory paragraph of the Agreement.

“Agreement” shall mean the Loan Agreement by and among the Borrowers, the System, as Agent and Lender, and the other Lenders from time to time party thereto, together with all Annexes, Disclosure Schedules, Exhibits and other attachments thereto, each as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

“Annexes” shall mean the annexes denominated as Annexes A through E in the Index of Appendices.

“Appendices” shall have the meaning set forth in the Recitals to this Agreement.

“Borrowers” shall have the meaning set forth in the introductory paragraph of this Agreement.

“Business Day” shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of Hawaii,

“Capital Expenditures” shall mean, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

“Capital Leases” shall mean, with respect to any Person, any lease(s) of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

“Capital Lease Obligation” shall mean, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

“Charges” shall mean all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Borrower, (d) any Borrower’s ownership or use of any properties or other assets, or (e) any other aspect of any Borrower’s business.

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“Chattel Paper” shall mean any “chattel paper,” as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by the Borrower, wherever located.

“Closing Date” shall mean the date of this Loan Agreement.

“Code” shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Hawaii; provided, however, that to the extent that the Uniform Commercial Code is used to define any term in the Agreement or in any other Loan Document and such term is defined differently in different Articles or Divisions of the Uniform Commercial Code, the definition of such term contained in Article or Division 9 shall govern; provided further, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Agent’s security interest for the benefit of the Agent and the Lenders in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Hawaii, the term “Code” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

“Collateral” shall mean the property covered by the Collateral Documents.

“Collateral Documents” shall mean the Security Agreement, the Mortgages and all similar agreements entered into at any time granting a Lien upon property as security for payment of the Obligations.

“Collateral Reports” shall mean the reports with respect to the Collateral referred to in Annex E.

“Collection Account” shall mean the account of the Agent designated from time to time for purposes of receiving payments hereunder, as specified by the Agent in writing delivered to the Borrower.

“Compliance Certificate” shall mean a certificate, meeting the requirements set forth in Section 5.13 or Annex B, as applicable, signed by the Chief Financial Officer of SFHH and joined in by the Chief Financial Officers of the other Borrowers with respect to matters pertaining to such Borrowers.

“Contracts” shall mean all “contracts,” as such term is defined in the Code, now owned or hereafter acquired by any Borrower, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which such Borrower may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

“Copyright” or “Copyrights” shall mean all of the following (now owned or hereafter acquired by the any Borrower): (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all

registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

“Copyright License” means any and all rights now owned or hereafter acquired by any Borrower under any written agreement granting any right to use any Copyright or Copyright registration.

“Current Assets” shall mean, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, including debts or other amounts due from Affiliates or joint ventures that are properly recognized as current assets under GAAP, if and to the extent that the Agent determines, in its reasonable judgment, that such debts and other amounts represent valid transactions entered on an arms’ length or arms’ length equivalent basis.

“Current Liabilities” shall mean, with respect to any Person, all liabilities which should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one (1) year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, and the current portion of long-term debt required to be paid within one (1) year.

“Current Ratio” shall mean, as of the date of determination, the ratio of the Borrower’s Current Assets to its Current Liabilities.

“Default” shall mean any event which, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

“Default Rate” shall have the meaning set forth in Section 1.4(a).

“Disclosure Schedules” shall mean the Schedules prepared by the Borrowers and denominated as Disclosure Schedules 3.2 through 6.4(b) in the Index of Appendices.

“Documents” shall mean any “documents,” as such term is defined in the Code, now owned or hereafter acquired by the Borrower, wherever located.

“EBIDA” shall mean, with respect to any fiscal period, an amount equal on a combined or consolidated basis to (a) net income of the Borrowers for such period, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by the Borrowers (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains which have been added in determining net income, in each case to the extent included in the calculation of net income of the Borrowers for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) Interest Expense, (ii) loss from extraordinary items for such period, (iii) the amount of non-cash charges (including depreciation and amortization) for such period, and (iv) amortized

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debt discount for such period, in each case to the extent included in the calculation of net income of the Borrowers for such period in accordance with GAAP, but without duplication. For purposes of this definition, the following items shall be excluded in determining net income of the Borrowers: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, any Borrower or any of such Borrower's Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which any Borrower has an ownership interest, except to the extent any such income has actually been received by such Borrower in the form of cash dividends or distributions; (3) the undistributed earnings of any Subsidiary of any Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of any Borrower; (8) in the case of a successor to any Borrower by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets; (9) any deferred credit representing the excess of equity in any Subsidiary of any Borrower at the date of acquisition of such Subsidiary over the cost to such Borrower of the investment in such Subsidiary; and (10) amounts used to pay Hawaii General Excise Tax, to the extent applicable.

“Environmental Laws” shall mean all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules and regulations, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial interpretation thereof, including any applicable judicial order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.) (“CERCLA”); the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Resource Conservation and Recovery Act; the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), each as from time to time amended (or any successor legislation thereto), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes. The term “Environmental Law” also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations, permits or authorizations and the like, as well as common law that (a) condition transfer of property upon a negative declaration or other approval of a Governmental Authority of the environmental condition of property; (b) require notification or disclosure of Releases of Hazardous Material or other environmental condition of property to any Governmental Authority or other Person,

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whether or not in connection with transfer of title to or interest in property; (c) impose conditions or requirements in connection with permits or other authorization for lawful activity; (d) relate to nuisance, trespass or other causes of action related to the environmental condition of property; or (e) relate to wrongful death, personal injury, or property or other damage in connection with any environmental use or condition of property.

“Environmental Liabilities” shall mean, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, including any arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

“Environmental Permits” shall mean all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

“Equipment” shall mean all “equipment,” as such term is defined in the Code, now owned or hereafter acquired by any Borrower, wherever located and, in any event, including all of the Borrower’s machinery and equipment, including diagnostic, laboratory, monitoring, testing, treatment, and therapeutic devices, repair and processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment, and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974 (or any successor legislation thereto), as amended from time to time, and any and all regulations promulgated thereunder.

“ERISA Affiliate” shall mean, with respect to the Borrower, any trade or business (whether or not incorporated) which, together with the Borrower, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

“ERISA Event” shall mean, with respect to any Borrower or ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan, (b) the

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withdrawal of such Borrower or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (c) the complete or partial withdrawal of such Borrower or ERISA Affiliate from any Multiemployer Plan, (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA, (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC, (f) the failure by such Borrower or ERISA Affiliate to make required contributions to a Multiemployer Plan or Title IV Plan when due unless such failure is cured within thirty (30) days, (g) any other event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA, (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA, (i) the loss of a Qualified Plan's qualification or tax exempt status, or (j) the termination of a Plan described in Section 4064 of ERISA.

“ESOP” shall mean a Plan which is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

“Event of Default” shall have the meaning set forth in Section 7.1.

“Exhibits” shall mean the Exhibits denominated as Exhibit 1.1(a)(i) through 6.4(c)(ii) in the Index to Appendices.

“FEIN” means the Federal Employer Identification Number of each Borrower as set forth on Disclosure Schedule 3.2.

“Financial Covenants” shall have the meaning set forth in Section 5.4 and are as set forth in Annex D.

“Financial Statements” shall mean the income statements, statements of cash flows and balance sheets of the Borrower, delivered in accordance with Section 3.4 of the Agreement and Annex B to the Agreement.

“Fiscal Month” shall mean any of the monthly accounting periods of the Borrower.

“Fiscal Quarter” shall mean any of the quarterly accounting periods of the Borrower, ending on September 30, December 31, March 31 and June 30 of each Fiscal Year.

“Fiscal Year” shall mean any of the annual accounting periods of the Borrowers ending on June 30 of each year.

“Fixed Charge Coverage Ratio” shall mean, for any Fiscal Quarter, the ratio of (i) EBIDA to (ii) the Borrower's total debt service on Indebtedness (including total Capital Lease payment obligations) for such twelve-month period (or with respect to any Fiscal Quarter ending

on or prior to _____, 2010, for the period commencing on the Closing Date and ending on the last day of such Fiscal Quarter), all as determined in accordance with GAAP.

“Fixtures” shall mean any “fixtures” as such term is defined in the Code, now owned or hereafter acquired by the Borrower.

“Funded Debt” shall mean, with respect to any Person, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and which by its terms matures more than one (1) year from, or is directly or indirectly renewable or extendible at the option of a Borrower under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one (1) year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one (1) year at the option of the debtor, and also including, in the case of a Borrower, the Obligations and, without duplication, Guaranteed Indebtedness consisting of guaranties of Indebtedness of other Persons.

“GAAP” shall mean generally accepted accounting principles in the United States of America as in effect on the Closing Date, consistently applied, subject to the further provisions of Annex D.

“General Intangibles” shall mean any “general intangibles,” as such term is defined in the Code, now owned or hereafter acquired by any Borrower, and, in any event, including all right, title and interest which such Borrower may now or hereafter have in or under any Contract, payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs, electronic records, and other papers and documents in the possession or under the control of a Borrower or any computer bureau or service company from time to time acting for such Borrower.

“Governmental Authority” shall mean any nation or government, any state municipality or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or agency functions of or pertaining to government.

“Guaranteed Indebtedness” shall mean, as to any Person, any obligation of such Person guaranteeing any indebtedness, lease, dividend, or other obligation (“primary obligations”) of any other Person (the “primary obligor”) in any manner, including any obligation or arrangement of such Person (a) to purchase or repurchase any such primary obligation, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) to indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is made and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or (z) if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

“Hazardous Material” shall mean any substance, material or waste (whether solid, liquid, or gas) which is regulated by or forms the basis of liability now or hereafter under any Environmental Laws, including any material or substance which is (a) defined, listed, or otherwise classified as a “solid waste,” “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “contaminant,” “hazardous constituent,” “special waste,” “toxic substance” or other similar term or phrase under any present or future Environmental Laws or that may have a negative impact on health or the human environment, or (b) petroleum or any fraction or by-product thereof, asbestos or asbestos containing materials, polychlorinated biphenyls (PCB’s), lead, radon, flammables, explosives, or any radioactive substance.

“Indebtedness” of any Person shall mean without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property, payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than six (6) months, unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers’ acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the interest rate on Term Loan A as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder

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of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations.

“Indemnified Liabilities” shall have the meaning set forth in Section 1.5.

“Indemnified Person” shall have the meaning set forth in Section 1.5.

“Instruments” shall mean any “instrument,” as such term is defined in the Code, now owned or hereafter acquired by the Borrower, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

“Intellectual Property” shall mean any and all Licenses, Patents, Copyrights, Trademarks, trade secrets, and customer lists.

“Interest Coverage Ratio” shall mean, for any Fiscal Quarter, the ratio of (i) EBIDA for the twelve months ending on the last day of such Fiscal Quarter (or with respect to any Fiscal Quarter ending on or prior to _____, 2010, for the period commencing on the Closing Date and ending on the last day of such Fiscal Quarter) to (ii) the sum of Interest Expense for such twelve-month period (or with respect to any Fiscal Quarter ending on or prior to _____, 2010, for the period commencing on the Closing Date and ending on the last day of such Fiscal Quarter), all as determined in accordance with GAAP.

“Interest Expense” shall mean, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including, in any event, interest expense with respect to any Funded Debt of such Person and interest expense for the relevant period that has been capitalized on the balance sheet of such Person.

“Inventory” shall mean any “inventory,” as such term is defined in the Code, now or hereafter owned or acquired by any Borrower, wherever located, and in any event including inventory, merchandise, goods and other personal property which are held by or on behalf of such Borrower for sale or lease or are furnished or are to be furnished under a contract of service, or which constitute raw materials, work in process, finished goods, returned goods, or materials or supplies used or consumed or to be used or consumed in such Borrower’s business or in the processing, production, packaging, promotion, delivery or shipping of the same, including, without limitation, all drugs, pharmaceuticals, and medications, food, medical, maintenance, laboratory, shop, office, and other supplies, consumables, disposables, embedded software, and other similar items of tangible personal property.

“Investment Property” shall have the meaning ascribed thereto in the Code, now owned or hereafter acquired by any Borrower, wherever located and shall include (a) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund

shares, (b) all securities entitlements of such Borrower, including the rights of such Borrower to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account, (c) all securities accounts of the Borrower, (d) all commodity contracts of such Borrower, and (e) all commodity accounts held by such Borrower.

“IRC” shall mean the Internal Revenue Code of 1986, as amended, and any successor legislation thereto.

“IRS” shall mean the Internal Revenue Service, or any successor thereto.

“Lease Expenses” shall mean, with respect to any Person for any fiscal period, the aggregate rental obligations of such Person determined in accordance with GAAP which are payable in respect of such period under leases of real and/or personal property (net of income from subleases thereof, but including taxes, insurance, maintenance and similar expenses which the lessee is obligated to pay under the terms of such leases), whether or not such obligations are reflected as liabilities or commitments on a consolidated balance sheet of such Person or in the notes thereto, excluding, however, any such obligations under Capital Leases.

“Lender” and “Lenders” shall have the meanings set forth in the introductory paragraph of this Agreement.

“License” shall mean any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by the Borrower.

“Lien” shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

“Litigation” shall have the meaning set forth in Section 3.12.

“Loan Documents” shall mean the Agreement, the Notes, the Collateral Documents and all other agreements, instruments, documents and certificates executed and delivered to the Agent or any Lender and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of the Borrowers or the Subsidiaries, or any of their respective members. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such Agreement as the same may be in effect at any and all times such reference becomes operative.

“Loans” shall mean Term Loan A and Term Loan B.

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“Material Adverse Effect” shall mean a material adverse effect on (a) the business, assets, operations or financial or other condition of the Borrowers, (b) the Borrowers’ ability to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement or the other Loan Documents, (c) the Collateral, or the Agent’s Liens for the benefit of the Agent and the Lenders on the Collateral or the priority of such Liens, or (d) the Agent’s and each Lender’s rights and remedies under the Agreement and the other Loan Documents. Without limiting the generality of the foregoing, any event or occurrence adverse to the Borrowers which results or could reasonably be expected to result in costs and/or liabilities in excess of the lesser of Ten Million Dollars (\$10,000,000) or ten percent (10%) of total assets, on a combined basis, as of any date of determination shall be deemed to have had a Material Adverse Effect.

“Maximum Lawful Rate” shall have the meaning set forth in Section 1.4(b).

“Mortgages” shall mean each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by the Borrowers to the Agent with respect to the Mortgaged Properties thereunder, all in form and substance satisfactory to the Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA, and to which any Borrower or ERISA Affiliate is making, is obligated to make, has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

“Net Worth” shall mean, as of the date of determination, an amount equal on a combined or consolidated basis to the Borrowers’ total assets, less its total liabilities, as determined in accordance with GAAP.

“Notes” shall mean Term Note A and Term Note B, collectively.

“Notice of Default” shall have the meaning set forth in Section 11.3.

“Obligations” shall mean all loans, advances, debts, liabilities and obligations, for the performance of covenants or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Borrower to the Agent or any Lender, in their capacities as such, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest which accrues after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of, any Borrower, whether or not allowed in such proceeding), Charges, expenses, reasonable attorneys’ fees and any other sum chargeable to any Borrower under any of the Loan Documents.

“Patents” shall mean all of the following in which any Borrower now holds or hereafter acquires any interest (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or Territory thereof, or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

“Patent License” shall mean rights under any written agreement now owned or hereafter acquired by any Borrower granting any right with respect to any invention on which a Patent is in existence.

“Payor” shall mean Medicare, Medicaid, TriCare, HMSA, or any third party payor (including an insurance company and self insured employer), or any health care provider (such as a health maintenance organization, preferred provider organization, peer review organization, or any managed care program).

“PBGC” shall mean the Pension Benefit Guaranty Corporation or any successor thereto.

“Permitted Encumbrances” shall mean the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable; (b) pledges or deposits of money securing statutory obligations under workmen’s compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which a Borrower is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers’, mechanics’ or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers’, warehousemen’s, suppliers’ or other similar possessory liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of Two Hundred Fifty Thousand Dollars (\$250,000) at any time, so long as such Liens attach only to Inventory; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which a Borrower is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 7.1(k); (h) zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not, individually or in the aggregate, materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereinafter created Liens in favor of the Agent for the benefit of the Agent and the Lenders; and (j) Liens expressly permitted under Section 6.6 of the Agreement.

“Person” shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

“Plan” shall mean, at any time, an employee benefit plan, as defined in Section 3(3) of ERISA, which any Borrower maintains, contributes to, or has maintained, contributed to or had an obligation to contribute to at any time within the last seven years, or has an obligation to contribute to on behalf of participants who are or were employed by such Borrower or ERISA Affiliate.

“Prevailing Party” shall mean the party who is determined to have prevailed or who prevails by default or otherwise in any Litigation proceeding, and shall include a party who dismisses an action in exchange for consideration substantially equal to the relief sought in the Litigation proceeding.

“Proceeds” shall mean “proceeds,” as such term is defined in the Code and, in any event, shall include (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Borrower from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Borrower against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or (iii) for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Borrower against third parties with respect to any litigation or dispute concerning any of the Collateral, including claims arising out of the loss or nonconformity of, interference with the use of, defects in, infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of Collateral and all rights arising out of Collateral.

“Qualified Plan” shall mean a Plan which is intended to be tax-qualified under Section 401(a) of the IRC.

“Real Estate” shall have the meaning set forth in Section 3.5, and, for purposes of Section 6.15, shall also mean real property other than that set forth on Disclosure Schedule 3.5, acquired, leased or subleased by the Borrowers at any time.

“Release” shall mean any release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or on or in the air, soil, surface water, ground water or property.

“Reorganization Plan” shall have the meaning set forth in Recital A.

“Retiree Welfare Plan” shall mean, at any time, a Plan that is a “welfare plan” as defined in Section 3(2) of ERISA, that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant’s termination of employment,

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other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

“Security Agreement” shall mean the Security Agreement of even date herewith entered into by and between the Borrowers and the Agent, for the benefit of the Agent and the Lenders, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

“Software” shall mean all “software,” as such term is defined in the Code, now owned or hereafter acquired by any Borrower, other than software embedded in any category of goods, including all computer programs and all supporting information provided in connection with a transaction related to any program.

“Solvent” shall mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person has not and will not incur debts or liabilities beyond such Person’s ability to pay as such debts and liabilities mature and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person’s property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guarantees and pension plan liabilities) at any time shall be computed as the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can be reasonably be expected to become an actual or matured liability.

“Stock” shall mean all shares, options, warrants, general or limited partnership interests, membership or limited liability company interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or partnership or equivalent entity, whether voting or nonvoting, including common stock, preferred stock or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended). For the avoidance of doubt, when used with respect to a nonprofit corporation, the term “Stock” shall mean shares of stock or membership interests having ordinary voting power to elect members of the governing board of such corporation.

“Subordinated Debt” shall mean any Indebtedness of any Borrower subordinated to the Obligations in a manner and form satisfactory to the Agent and Lenders in their sole discretion, as to right and time of payment, any security therefor and any other rights and remedies thereunder.

“Subsidiaries” shall mean, with respect to any Person, (a) any corporation(s) of which an aggregate of more than fifty percent (50%) of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person and/or one or more Subsidiaries of such

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Person, or with respect to which any such Person has the right to vote or designate the vote of fifty percent (50%) or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may exercise the powers of a general partner, and the term

“Taxes” shall mean taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of any Lender by the jurisdiction under the law of which such Lender is organized or any political subdivision thereof, and, as to each of the foregoing, by the United States federal government.

“Term Note A” shall have the meaning set forth in Section 1.1(a).

“Term Note B” shall have the meaning set forth in Section 1.1(b).

“Termination Date” shall mean the date on which the Loans have been indefeasibly repaid in full and all other Obligations under the Agreement and the other Loan Documents have been completely discharged.

“Title IV Plan” shall mean a Pension Plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), that is covered by Title IV of ERISA and that any Borrower or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

“Trademarks” shall mean all of the following now owned or hereafter acquired by any Borrower: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and General Intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

“Trademark License” shall mean rights under any written agreement now owned or hereafter acquired by any Borrower granting any right to use any Trademark.

“Unfunded Pension Liability” shall mean, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years following a transaction which

would be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by a Borrower or ERISA Affiliate as a result of such transaction.

“Weinberg Space Leases” shall mean (a) the Office Space Lease between Liliha Partners, LP, as landlord, and SFMC, as tenant, with respect to leased space on the fifth floor of the Weinberg Medical Pavilion, as assigned by SFMC to SFH-Liliha, and (b) the Sublease Agreement between SFMC, as sublessor, and SFHH-Liliha, as sublessee, with respect to leased space on the B-1 floor of the Weinberg Medical Pavilion.

All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; provided, that in the event that any term is defined differently in different Articles or Divisions of the Code, the definition thereof contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a section, subsection or clause refer to such section, subsection or clause as contained in the Agreement. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to the Agreement as a whole, including all Appendices, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Appendices.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of a Borrower, such words are intended to signify that such Borrower has actual knowledge or awareness of a particular fact or circumstance or that such Borrower, after due inquiry of those officers, administrators, department directors, and other senior management personnel of such Borrower and each of the Subsidiaries who would be reasonably likely to have knowledge or awareness of such particular fact or circumstance, would have known or been aware of such fact or circumstance.

ANNEX B (Section 4.1(a))

to

LOAN AGREEMENT

FINANCIAL STATEMENTS AND PROJECTIONS – REPORTING

The Borrowers shall deliver or cause to be delivered to the Agent and Lenders the following:

(a) Monthly and Quarterly Financials. Within thirty (30) days after the end of each Fiscal Month and each Fiscal Quarter, as applicable, financial information regarding the Borrowers, consisting of combined and combining (i) unaudited balance sheets as of the close of such Fiscal Month or Fiscal Quarter, (ii) unaudited statements of income and cash flows (as to cash flow only on a consolidated basis) for such Fiscal Month or Fiscal Quarter, as applicable, and the portion of the Fiscal Year ending as of the close of such Fiscal Month or Fiscal Quarter, setting forth in comparative form the figures for the corresponding periods in the prior Fiscal Year, all prepared in accordance with GAAP (except for the absence of notes and subject to normal year-end adjustments), and (iii) a report on outstanding Accounts as of the end of the Fiscal Month or Fiscal Quarter, as applicable, including a trial balance showing Accounts aged (from invoice due date) 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, accompanied by such supporting detail and documentation as shall reasonably be requested by the Agent. The monthly and quarterly financial information so delivered shall be accompanied by a Compliance Certificate to the following effect:

(i) Each monthly or quarterly Compliance Certificate shall state (A) that the financial information has been prepared in accordance with GAAP (except for the absence of notes and subject to normal year-end adjustments) and presents fairly the financial position and results of operations of the Borrower, on a consolidated and consolidating basis, in each case as at the end of such Fiscal Month or Fiscal Quarter, as applicable, and for the period then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

(ii) In addition, each quarterly Compliance Certificate shall (A) contain a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the financial covenants set forth on Annex D, (B) state that all representations and warranties of the Borrowers under the Loan Agreement remain true and correct in all material respects, as if made on the date of the Compliance Certificate, except that representations and warranties relating to a specific date or period shall be certified as true and correct as of such specified date or for such specified period, as applicable, and (C) state that all of the covenants contained in Section 5 of the Agreement have been continuously complied with in all respects since the Closing Date and that none of the covenants contained in Section 6 of the Agreement have been violated since the Closing Date. Notwithstanding the foregoing, if the statement

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required by clause (B) above cannot be made because a representation or warranty is not true and correct in all material respects as of the date of the Compliance Certificate, the Compliance Certificate shall instead identify the representation or warranty in question and disclose in reasonable detail the facts and circumstances which made or make the representation or warranty untrue and incorrect.

(b) Operating Plan. As soon as available, but not later than thirty (30) days prior to the end of each Fiscal Year, an annual operating plan for each Borrower, approved by its governing board, for the following Fiscal Year, which will include a statement of all of the material assumptions on which such plan is based, will include monthly balance sheets and a monthly budget for the following year and will integrate sales, gross profits, operating expenses, operating profit, and cash flow projections for such Borrower, all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities. Such operating plans shall be updated as of the end of each Fiscal Quarter and contain a comparison of the actual quarterly results achieved with the budgeted figures for that Fiscal Quarter, indicating the reason for any significant budget variance, and a copy of each such updated operating plan and budget variance report shall be delivered to the Agent and the Lenders within thirty (30) days after the end of each Fiscal Quarter.

(c) Annual Audited Financials. Within one hundred twenty (120) days after the end of each Fiscal Year, audited Financial Statements for the Borrowers on a combined basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP, certified as to such consolidated statements without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to the Agent. Such Financial Statements shall be accompanied by (i) a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the financial covenants set forth on Annex D, (ii) a report from such accounting firm to the effect that, in connection with their audit examination, nothing has come to their attention to cause them to believe that a Default or Event of Default has occurred (or specifying those Defaults and Events of Default that they became aware of), it being understood that such audit examination extended only to accounting matters and that no special investigation was made with respect to the existence of Defaults or Events of Default, (iii) the annual letters to such accountants in connection with their audit examination detailing contingent liabilities and material litigation matters, and (iv) the certification of the Chief Financial Officer of SFHH (joined in by the Chief Financial Officers of the other Borrowers with respect to matters pertaining to such Borrowers) that all such Financial Statements have been prepared in accordance with GAAP and present fairly the financial position, results of operations and statements of cash flows of the Borrowers on a combined and combining basis (to the extent applicable), as at the end of such year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default.

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(d) Management Letters. Within five (5) Business Days after receipt thereof by the Borrowers, copies of all management letters, exception reports or similar letters or reports received by the Borrowers from their independent certified public accountant.

(e) Default Notices. As soon as practicable, and in any event within two (2) Business Days after an executive officer of any Borrower has knowledge of the existence of any Default, Event of Default or other event which has had or will have a Material Adverse Effect, telephonic, telecopied, or electronic mail notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day.

(f) Filings and Press Releases. Promptly upon their becoming available, copies of (i) such reports filed by the Borrowers with governmental or private regulatory authorities as may be requested by the Agent, and (iii) all press releases and other statements made available by any Borrower to the public concerning material changes or developments in the business of such Borrower.

(g) Supplemental Disclosure. Supplemental disclosure, if any, required by Section 5.7 of the Agreement.

(h) Litigation. Promptly upon any Borrower learning thereof, written notice of any Litigation commenced or threatened against such Borrower that (i) seeks damages in excess of (A) One Million Dollars (\$1,000,000) if such damages are covered by insurance, or (B) Two Hundred Fifty Thousand Dollars (\$250,000) if such damages are not covered by insurance; (ii) seeks injunctive relief; (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against such Borrower or an ERISA Affiliate in connection with any Plan, and such Litigation could have or be expected to have a Material Adverse Effect, (iv) alleges criminal misconduct by the Borrower; (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities, and such Litigation could have or be expected to result in damages in excess of Two Hundred Fifty Thousand Dollars (\$250,000); (vi) involves any product recall, and such Litigation could have or be expected to have a Material Adverse Effect; or (vii) is asserted by or on behalf of any Payor, and such Litigation could have or be expected to result in damages in excess of Five Hundred Thousand Dollars (\$500,000).

(i) Insurance Notices. Disclosure of losses or casualties required by Section 5.5 of the Agreement.

(j) Lease and Contract Default Notices. Copies of (i) any and all default notices received under or with respect to any leased location (other than any location leased from a Lender) or public warehouse where Collateral is located or with respect to any lease for personal property, if the value of the Collateral or personal property in question exceeds Two Hundred Fifty Thousand Dollars (\$250,000), (ii) any and all default notices received under or with respect to any material contracts of any Borrower, and (iii) such other notices or documents as the Agent may request in its reasonable discretion.

(k) Lease Amendments. Copies of all material amendments to real estate leases.

Annex B-3

(1) Other Documents. Such other financial and other information respecting the Borrowers' business or financial condition as the Agent shall reasonably request from time to time.

Annex B-4

227434.1

ANNEX C (Section 4.1(b))

to

LOAN AGREEMENT

COLLATERAL REPORTS

The Borrowers shall deliver or cause to be delivered to the Agent and Lenders the following:

(a) Upon reasonable request by the Agent, reports on the condition of the Collateral and any additions thereto or dispositions thereof, in form and substance reasonably satisfactory to the Agent;

(b) Upon reasonable request by the Agent, (i) a listing of government contracts of the Borrowers subject to the Federal Assignment of Claims Act of 1940, and (ii) a list of any applications for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency which any Borrower has filed in the prior Fiscal Quarter;

(c) Such copies of appraisals of the Borrowers' assets as the Agent may reasonably request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance, reasonably satisfactory to the Agent; and

(d) Such other reports, statements and reconciliations with respect to the Collateral as the Agent shall from time to time reasonably request in its reasonable discretion, including electronic transmission of such data.

Annex C-1

ANNEX D (Section 5.4)

to

LOAN AGREEMENT

FINANCIAL COVENANTS

The Borrowers shall comply with each of the Financial Covenants set forth in this Annex F, each of which shall be calculated in accordance with GAAP consistently applied.

(a) Fixed Charge Coverage Ratio. The Borrowers shall, at each Fiscal Quarter end after the Closing Date, have a Fixed Charge Coverage Ratio, on a trailing twelve month basis, not less than the following:

<u>Period</u>	<u>Minimum Ratio</u>
Closing Date to June 30, _____	
July 1, ____ to June 30, ____	
Thereafter	

(b) Minimum Liquidity. The Borrower shall, at each Fiscal Quarter end after the Closing Date, have a Current Ratio not less than the following:

<u>Period</u>	<u>Minimum Ratio</u>
Closing Date to June 30, ____	
July 1, ____ to June 30, ____	
July 1, ____ to June 30, ____	
Thereafter	

(c) Minimum Unrestricted Cash on Hand. The Borrower shall, at each Fiscal Quarter end, maintain unrestricted cash on hand at least equal to the following:

<u>Period</u>	<u>Minimum Balance</u> <u>(Days of Operating Expenses)*</u>
Closing Date to June 30, ____	
July 1, ____ to June 30, ____	
July 1, ____ to June 30, ____	
Thereafter	

* Each calculation based on operating expenses for the Fiscal Quarter then ended.

Any provision of the Loan Agreement to the contrary notwithstanding, failure to maintain the

Annex D-1

foregoing minimum balance of unrestricted cash on hand shall not constitute an Event of Default unless such failure occurs at any time during any two consecutive Fiscal Quarters.

(d) Interest Coverage Ratio. The Borrower shall, at each Fiscal Quarter end after the Closing Date, have an Interest Coverage Ratio, on a trailing twelve month basis, not less than the following:

<u>Period</u>	<u>Minimum Ratio</u>
Closing Date to June 30, ____	
July 1, ____ to June 30, ____	
July 1, ____ to June 30, ____	
Thereafter	

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase “in accordance with GAAP” shall in no way be construed to limit the foregoing. If any “Accounting Changes” (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then the Borrowers and the Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrowers’ financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. “Accounting Changes” means: (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or any successor thereto or any agency with similar functions); (ii) changes in accounting principles concurred in by Borrowers’ certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88 16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBIDA in such period. If the Borrowers and the Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If the Borrowers and the Lenders cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and

Annex D-2

made without regard to the underlying Accounting Change. For purposes of Section 7.1, a breach of a Financial Covenant contained in this Annex D shall be deemed to have occurred as of any date of determination by the Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to the Agent.

Annex D-3

227434.1

ANNEX E (Section 10.10)

to

LOAN AGREEMENT

NOTICE ADDRESSES

Annex E-1

227434.1

EXHIBIT 1.1
to
LOAN AGREEMENT
FORM OF TERM NOTE
PROMISSORY NOTE
(Term Loan[A][B])

\$ _____

Honolulu, Hawaii

FOR VALUE RECEIVED, the undersigned (the "Borrowers") HEREBY JOINTLY AND SEVERALLY PROMISE TO PAY to the order of St. Francis Healthcare System of Hawaii, as Agent (the "Agent") for itself, St. Francis Medical Center and St. Francis Medical Center-West, as Lenders (the "Lenders"), in lawful money of the United States of America and in immediately available funds, the amount of _____ DOLLARS (\$ _____).

This Promissory Note (this "Note") is issued pursuant to the Loan Agreement dated as of _____, 2010 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") by and among Borrowers, the Agent and the Lenders. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Loan Agreement. This Note is Term Note [A][B] referred to in the Loan Agreement, and is entitled to the benefit and security of the Loan Agreement and all of the other Loan Documents referred to in the Loan Agreement. Reference is hereby made to the Loan Agreement, the terms of which are hereby incorporated by reference, for a statement of all of the terms and conditions under which the loan evidenced hereby is made and is to be repaid.

The principal amount of the indebtedness evidenced hereby shall be payable in the amount and on the date specified in the Loan Agreement. Interest thereon shall be paid until such principal amount is paid in full at the applicable interest rate and at the times as are specified in the Loan Agreement.

If any payment on this Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of an Event of Default, this Note may, as provided in the Loan Agreement, and without demand, notice or legal process of any kind, be declared and immediately shall become, due and payable.

Time is of the essence of this Note. Demand, presentment, protest and notice of nonpayment and protest are hereby unconditionally, irrevocably and absolutely waived by Borrowers.

THIS NOTE SHALL BE INTERPRETED, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF HAWAII.

**ST. FRANCIS HOSPITALS HAWAII,
as Borrower**

By: _____
Name:
Title:

**ST. FRANCIS HOSPITAL-LILIHA,
as Borrower**

By: _____
Name:
Title:

**ST. FRANCIS HOSPITAL-EWA,
as Borrower**

By: _____
Name:
Title:

EXHIBIT 4

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the “**Security Agreement**”) is made and entered into on _____, 2010, by and between St. Francis Hospitals Hawaii, a Hawaii nonprofit corporation (the “**Debtor**”), and ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII, a Hawaii nonprofit corporation (“**SFHS**”), as agent (in such capacity, the “**Secured Party**”) for the benefit of the Lender Group (as such term is defined below).

RECITALS

A. Pursuant to the terms of the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, filed in the United States Bankruptcy Court for the District of Hawaii (the “**Bankruptcy Court**”) in the case of *CHA Hawaii, LLC et al.*, Case No. 08-01369 (as it may be modified, amended, or supplemented from time to time, the “**Reorganization Plan**”), as confirmed by the Bankruptcy Court pursuant to the _____ entered on _____, 2010, the Debtor and St. Francis Hospital-Liliha, a Hawaii nonprofit corporation (“**Liliha**”), and St. Francis Hospital-Ewa, a Hawaii nonprofit corporation (“**Ewa**”), together acquired substantially all of the assets constituting the hospital acute care and outpatient services business of Hawaii Medical Center LLC, a Hawaii limited liability company, Hawaii Medical Center East, LLC, a Hawaii limited liability company, and Hawaii Medical Center West, LLC, a Hawaii limited liability company.

B. Pursuant to the terms and subject to the conditions contained in the Reorganization Plan, the Secured Party, on its own behalf and as agent for the benefit of SFHS, St. Francis Medical Center, a Hawaii nonprofit corporation (“**SFMC**”), and St. Francis Medical Center-West, a Hawaii nonprofit corporation (“**SFMC-West**”) (the Secured Party, SFHS, SFMC, and SFMC-West together being the “**Lender Group**”), agreed to accept from the Debtor, Liliha, and Ewa (together, the “**St. Francis Hospital Debtors**”) a Secured Promissory Note in the original principal amount of Twenty Million Dollars (\$20,000,000) (the “**Term Note A**”) and a Secured Promissory Note in the original principal amount of Thirty-Seven Million Five Hundred Thousand Dollars (\$37,500,000) (the “**Term Note B**,” the Term Note A and the Term Note B are together referred to herein as the “**Promissory Notes**”) to evidence the St. Francis Hospital Debtors’ obligation to pay to the Lender Group certain of the obligations set forth in the Reorganization Plan. The Promissory Notes were issued by the St. Francis Hospital Debtors to the Lender Group pursuant to the terms of a Loan Agreement dated of even date herewith (the “**Loan Agreement**”).

C. The Lender Group has indicated to the Debtor, and the Debtor has acknowledged, that the Lender Group would be unwilling to propose the Reorganization Plan for confirmation,

to enter into the Loan Agreement or any of the other Loan Documents (as such term is defined in the Loan Agreement), or to accept the Promissory Notes from the St. Francis Hospital Debtors, absent the granting of a security interest in and a lien upon all of the assets and property of the Debtor and the execution and delivery of this Security Agreement to secure repayment of the obligations created thereby and by any and all other agreements, instruments, and documents executed in connection therewith or as collateral security therefor.

D. In order to induce the Lender Group to propose the Reorganization Plan for confirmation and to accept the Promissory Notes and each of the other Loan Documents and all of the obligations existing or arising from time to time thereunder, the Debtor has agreed hereby to pledge and grant to the Secured Party, as agent for the benefit of the Lender Group, a security interest in and lien upon the entirety of the Debtor's properties and assets which are now owned or hereafter acquired by the Debtor.

E. The Lender Group has also required that it receive, in addition to this Security Agreement, the benefits of (1) substantially similar Security Agreements from each of Liliha and Ewa, (2) one or more Leasehold Mortgages from the Debtor in favor and for the benefit of the Secured Party, as agent for the benefit of the Lender Group (the "***Leasehold Mortgages***"), granting mortgages on all of the real property of the Debtor, and (3) one or more Uniform Commercial Code Financing Statements sufficient to perfect the security interest in and lien upon all collateral granted to the Secured Party, as agent for the benefit of the Lender Group, as security for repayment of the amounts represented and evidenced by the Promissory Notes and the Loan Documents (the "***Financing Statements***"), as a condition concurrent to the Lender Group's proposal of the Reorganization Plan for confirmation, the execution and delivery of the Loan Documents by the Lender Group, and the acceptance of the Promissory Notes. This Security Agreement, the Security Agreements of Liliha and Ewa, the Leasehold Mortgages, and the Financing Statements form a part of the Loan Documents.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the obligations existing under the Reorganization Plan and the Loan Documents, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties, and intending to be legally bound hereby, the Debtor and the Secured Party, on its own behalf and as agent for the benefit of the Lender Group, hereby agree as follows:

1. Grant of Security.

(a) **Grant of Security Interest.** To secure the prompt and complete payment, performance, and observance in full of the Secured Obligations (as defined in ***Section 2***), and to ensure the observance and performance in full of all the terms, provisions, agreements and covenants of the Secured Obligations and this Security Agreement, the Debtor hereby grants, assigns, conveys, mortgages, pledges, hypothecates, and transfers to the Secured Party, as agent for the benefit of the Lender Group, a security interest in and lien upon (the "***Security Interest***") all of the Debtor's right, title and interest in, and to, all personal property and other assets, whether now owned by or hereafter owing to or hereafter acquired by or arising in favor of the

Debtor, whether now existing or hereafter coming into existence, and whether owned or consigned by or to, or leased from or to the Debtor, and regardless of where located, and all royalties, Proceeds, products, and accessions thereof, including the following (collectively, the “*Collateral*”) (All capitalized terms which are used in this *Section 1(a)* without contextual definition shall have the respective meanings which are ascribed to such terms in *Section 1(b)* below.):

(i) All “*Accounts*,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor and, in any event, including (1) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by chattel paper, documents or instruments) now owned or hereafter received or acquired by or belonging or owing to the Debtor, whether arising out of goods sold or services rendered by the Debtor or from any other transaction (including any such obligations which may be characterized as an account or contract right under the Code), (2) all of the Debtor’s rights in, to and under all purchase orders or receipts now owned or hereafter acquired by the Debtor for goods or services, (3) all of the Debtor’s rights to any goods represented by any of the foregoing (including all unpaid sellers’ rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (4) all monies due or to become due to the Debtor, under all purchase orders and contracts for the sale of goods or the performance of services or both by the Debtor or in connection with any other transaction (whether or not yet earned by performance on the part of the Debtor) now or hereafter in existence, including the right to receive the proceeds of said purchase orders and contracts and (5) all collateral security and guarantees of any kind, now or hereafter in existence, given by any Person (as defined in *Section 24*) with respect to any of the foregoing.

(ii) All “*As-Extracted Collateral*,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located

(iii) All “*Chattel Paper*,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located.

(iv) All “*Contracts*” now owned or hereafter acquired by the Debtor and, in any event, including all contracts, undertakings or agreements (other than the rights evidenced by chattel paper, documents or instruments) in or under which the Debtor may now or hereafter have any right, title or interest, including any and all agreements relating to the terms of payment or the terms of performance of any account.

(v) All “*Deposit Accounts*” as such term is defined in the Code, including, without limitation, all deposit, concentration, lockbox, disbursement, savings, investment, trust, escrow, or other accounts now or hereafter established by the Debtor with any banks, trust companies, or other similar institutions, depositories, or any other Person and wherever located, and all cash and other instruments and items deposited therein from time to time, wherever located.

(vi) All “**Documents**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located.

(vii) All “**Equipment**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located and, in any event, including all of the Debtor’s machinery and equipment, including diagnostic, laboratory, monitoring, testing, treatment, and therapeutic devices, repair and processing equipment, machine tools, data processing and computer equipment with software and peripheral equipment (other than software constituting part of the Accounts), and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with all additions and accessions thereto, replacements therefor, all parts and supplies therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

(viii) All “**Farm Products**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located.

(ix) All “**Fixtures**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located.

(x) All “**General Intangibles**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, and, in any event, including all right, title and interest which the Debtor may now or hereafter have in or under any contract, all customer, supplier, and patient lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, “**Payment Intangibles**” and “**Software**” (as such terms are defined in the Code), interests in partnerships, limited liability companies and limited liability partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs, electronic or magnetic files or records, and other papers and documents in the possession or under the

control of the Debtor or any computer bureau or service company from time to time acting for the Debtor.

(xi) All “**Goods**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located.

(xii) All “**Health-Care-Insurance Receivables**,” as such term is defined in the Code, now owned or hereafter arising from the provision of health care services or sales of goods in connection therewith, regardless of whether involving a claim under a policy of insurance, and all money, contract rights, documents, instruments, deposit accounts, securities and investment property with respect thereto, and all of the Debtor’s rights, remedies, security, liens and Supporting Obligations, in, to and in respect of the foregoing, including rights of stoppage in transit, replevin, repossession and reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, guaranties or other contracts of suretyship with respect to the Health-Care-Insurance Receivables, accounts, deposits or other security for the obligation of any account debtor, and credit and other insurance.

(xiii) All “**Instruments**,” as such term is defined in the Code, now owned or hereafter acquired by the Debtor, wherever located, and, in any event, including all certificated securities, all certificates of deposit and all notes, including promissory notes, and other evidences of indebtedness, including, without limitation, instruments that constitute, or are a part of a group of writings that constitute, chattel paper.

(xiv) All “**Inventory**,” as such term is defined in the Code, now or hereafter owned or acquired by the Debtor, wherever located and, in any event, including inventory, merchandise, goods and other personal property which is held by or on behalf of the Debtor for sale, rental, lease, or consumption, or is furnished or is to be furnished under a contract of service, or which constitute raw materials, work in process, finished goods or materials used or consumed or to be used or consumed in the Debtor’s business or in the delivery of services, processing, production, packaging, promotion, or shipping of the same, including, without limitation, drugs, pharmaceuticals, and medications, food, medical, maintenance, laboratory, shop, repair, office and other supplies, consumables, disposables, linens, and other similar items of tangible personal property.

(xv) All “**Investment Property**,” as such term is defined in the Code, now or hereafter owned or acquired by the Debtor, and wherever located, and, in any event, including, without limitation: (1) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies and limited liability partnerships, partnership interests, joint venture interests, treasuries, certificates of deposit, and mutual fund shares; (2) all securities entitlements of the Debtor, including the rights of the Debtor to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that

account; (3) all securities accounts held by the Debtor; (4) all commodity contracts held by the Debtor; and (5) all commodity accounts held by the Debtor.

(xvi) All “**Letter-of-Credit Rights**,” as such term is defined in the Code, now or hereafter owned or acquired by the Debtor.

(xvii) All “**Supporting Obligations**,” as such term is defined in the Code, now or hereafter owned or acquired by the Debtor, and including, without limitation, rights ancillary to, or arising in any way in connection with, any of the Collateral, including security agreements securing any of the Collateral, guaranties guarantying any of the Collateral, notes and drafts representing any of the Collateral, the right to returned goods, warranty claims with respect to the Collateral, amounts owed in connection with the short term use or licensing of any of the Collateral, and government payments in connection with the purchase or agreement not to produce any of the Collateral.

(xviii) All right, title, and interest, now or hereafter owned, existing, acquired, or arising, directly or indirectly, in and to the Debtor’s membership interest in **SFMC Joint Ventures, LLC**, a Hawaii limited liability company (“**SFMC Joint Ventures**”), including, without limitation, (1) the Units and Percentage Interest representing the Debtor’s membership interest and all rights of the Debtor as a member of SFMC Joint Ventures, (2) all economic interests therein, (3) all voting, management, and other beneficial and equitable rights therein, (4) all rights, preferences, privileges, and benefits created, existing, or arising now or in the future under the Operating Agreement of SFMC Joint Ventures, the Hawaii Uniform Limited Liability Company Act, other applicable law, and otherwise, (5) all other securities of SFMC Joint Ventures which the Debtor may now or hereafter own, control, or hold, (6) all cash and non-cash distributions made, declared, or available to be made by SFMC Joint Ventures to the Debtor, (7) all cash and non-cash distributions received by or otherwise distributed to the Debtor, (8) all rights of the Debtor to receive distributions and to share in the capital and profits of SFMC Joint Ventures, whether upon its dissolution or liquidation, or otherwise, (9) all rights of the Debtor in and to the certificates and other instruments evidencing the items described in clauses (1) through (8) above, and (10) any and all Proceeds of any of the foregoing (collectively, the “**SFMC Joint Ventures Membership Interest**”), together with any and all new, substituted, or additional interests or securities issued by reason of any dividend, distribution, membership interest split or reverse split or composition, spin-off, split-up, reclassification, combination, consolidation, readjustment, reorganization, merger, conversion, exchange, liquidation, or other change declared by or made in the capital structure of SFMC Joint Ventures or issued by reason of the exercise of subscriptions, warrants, convertible or exchangeable securities, or other rights or options issued in connection with the ownership of the SFMC Joint Ventures Membership Interest, and all products, Proceeds, substitutions, additions, and accessions of any of the foregoing, as well as all General Intangibles now owned or hereafter acquired by the Debtor relating to the SFMC Joint Ventures Membership Interest, including all right, title and interest which the Debtor may now or hereafter have in or under any and all contracts, rights and claims to receive when declared any of the items above.

(xix) All right, title, and interest, now or hereafter owned, existing, acquired, or arising, directly or indirectly, in and to the Debtor's membership interest in **Hawaii Health Ventures, LLC**, a Hawaii limited liability company ("**Hawaii Health Ventures**"), including, without limitation, (1) the Units and Percentage Interest representing the Debtor's membership interest and all rights of the Debtor as a member of Hawaii Health Ventures, (2) all economic interests therein, (3) all voting, management, and other beneficial and equitable rights therein, (4) all rights, preferences, privileges, and benefits created, existing, or arising now or in the future under the Operating Agreement of Hawaii Health Ventures, the Hawaii Uniform Limited Liability Company Act, other applicable law, and otherwise, (5) all other securities of Hawaii Health Ventures which the Debtor may now or hereafter own, control, or hold, (6) all cash and non-cash distributions made, declared, or available to be made by Hawaii Health Ventures to the Debtor, (7) all cash and non-cash distributions received by or otherwise distributed to the Debtor, (8) all rights of the Debtor to receive distributions and to share in the capital and profits of Hawaii Health Ventures, whether upon its dissolution or liquidation, or otherwise, (9) all rights of the Debtor in and to the certificates and other instruments evidencing the items described in clauses (1) through (8) above, and (10) any and all Proceeds of any of the foregoing (collectively, the "**Hawaii Health Ventures Membership Interest**"), together with any and all new, substituted, or additional interests or securities issued by reason of any dividend, distribution, membership interest split or reverse split or composition, spin-off, split-up, reclassification, combination, consolidation, readjustment, reorganization, merger, conversion, exchange, liquidation, or other change declared by or made in the capital structure of Hawaii Health Ventures or issued by reason of the exercise of subscriptions, warrants, convertible or exchangeable securities, or other rights or options issued in connection with the ownership of the Hawaii Health Ventures Membership Interest, and all products, Proceeds, substitutions, additions, and accessions of any of the foregoing, as well as all General Intangibles now owned or hereafter acquired by the Debtor relating to the Hawaii Health Ventures Membership Interest, including all right, title and interest which the Debtor may now or hereafter have in or under any and all contracts, rights and claims to receive when declared any of the items above.

(xx) All right, title, and interest, now or hereafter owned, existing, acquired, or arising, directly or indirectly, in and to the Debtor's membership interest in **Island Cardiac Centers, L.L.C.**, a Hawaii limited liability company ("**Island Cardiac**"), including, without limitation, (1) the Units and Percentage Interest representing the Debtor's membership interest and all rights of the Debtor as a member of Island Cardiac, (2) all economic interests therein, (3) all voting, management, and other beneficial and equitable rights therein, (4) all rights, preferences, privileges, and benefits created, existing, or arising now or in the future under the Operating Agreement of Island Cardiac, the Hawaii Uniform Limited Liability Company Act, other applicable law, and otherwise, (5) all other securities of Island Cardiac which the Debtor may now or hereafter own, control, or hold, (6) all cash and non-cash distributions made, declared, or available to be made by Island Cardiac to the Debtor, (7) all cash and non-cash distributions received by or otherwise distributed to the Debtor, (8) all rights of the Debtor to receive distributions

and to share in the capital and profits of Island Cardiac, whether upon its dissolution or liquidation, or otherwise, (9) all rights of the Debtor in and to the certificates and other instruments evidencing the items described in clauses (1) through (8) above, and (10) any and all Proceeds of any of the foregoing (collectively, the “***Island Cardiac Membership Interest***”), together with any and all new, substituted, or additional interests or securities issued by reason of any dividend, distribution, membership interest split or reverse split or composition, spin-off, split-up, reclassification, combination, consolidation, readjustment, reorganization, merger, conversion, exchange, liquidation, or other change declared by or made in the capital structure of Island Cardiac or issued by reason of the exercise of subscriptions, warrants, convertible or exchangeable securities, or other rights or options issued in connection with the ownership of the Island Cardiac Membership Interest, and all products, Proceeds, substitutions, additions, and accessions of any of the foregoing, as well as all General Intangibles now owned or hereafter acquired by the Debtor relating to the Island Cardiac Membership Interest, including all right, title and interest which the Debtor may now or hereafter have in or under any and all contracts, rights and claims to receive when declared any of the items above.

(xxi) All right, title, and interest, now or hereafter owned, existing, acquired, or arising, directly or indirectly, in and to the Debtor’s membership interest in **Hawaii Endoscopy Centers LLC**, a Hawaii limited liability company (“***Hawaii Endoscopy***”), including, without limitation, (1) the Units and Percentage Interest representing the Debtor’s membership interest and all rights of the Debtor as a member of Hawaii Endoscopy, (2) all economic interests therein, (3) all voting, management, and other beneficial and equitable rights therein, (4) all rights, preferences, privileges, and benefits created, existing, or arising now or in the future under the Operating Agreement of Hawaii Endoscopy, the Hawaii Uniform Limited Liability Company Act, other applicable law, and otherwise, (5) all other securities of Hawaii Endoscopy which the Debtor may now or hereafter own, control, or hold, (6) all cash and non-cash distributions made, declared, or available to be made by Hawaii Endoscopy to the Debtor, (7) all cash and non-cash distributions received by or otherwise distributed to the Debtor, (8) all rights of the Debtor to receive distributions and to share in the capital and profits of Hawaii Endoscopy, whether upon its dissolution or liquidation, or otherwise, (9) all rights of the Debtor in and to the certificates and other instruments evidencing the items described in clauses (1) through (8) above, and (10) any and all Proceeds of any of the foregoing (collectively, the “***Hawaii Endoscopy Membership Interest***”), together with any and all new, substituted, or additional interests or securities issued by reason of any dividend, distribution, membership interest split or reverse split or composition, spin-off, split-up, reclassification, combination, consolidation, readjustment, reorganization, merger, conversion, exchange, liquidation, or other change declared by or made in the capital structure of Hawaii Endoscopy or issued by reason of the exercise of subscriptions, warrants, convertible or exchangeable securities, or other rights or options issued in connection with the ownership of the Hawaii Endoscopy Membership Interest, and all products, Proceeds, substitutions, additions, and accessions of any of the foregoing, as well as all General Intangibles now owned or hereafter acquired by the Debtor relating to the Hawaii Endoscopy Membership Interest, including all right, title

and interest which the Debtor may now or hereafter have in or under any and all contracts, rights and claims to receive when declared any of the items above.

(xxii) All right, title, and interest of the Debtor, now or hereafter owned, existing, acquired, or arising, directly or indirectly, in and to all cost report settlements, Medicaid disproportionate share hospital (DSH) payments, proceeds from and interests in government entitlement programs, rental revenue (including, without limitation, physician timeshare, gift shop, and cafeteria revenue), protocol revenue, grant income, joint venture income distributions, HMSA Quality Awards and similar awards from any organization, rebates (including, without limitation, Consorta GPO rebate checks), photocopy reimbursements, x-ray reimbursements, silver recovery, and drug, supply, and similar rebates.

(xxiii) All money, cash or cash equivalents of the Debtor, now or hereafter owned or acquired by the Debtor, wherever located.

(xxiv) All books and records pertaining to the foregoing in whatever form and wherever located, whether written, electronic, magnetic, or stored in any other format and capable of perception with or without the aid of any device, and the equipment containing the books and records.

(xxv) All other tangible and intangible property and assets of the Debtor, now or hereafter owned or acquired by the Debtor, wherever located.

(xxvi) To the extent not listed above as original Collateral, all “**Proceeds**” (as defined in the Code) and products of the foregoing and all accessions to, substitutions and replacements for, and rents, issues, and profits of all or any of the property described in paragraphs (i) through (xxv) above, including, without limitation, money, deposit accounts, investment property, securities, accounts, goods, insurance claims and proceeds, tort claims, rights to payment, and other tangible and intangible property received upon the sale or other disposition of any of the foregoing.

(b) Definitions. For purposes of this **Section 1**, and this Security Agreement in general, the following terms shall have the meanings set forth below:

(i) “**Code**” shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Hawaii; *provided however*, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Security Interest of the Secured Party (or any party for which the Secured Party is agent) in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Hawaii, the term “**Code**” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions. To the extent of any conflict among the various articles of the Code with

respect to the use of defined terms, Article 9 of the Code shall be controlling in all respects over inconsistent definitions used in other articles of the Code.

(ii) “**Copyright**” or “**Copyrights**” shall mean all of the following now owned or hereafter acquired by the Debtor: (1) all copyrights and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted, acquired, created, or developed, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (2) all reissues, extensions or renewals thereof.

(iii) “**Copyright License**” shall mean any and all rights now owned or hereafter acquired by the Debtor under any written agreement granting any right to use any Copyright or Copyright registration.

(iv) “**Intellectual Property**” shall mean any and all Licenses, Patents, Copyrights, Trademarks, trade secrets and customer and patient lists.

(v) “**License**” shall mean any Copyright License, Patent License, Trademark License or other license of rights or interests now held or hereafter acquired by the Debtor.

(vi) “**Patent**” or “**Patents**” shall mean all of the following in which the Debtor now holds or hereafter acquires any interest: (1) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (2) all reissues, renewals, continuations, continuations-in-part, divisions, or extensions thereof.

(vii) “**Patent License**” shall mean any and all rights under any written agreement now owned or hereafter acquired by the Debtor granting any right with respect to any invention on which a Patent is in existence.

(viii) “**Proceeds**” shall mean “proceeds,” as such term is defined in the Code and, in any event, shall include (1) any and all rights, benefits, distributions, premiums, profits, dividends, interest, cash, instruments, documents of title, accounts, contract rights, inventory, equipment, general intangibles, payment intangibles, deposit accounts, chattel paper, and other assets and property from time to time received, receivable, or otherwise distributed or distributable in respect of or in exchange for, or as a replacement of or a substitution for, any of the Collateral, or proceeds thereof, (2) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Debtor from time to time with respect to any of the Collateral, (3) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection

with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (or any Person acting under color of governmental authority), (4) any claim of the Debtor against third parties (A) for past, present or future infringement of any Patent or Patent License or (B) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (5) any recoveries by the Debtor against third parties with respect to any litigation or dispute concerning any of the Collateral and (6) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral, upon disposition or otherwise.

(ix) “*Trademark*” or “*Trademarks*” shall mean all of the following now owned or hereafter acquired by the Debtor: (1) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted, acquired, created, or developed, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (2) all reissues, renewals, continuations, continuations-in-part, divisions, or extensions thereof; and (3) all goodwill associated with or symbolized by any of the foregoing.

(x) “*Trademark License*” shall mean rights under any written agreement now owned or hereafter acquired by the Debtor granting any right to use any Trademark.

(c) Priority of Security Interest. The Security Interest granted to the Secured Party in *Section 1(a)* above shall be a first priority security interest with respect to the obligations existing and arising under the Term Note A and shall be a second priority security interest with respect to the obligations existing and arising under the Term Note B.

(d) Continued Priority of Security Interest. At the request of the Secured Party, the Debtor shall take whatever steps are appropriate or necessary to ensure that the Security Interest shall at all times constitute a valid lien upon and (i) first priority perfected security interest in the Collateral with respect to the Term Note A and (ii) second priority perfected Security Interest in the Collateral with respect to the Term Note B, enforceable against the Debtor, securing, in accordance with the terms of this Security Agreement, the Secured Obligations, and the Collateral shall not at any time be subject to any Liens (as defined in *Section 3(c)*) that are prior to or on a parity with the Security Interest, except for Permitted Encumbrances (as such term is defined in the Loan Agreement).

(e) Filing; Notification; Refiling.

(i) The Debtor shall, at the Debtor's sole cost and expense, take all actions which may be requested by the Secured Party in order to defend the Security Interest, to ensure that the Security Interest will at all times comply with the provisions of *Section 1(d)* above, and to enable the Secured Party, as agent for the benefit of the Lender Group, to exercise or enforce the Secured Party's rights hereunder, including, but not limited to, authorizing such financing statements and executing and delivering pledges, designations, mortgages, hypothecations, notices, assignments, and indorsements, in each case in form and substance satisfactory to the Secured Party, relating to the creation, validity, perfection, maintenance or continuation of the Security Interest under the Code or similar laws of any jurisdiction in which the Collateral or any part thereof is located or in which the Debtor may be a registered organization, and of such other states as the Secured Party may from time to time request. The Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file a Uniform Commercial Code financing statement or statements describing the Collateral in any appropriate filing offices in any applicable jurisdictions that (1) indicate the Collateral (A) as all assets of the Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code of such jurisdiction, or (B) as being of an equal or lesser scope or with greater detail, and (2) contain any other information required by Part 5 of Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor, and (B) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Debtor agrees to furnish any such information to the Secured Party promptly upon request. The Debtor also ratifies its authorization for the Secured Party to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof. The Debtor shall mark all books and records as may be necessary or appropriate to evidence, protect or perfect in all respects the Security Interest.

(ii) The Debtor shall, at the Debtor's sole cost and expense, from time to time upon the request of the Secured Party, (1) take whatever steps are necessary or appropriate to perfect the Security Interest with respect to any portion of the Collateral which cannot be perfected by the filing of Uniform Commercial Code financing statements, (2) upon the exercise by the Secured Party of any remedy provided herein, use the Debtor's diligent best efforts to obtain all necessary consents to the transfer of any contract, license, franchise, approval or other agreement, instrument, or document which is not transferable without such consents, (3) permit representatives of the Secured Party, upon reasonable notice, at any time during normal business hours to inspect the Collateral, and (4) appear in and defend any action or proceeding that may affect the Debtor's title to or the Secured Party's Security Interest, as agent for the benefit of the Lender Group, in the Collateral.

(iii) In the event that any rerecording or refiling (or the filing of any statement of continuation or assignment of any financing statement) or any remortgage, replodge or reassignment, or any confirmatory assignment, or any other action, is required or desirable at any time to protect and preserve and maintain the Security Interest, the Debtor shall, at the Debtor's sole cost and expense, cause the same to be done or taken at such time and in such manner as may be requested by the Secured Party.

(iv) In addition, to secure the prompt and complete payment, performance and observance of the Secured Obligations and in order to induce the Lender Group to propose the Reorganization Plan for confirmation and enter into this Security Agreement and the Loan Documents, the Debtor hereby grants to the Secured Party, for the benefit of the Lender Group, a right of setoff against and a Security Interest in all property of the Debtor held by the Secured Party or any Person in the Lender Group for the benefit of the Lender Group, including all property described in *Section 1(a)* above now or hereafter in the possession or custody of or in transit to the Secured Party or any Person in the Lender Group, for any purpose, including safekeeping, collection or pledge, for the account of the Debtor, or as to which the Debtor may have any right or power.

(v) If, at any time and from time to time, any Collateral is in the possession of a Person other than the Secured Party or the Debtor (a "*Holder*"), then the Debtor shall as soon as commercially practicable, time being of the essence, at the Secured Party's option, either cause such Collateral to be delivered into the Secured Party's possession, as agent for the benefit of the Lender Group, or cause such Holder to enter into a control agreement or bailee agreement, in form and substance satisfactory to the Secured Party, and take all other steps deemed necessary by the Secured Party to perfect the Security Interest of the Secured Party in such Collateral, all pursuant to the Code or other applicable law governing the perfection of the Secured Party's Security Interest in the Collateral in the possession of such Holder.

(f) Disposition of Collateral. So long as any of the Secured Obligations is outstanding and unsatisfied and unless the Secured Party shall have otherwise given its prior written consent, the Debtor shall not sell, assign, transfer, license, lease, pledge, or otherwise dispose of any Collateral or any part thereof to anyone, other than Inventory in the ordinary course of business, except as expressly permitted under the terms and conditions set forth in the Loan Agreement. The inclusion of "Proceeds" of the Collateral as a classification of assets in which the Debtor has granted the Secured Party a Security Interest shall not be deemed a consent by the Secured Party to any sale or other disposition of any part or all of the Collateral.

2. Secured Obligations.

The Security Interest granted hereby shall secure the following indebtedness, obligations, debts and liabilities of the Debtor, which are herein collectively called the "*Secured Obligations*":

(a) Loan Document Obligations. The prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, of all of the outstanding obligations created by and now or hereafter existing or arising under the Loan Agreement, the Promissory Notes, and all of the other Loan Documents (whether for principal, interest, fees, expenses or otherwise, and including, without limitation, interest which, but for the filing by or against the Debtor or any other party to any of the Loan Documents of a petition in bankruptcy, would accrue under the Loan Agreement or the Loan Documents or on the Promissory Notes).

(b) Performance Obligations. The full, prompt, and faithful performance of all other terms, conditions, obligations, and provisions contained in the Loan Agreement, the Promissory Notes, this Security Agreement, and all of the other Loan Documents.

(c) Costs of Enforcement and Collection. Any and all amounts advanced or expended by the Secured Party or any Person in the Lender Group for the maintenance or preservation of the Collateral or the exercise by the Secured Party or any Person in the Lender Group of any rights or remedies granted herein or under the Loan Agreement, the Promissory Notes, or any of the Loan Documents, or otherwise existing under contract, at law, or in equity, including reasonable attorneys' fees actually incurred without giving effect to any statutory presumption or limitation.

(d) Post-Petition Obligations. Any of the foregoing that arises after the filing of a petition by or against the Debtor or any party to any of the Loan Documents under Title 11 of the United States Code (the "*Bankruptcy Code*"), even if the Secured Obligations would not accrue because of the automatic stay under §362 of the Bankruptcy Code or otherwise.

3. Representations and Warranties.

To induce the Lender Group to accept this Security Agreement and the Promissory Notes and to cause the Secured Party, as agent for the benefit of the Lender Group, to enter into, execute, deliver, and perform this Agreement and each of the Loan Documents, the Debtor hereby makes the following representations and warranties to the Secured Party, as agent for the benefit of the Lender Group:

(a) Organization; Power and Capacity. The Debtor is a nonprofit corporation duly organized, validly existing, and in good standing under the laws of the State of Hawaii. The Debtor has full legal right, power, capacity, and authority to make, enter into, execute and perform the Debtor's obligations hereunder, and to grant, assign, convey, mortgage, pledge, hypothecate, and transfer the Security Interest to the Secured Party, as agent for the benefit of the Lender Group. This Security Agreement constitutes a legal, valid, and binding obligation of the Debtor, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, or laws relating to the rights of creditors generally and general equitable principles.

(b) Authorization. The execution, delivery and performance of this Security Agreement and all instruments and documents to be delivered by the Debtor hereunder have been duly authorized by all necessary or proper action, including the consent and approval of the Board of Directors and, where required, the member of the Debtor, are not in contravention of

any provision of the Debtor's Articles of Incorporation or Bylaws, do not violate any law or regulation, or any order or decree of any governmental authority or regulatory body or any other Person, do not conflict with or result in the breach of, or constitute a default under, or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, contract, agreement or other instrument to which the Debtor is a party or by which the Debtor or any of its property is bound, and do not result in the creation or imposition of any Lien upon any of the property or assets of the Debtor, other than those in favor of the Secured Party, as agent for the benefit of the Lender Group. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other Person (including, without limitation, the Board of Directors or the member of the Debtor) is required either (i) for the grant by the Debtor of the Security Interest granted hereby or for the execution, delivery or performance of this Security Agreement by the Debtor or (ii) for the perfection of the Security Interest or the exercise by the Secured Party, as agent for the benefit of the Lender Group, of its rights and remedies hereunder, except for the filing of a financing statement covering the Collateral with the Bureau of Conveyances of the State of Hawaii;

(c) Ownership of Collateral. The Debtor is the sole legal, record, and beneficial owner of, and has good and marketable title to, the Collateral free and clear of any lien, mortgage, deed of trust, pledge, security interest, option, encumbrance, easement, preference, priority, hypothecation, assignment, tax lien, mechanic's lien, materialman's lien, attachment, *lis pendens*, any conditional sale or other title retention agreement, claim, right, covenant, restriction, or charge of any kind or nature whatsoever, including, without limitation, any financing lease having the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Code or other comparable law of any jurisdiction, whether arising by contract, operation of law or otherwise (collectively, "**Lien**"), except for the Security Interest created by this Security Agreement or Permitted Encumbrances;

(d) Nature of Security Interest. This Security Agreement is effective to create a valid and continuing Security Interest in and lien upon and, upon the filing of appropriate financing statements in the Bureau of Conveyances of the State of Hawaii, a perfected first priority Security Interest in and lien upon the Collateral with respect to the obligations under the Term Note A and a perfected second priority Security Interest in and lien upon the Collateral with respect to the obligations under the Term Note B, prior to that of any other Person (except for Permitted Encumbrances), securing the payment of the Secured Obligations and any other obligation of the Debtor to the Secured Party or the Lender Group. The Security Interest is prior to all other Liens against the Collateral as a matter of law, and is enforceable as such as against any and all creditors of and purchasers from the Debtor. All filings and other actions necessary or desirable to perfect and protect such Security Interest have been duly taken or will be duly taken as soon as commercially practicable after the execution of this Security Agreement. No effective security agreement, financing statement, equivalent security or Lien instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except as may have been filed by the Debtor in favor of the Secured Party, as agent for the benefit of the Lender Group;

(e) Rights in and Possession of Collateral. The Debtor has rights in and the power to transfer each item of the Collateral upon which it purports to grant a Security Interest hereunder, free and clear of all Liens. The Debtor has and will have at all times during the effectiveness of this Security Agreement, exclusive possession and control of the entirety of the Collateral;

(f) Debtor's Name. The full, true, complete, and correct legal name of the Debtor is exactly as set forth on the signature page hereto, which is the Debtor's name exactly as it appears in its Articles of Incorporation as filed with and certified by the Director of the Department of Commerce and Consumer Affairs of the State of Hawaii. The Debtor is known by no other names. The organizational number issued to the Debtor by the Department of Commerce and Consumer Affairs of the State of Hawaii HI 229125 D2;

(g) Debtor's Location. The principal place of business and chief executive office of the Debtor and the office or location where the Debtor keeps its records is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817. The State of organization of the Debtor is the State of Hawaii, and the Debtor has only one state of organization;

(h) Location of Collateral. All of the Collateral is located within the State of Hawaii;

(i) Inventory. With respect to any Inventory of the Debtor, (1) such Inventory is located at one of the Debtor's locations set forth on **Schedule 1** hereto, (2) no Inventory is now, or shall at any time or times hereafter be stored at any other location without the Secured Party's prior consent (except as expressly permitted under the terms and conditions set forth in the Loan Agreement), and if the Secured Party gives such consent, the Debtor will concurrently therewith obtain bailee, landlord and mortgagee agreements, (3) the Debtor has good, indefeasible and merchantable title to such Inventory and such Inventory is not subject to any Lien or security interest or document whatsoever except for the Security Interest granted to the Secured Party, for the benefit of the Lender Group, (4) such Inventory is of good and merchantable quality, free from any defects, (5) such Inventory is not subject to any licensing, patent, royalty, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party upon sale or disposition of that Inventory or the payment of any monies to any third party as a precondition of such sale or other disposition, and (6) the completion of manufacture, sale or other disposition of such Inventory by the Secured Party following an Event of Default shall not require the consent of any Person and shall not constitute a breach or default under any contract or agreement to which the Debtor is a party or to which such property is subject;

(j) Intellectual Property. The Debtor does not have any interest in, or title to, any Patent, Trademark or Copyright except as set forth in **Schedule 2** hereto. This Security Agreement is effective to create a valid and continuing Security Interest in and, upon filing of a Copyright Security Agreement with the United States Copyright Office, the filing of a Patent Security Agreement or a Trademark Security Agreement with the United States Patent and Trademark Office (each in form and substance deemed appropriate by the Secured Party in its

sole determination), and the filing of appropriate financing statements with the Bureau of Conveyances of the State of Hawaii, will be effective to perfect the Security Interest of the Secured Party, as agent for the benefit of the Lender Group, in the Debtor's Patents, Trademarks and Copyrights, and such perfected Security Interest is enforceable as such as against any and all creditors of and purchasers from the Debtor;

(k) Instruments, Letter of Credit Rights, and Chattel Paper. *Schedule 3* hereto lists all Instruments, Letter of Credit Rights and Chattel Paper of the Debtor. All action by the Debtor necessary or desirable to protect and perfect the Security Interest of the Secured Party, for the benefit of the Lender Group, in each item set forth on *Schedule 3* (including the delivery of all originals thereof to the Secured Party and the legending of all Chattel Paper as required by *Section 5(b)(ix)* hereof) has been duly taken. The Security Interest of the Secured Party, for the benefit of the Lender Group, in the Collateral listed on *Schedule 3* hereto is prior to all other Liens that would be prior to the Security Interest in favor of the Secured Party, for the benefit of the Lender Group, as a matter of law, and is enforceable as such against any and all creditors of and purchasers from the Debtor;

(l) Deposit Accounts. *Schedule 4* hereto lists all financial institutions where the Debtor maintains any Deposit Accounts falling within the scope of *Section 1(a)*, and sets forth the name of such financial institution, the designated name of the account held by the financial institution, the account number, and the address and contact information for such financial institution; and

(m) Motor Vehicles. All motor vehicles owned by the Debtor are listed on *Schedule 5* attached hereto, by model, model year, and identification number. From time to time until the Termination Date (as such term is defined in the Loan Agreement), the Debtor shall notify the Secured Party in writing of the acquisition of any motor vehicles having a value, alone or together with all motor vehicles acquired after the date of this Agreement, aggregating Fifty Thousand Dollars (\$50,000) or more, within ten (10) Business Days after being acquired by the Debtor. Upon the request of the Secured Party which may be made from time to time, the Debtor shall deliver to the Secured Party, as agent for the benefit of the Lender Group (or to a Person designated by the Secured Party for such purpose), a motor vehicle certificate of title for all vehicles from time to time owned by the Debtor and shall cause those title certificates to be filed (with the Secured Party's Security Interest, as agent for the benefit of the Lender Group, noted thereon) in the appropriate state motor vehicle filing office.

All representations and warranties of the Debtor made herein shall survive the execution and delivery of this Security Agreement until the indefeasible payment in cash and complete performance of all of the Secured Obligations.

4. Maintenance of Collateral and Insurance.

(a) Collateral. At all times during the effectiveness of this Security Agreement, the Debtor shall:

(i) Location of Collateral. Keep the Collateral at the place specified in *Section 3(g)*;

(ii) Satisfaction of Obligations Respecting the Collateral. Pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against the Collateral; and

(iii) Preservation of Collateral. At all times maintain, preserve and protect all of the Collateral used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices. The Debtor shall promptly furnish to the Secured Party a written statement respecting any loss or damage to any material portion of the Collateral or to any portion of the Collateral.

(b) Policies of Insurance. The Debtor shall, at the Debtor's own expense, at all times insure the Collateral for its full replacement value and maintain commercially reasonable insurance protection against all risks for the Debtor's industry, size, and circumstances which is customary for similarly situated businesses and which is in form, coverage scope, and amounts and with insurers acceptable to the Secured Party. Each such policy shall (i) name the Debtor and shall also name the Secured Party, as agent for the benefit of the Lender Group, as additional insured parties thereunder (without any representation or warranty by or obligation upon the Secured Party or any Person in the Lender Group), (ii) provide that there shall be no recourse against the Secured Party or any Person in the Lender Group for payment of premiums or other amounts with respect thereto, and (iii) provide that at least ten (10) days' prior written notice of cancellation or of lapse shall be given to the Secured Party by the insurer. The Debtor shall deliver from time to time to the Secured Party, as agent for the benefit of the Lender Group, upon the Secured Party's request, in form and substance satisfactory to the Secured Party, endorsements to (1) all "All Risk" and business interruption insurance naming the Secured Party, for the benefit of the Secured Party and each Person in the Lender Group, as loss payees, and (2) all general liability and other liability policies naming the Secured Party, for the benefit of the Secured Party and each Person in the Lender Group, as additional insureds. The Debtor shall, if so requested by the Secured Party, deliver to the Secured Party original or duplicate policies of such insurance. In the event the Debtor does not hold valid insurance policies for the Collateral conforming to the requirements of this section at any time during the effectiveness hereof, the Secured Party, as agent for the benefit of the Lender Group, may at its option, without any requirement to do so, purchase and secure a policy or policies of insurance respecting the Collateral. The Debtor shall have the obligation to pay to the Secured Party, as agent for the benefit of the Lender Group, in accordance with *Section 11(b)*, the amount expended by the Secured Party or any Person in the Lender Group to procure all such policies of insurance. All such amounts shall constitute a part of the Secured Obligations and shall bear interest at the rate then applicable under the Loan Agreement from the date incurred until the date paid in full.

(c) Proceeds from Insurance Policies. Upon the actual or constructive partial or total loss of any Collateral, all insurance payments in respect of such Collateral shall be paid to and applied by the Secured Party against satisfaction of the Secured Obligations in accordance with the terms and conditions set forth in the Loan Agreement.

5. Covenants of the Debtor.

(a) Restrictive Covenants. So long as any of the Secured Obligations remains outstanding and unsatisfied, and unless the Secured Party shall have otherwise given its prior written consent, the Debtor shall not:

(i) Disposition of Collateral. Sell, lease, license, transfer, assign (voluntarily, involuntarily, by operation of law or order of a court or governmental authority, or otherwise), or otherwise dispose of any of the Collateral, or attempt or contract to sell, lease, license, transfer, assign, or otherwise dispose of any of the Collateral, other than Inventory in the ordinary course of business;

(ii) Liens on Collateral. Create, incur, assume, permit, allow, or suffer to exist, and the Debtor will defend the Collateral against, and take all such action as is necessary to remove, any Lien upon any Collateral (except for Permitted Encumbrances), whether the Collateral is now owned or hereafter acquired or arising, and will defend the right, title, and interest of the Secured Party, as agent for the benefit of the Lender Group, in and to any of the Debtor's rights under the Collateral against all claims and demands of all Persons whomsoever;

(iii) Agreements Affecting Disposition of Collateral. Enter into any contract or make any agreement, written or oral, which could prevent the Secured Party, as agent for the benefit of the Lender Group, from making any sale, assignment, transfer, conveyance, exchange, pledge, hypothecation, or disposition of any of the Collateral;

(iv) Change of Debtor's Name. Change its name from that set forth on the signature page to this Security Agreement, conduct its business or affairs in any name other than such name or take title to any Collateral or property of the same nature or character as the Collateral in any name other than such name while this Security Agreement remains in effect until (i) the Debtor shall have given to the Secured Party not less than thirty (30) days' prior written notice of the Debtor's intention to do so, setting forth such name or names and providing such other information in connection therewith as the Secured Party may request, and (ii) with respect to such new name or names, the Debtor shall take such action as the Secured Party may request (including, without limitation, all action required by **Section 1(e)**), to perfect and maintain the Security Interest granted hereby in full force and effect and without lapse;

(v) Change of Debtor's Location. Move its principal place of business, chief executive office, or the books and records from that location specified in **Section 3(g)**, or change its state of organization, without giving the Secured Party a minimum of thirty (30) days' prior written notice thereof;

(vi) Change of Collateral Location. Move the Collateral out of the State of Hawaii without both giving the Secured Party a minimum of thirty (30) days' prior written notice thereof and taking such additional actions as are necessary for the continued attachment and perfection of the Secured Party's first priority Security Interest therein; or

(vii) No Merger or Reincorporation. Merge, consolidate, or combine with or into any other Person, reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated or organized as of the date hereof, or convert into any other form of entity or an entity organized in any other jurisdiction, without the prior written consent of the Secured Party.

(b) Affirmative Covenants. So long as any of the Secured Obligations remains outstanding and unsatisfied, and unless the Secured Party shall have otherwise given its prior written consent, the Debtor shall:

(i) Maintenance of Collateral. Maintain the Collateral and insure the Collateral as specified in *Section 4*;

(ii) Preserve Existence. Preserve its corporate existence and nonprofit tax exempt status and characterization and not, in one transaction or a series of related transactions, merge with or into or consolidate with any other Person, convert into another form of entity or an entity organized in any other jurisdiction, or take action in furtherance of its dissolution, liquidation, or termination;

(iii) Delivery of Documents, Investment Property, Chattel Paper, and Instruments. Unless the Secured Party shall otherwise consent in writing (which consent may be revoked), the Debtor shall deliver to the Secured Party all Collateral consisting of negotiable Documents, certificated securities, Chattel Paper and Instruments (in each case, accompanied by stock powers, allonges or other instruments of transfer executed in blank) promptly after the Debtor receives the same;

(iv) Mortgagee and Landlord Waivers and Subordinations; Bailee Acknowledgments. Obtain or use its commercially reasonable efforts to obtain waivers or subordinations of Liens from landlords and mortgagees, and the Debtor shall in all instances obtain or use its commercially reasonable efforts to obtain signed acknowledgements of the Secured Party's Security Interest, for the benefit of the Lender Group, from bailees having possession of any of the Debtor's Goods that they hold for the benefit of the Secured Party, for the benefit of the Lender Group;

(v) Control Agreements. Unless the Secured Party shall otherwise consent in writing (which consent may be revoked), the Debtor shall obtain authenticated control agreements from each holder of a Deposit Account of the Debtor and from each issuer of uncertificated securities, securities intermediary, or commodities intermediary issuing or holding any financial assets or commodities to or for the Debtor;

(vi) Letter of Credit Rights. If the Debtor is or becomes the beneficiary of a letter of credit, the Debtor shall promptly, and in any event within two (2) Business Days (as such term is defined in the Loan Agreement) after becoming a beneficiary, notify the Secured Party thereof, and immediately thereafter use its commercially reasonable efforts to enter into a tri-party agreement with the Secured Party, as agent for the benefit of the Lender Group, and the issuer and/or confirmation bank with respect to Letter-of-Credit Rights assigning such Letter-of-Credit Rights to the Secured Party, all in form and substance satisfactory to the Secured Party;

(vii) Electronic Chattel Paper. Take all steps necessary to grant the Secured Party control of all electronic chattel paper in accordance with the Code and all “transferable records” as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act;

(viii) Commercial Tort Claims. Promptly, and in any event within ten (10) Business Days after the same is acquired by the Debtor, notify the Secured Party of any commercial tort claim (as defined in the Code) acquired by the Debtor and unless otherwise consented by the Secured Party, the Debtor shall enter into a supplement to this Security Agreement, granting to the Secured Party, as agent for the benefit of the Lender Group, a Security Interest in such commercial tort claim;

(ix) Maintenance of Records. Keep and maintain, at the Debtor’s own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral. The Debtor shall mark its books and records pertaining to the Collateral to evidence this Security Agreement and the Security Interest granted hereby. If the Debtor retains possession of any Chattel Paper or Instruments with the Secured Party’s consent, such Chattel Paper and Instruments shall be marked with the following legend: “This writing and the obligations evidenced or secured hereby are subject to the security interest of St. Francis Healthcare System of Hawaii, as agent, for the benefit of the Lender Group;”

(x) Covenants Regarding Patent, Trademark and Copyright Collateral.

(1) Notify the Secured Party immediately if the Debtor knows that any application or registration relating to any Patent, Trademark or Copyright used, useful, or held for use in connection with the Debtor’s business (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding the Debtor’s ownership of any Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same;

(2) In no event shall the Debtor, either itself or through any agent, employee, licensee or designee, file an application for the registration of

any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency without giving the Secured Party prior written notice thereof, and, upon request of the Secured Party, the Debtor shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as the Secured Party may request to evidence the Secured Party's Security Interest, for the benefit of the Lender Group, in such Patent, Trademark or Copyright, and the General Intangibles of the Debtor relating thereto or represented thereby;

(3) Take all actions necessary or requested by the Secured Party to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings; and

(4) In the event that any of the Patent, Trademark or Copyright Collateral is infringed upon, or misappropriated or diluted by a third party, the Debtor shall comply with *Section 5(b)(viii)* of this Security Agreement. The Debtor shall, unless it shall reasonably determine that such Patent, Trademark or Copyright Collateral is not material to the conduct of the Debtor's business or operations, or that the cost of attempting to enforce the Debtor's rights is outweighed by any reasonably expected benefit of doing so and that the failure to do so would not have a Material Adverse Effect (as such term is defined in the Loan Agreement), promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as the Secured Party shall deem appropriate under the circumstances to protect such Patent, Trademark or Copyright Collateral;

(xi) Indemnification. The Debtor shall indemnify, defend, and hold harmless from and against, and reimburse and compensate, the Secured Party and each Person in the Lender Group and each of their Affiliates (as such term is defined in the Loan Agreement), and each such Person's respective officers, directors, managers, members, employees, attorneys, agents and representatives (each, an "**Indemnified Person**"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal and in any bankruptcy proceedings) which may be instituted or asserted against or incurred by any such Indemnified Person as the result of any claim or action brought by any Person relating to any Collateral, and in connection with, relating to or arising out of the transactions contemplated hereunder and any actions or failures to act in connection herewith, including any and all Environmental Liabilities (as such term is defined in the Loan Agreement) and legal costs and expenses; *provided, however*, that the Debtor shall

not be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct as determined in a final judgment by a court of competent jurisdiction. No Indemnified Person shall be responsible or liable to any other party to any Loan Document or any successor, assignee or third party beneficiary of such Person or any other Person asserting claims derivatively through such party for indirect, punitive, exemplary or consequential damages which may be alleged as a result of any action or inaction with respect to the Collateral or any other transaction contemplated hereunder or under any of the Loan Documents or any actions or failures to act in connection herewith. All obligations of the Debtor to any Indemnified Person shall be additional Secured Obligations hereunder secured by the Collateral. The Debtor's indemnity obligations contained in this **Section 5(b)(xi)** shall survive the Termination Date;

(xii) Compliance with Terms of Contracts. In all material respects, the Debtor will perform and comply with all obligations in respect of the Collateral and all other contracts and agreements to which it is a party or by which it is bound relating to the Collateral;

(xiii) Further Identification of Collateral. If requested by the Secured Party, furnish to the Lender Group, as often as the Secured Party requests, statements and schedules further identifying and describing the Collateral and Proceeds thereof and such other reports in connection with the Collateral and its Proceeds as the Secured Party may reasonably request, all in such detail as the Secured Party may specify;

(xiv) Taxes and Assessments. Pay and discharge when due all taxes, assessments, levies, and governmental charges upon or against the Collateral before the same become due and before penalties accrue thereon, except for assessments, levies and governmental charges which the Debtor may in good faith contest, by appropriate proceedings, so long as (1) adequate reserves with respect to such contest are maintained on the books of the Debtor in accordance with generally accepted accounting principles in the United States of America, (2) no Lien shall be imposed to secure payment of such taxes, assessments, or governmental charges that is superior to the Security Interest securing the Secured Obligations, (3) such contest is maintained and prosecuted or defended continuously and with diligence and operates to suspend collection or enforcement of such taxes, assessments, or governmental charges, (4) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, (5) the Debtor shall promptly pay or discharge such contested assessments, levies, and governmental charges or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to the Secured Party evidence acceptable to the Secured Party of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to the Debtor or the conditions set forth in this **Section 5(b)(xiv)** are no longer met, and (6) the Secured Party has not advised the Debtor in writing that the Secured Party reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect; and

(xv) Notices. The Debtor will advise the Secured Party promptly, in reasonable detail, (1) of any Lien or claim made or asserted against any of the Collateral, (2) of the occurrence of any other event which could reasonably be expected to have an adverse effect on the use or aggregate value of the Collateral or on the Security Interest created hereunder or under any other Loan Document, and (3) of the acquisition of any additional Collateral which is, individually or in the aggregate, of material value.

6. Events of Default

Any of the following specified events shall constitute an “*Event of Default*” under this Security Agreement:

(a) Promissory Note Default. The failure or inability to pay, or the nonpayment of, any amounts due or owing under the Promissory Notes or the occurrence of any breach, default, or event of default under the terms of the Promissory Notes, subject to the cure periods, if any, specifically set forth therein;

(b) Loan Documents Default. The occurrence of any breach, default, or event of default as provided under the terms of any of the Loan Documents (including, without limitation, this Security Agreement) or under any of the Secured Obligations, subject to the cure periods, if any, specifically set forth in any such document or instrument;

(c) Breach of Representation or Warranty. Any representation, warranty or statement made by the Debtor under or in connection with this Security Agreement or by any party to any of the Loan Documents shall have been false or misleading in any material respect when made or deemed to be made;

(d) Covenants. The failure to observe or perform any covenant or agreement set forth in this Security Agreement or any of the Loan Documents;

(e) Collateral Jeopardy. The actual, attempted, or threatened sale, assignment, transfer, conveyance, or encumbrance of any Collateral or the actual, attempted, or threatened making of any levy, seizure, or attachment thereof or thereon, whether voluntary, involuntary, by operation of law or order of a court or governmental or regulatory authority, or otherwise;

(f) Maintenance of Security Interest. The Secured Party, as agent for the benefit of the Lender Group, shall for any reason not possess a first priority perfected Security Interest in, lien upon, and pledge of all of the Collateral with respect to the obligations under the Term Note A or a second priority perfected Security Interest in, lien upon, and pledge of all of the Collateral with respect to the obligations under the Term Note B, except for Permitted Encumbrances;

(g) Bankruptcy. The Debtor or any Obligor (as such term is defined in *Section 16*) voluntarily or involuntarily becoming subject to any proceeding under the Bankruptcy Code or any similar remedy under state statutory or common law; or

(h) Lien Report. The Secured Party shall receive at any time a report that the Secured Party's Security Interest, as agent for the benefit of the Lender Group, in the Collateral is not prior to all other security interests, Liens, or other interests reflected in such report.

7. Secured Party Appointed Attorney-in-Fact.

The Debtor hereby irrevocably appoints the Secured Party, as agent for the benefit of the Lender Group, as the Debtor's attorney-in-fact, with full authority in the place and stead of the Debtor and in the name of the Debtor, the Secured Party, any Person in the Lender Group, or otherwise, subsequent to the occurrence and during the continuation of an Event of Default to take any action and to execute any instrument which the Secured Party may deem necessary, appropriate, or advisable to accomplish the intent and purposes of this Security Agreement, including, without limitation:

(a) Insurance. To obtain and adjust insurance required pursuant to *Section 4*;

(b) Receipt of Payment in Respect of the Collateral. To ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(c) Collection. To receive, indorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (i) or (ii) above;

(d) Transfer Collateral. To transfer into or register in the Secured Party's name or the name of any nominee all or any portion of the Collateral, and to execute all assignments, powers, and other instruments of conveyance and all indorsements thereon; and

(e) Collection Proceedings. To file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party, as agent for the benefit of the Lender Group, with respect to any of the Collateral.

In addition to the designation of the Secured Party as the Debtor's attorney-in-fact in this *Section 7*, the Debtor hereby irrevocably appoints the Secured Party as the Debtor's agent and attorney-in-fact to make, execute and deliver any and all documents and writings which may be necessary or appropriate for approval of, or be required by, any regulatory authority located in any city, county, state or country where the Debtor engages in business, in order to transfer or to more effectively transfer any of the Collateral or otherwise enforce the Secured Party's rights hereunder, as agent for the benefit of the Lender Group.

8. Secured Party May Perform.

If the Debtor fails to perform any agreement or covenant contained herein, the Secured Party, as agent for the benefit of the Lender Group, may itself perform, or cause performance of, such agreement or covenant, and the expenses of the Secured Party or any Person in the Lender

Group incurred in connection therewith shall be payable by the Debtor under *Section 11(b)* below.

9. Secured Party's Duties.

The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interest, for its own benefit and as agent for the benefit of the Lender Group, in the Collateral and shall not impose any duty upon the Secured Party or any Person in the Lender Group to exercise any such powers. Except for the reasonable care in the custody of any Collateral in the Secured Party's possession and the accounting for moneys actually received by the Secured Party hereunder, the Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Secured Party, as agent for the benefit of the Lender Group, shall have the right to appoint one or more subagents for the purpose of retaining physical custody of the Collateral, and the Debtor shall execute and deliver such indorsements and other instruments for the benefit of any subagent appointed by the Secured Party, for the benefit of the Lender Group. Without limiting the generality of the foregoing, it is expressly understood and agreed that the Debtor shall remain liable under each of the Debtor's contracts, licenses, and permits to observe and perform all the conditions and obligations to be observed and performed by the Debtor thereunder. Neither the Secured Party nor any Person in the Lender Group shall have any obligation or liability whatsoever under any contract, license, or permit by reason of, or arising out of, this Security Agreement or the granting herein of a Security Interest in the Collateral or the receipt by the Secured Party of any payment relating to any contract, license, or permit pursuant hereto. Neither the Secured Party nor any Person in the Lender Group shall be required or obligated in any manner to perform or fulfill any obligations of the Debtor under or pursuant to any contract, license, or permit, or to make any payment or to make any inquiry as to the nature or the sufficiency of any payment received by or on behalf of the Debtor or the sufficiency of any performance by any party under any contract, license, or permit, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party, as agent for the benefit of the Lender Group, may be entitled at any time or times.

10. Remedies.

If the Debtor or any other party shall fail to pay or promptly perform in full any of the Secured Obligations when due or shall breach any representation, warranty, covenant, agreement or term under this Security Agreement, the Promissory Notes, or any of the Loan Documents, or if an Event of Default should occur hereunder, then:

(a) Rights Upon Default. The Secured Party, as agent for the benefit of the Lender Group, may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to the Secured Party, all the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected Collateral). Without limiting the generality of the foregoing, the Debtor expressly agrees that if any Event of Default shall have occurred and be continuing the Secured Party, without demand

of performance or other demand, advertisement or notice of any kind (except the notice specified in **Section 10(b)** below of time and place of public or private sale) to or upon the Debtor or any other Person (all and each of which demands, advertisements and notices are hereby unconditionally, absolutely and irrevocably expressly waived to the maximum extent permitted by the Code and other applicable law), may forthwith enter upon the premises of the Debtor where any Collateral is located through self-help, without judicial process, and exercise any remedies available to the Secured Party, as agent for the benefit of the Lender Group, pursuant to this Security Agreement, any of the Loan Documents, or otherwise available under applicable law, all without first obtaining a final judgment or giving the Debtor or any other Person notice and opportunity for a hearing on the Secured Party's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof. Such remedies may include, without limitation, the right of the Secured Party (1) to receive all amounts payable in respect of the Collateral otherwise payable to the Debtor and to enforce the payment of the Collateral and to exercise all of the rights, powers, and remedies of the Debtor thereunder, (2) to transfer all or any part of the Collateral into the Secured Party's name or the name of the Secured Party's nominee or nominees, all as agent for the benefit of the Lender Group, and (3) to vote all or any part of the Collateral (whether or not transferred into the name of the Secured Party, as agent for the benefit of the Lender Group), and give all consents, waivers, and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof;

(b) Collateral Foreclosure. The Secured Party, as agent for the benefit of the Lender Group, may also (i) require the Debtor to, and the Debtor hereby agrees that the Debtor will, at the Debtor's own cost and expense upon request of the Secured Party, forthwith assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party or the Secured Party's agent at a place to be designated by the Secured Party and (ii) without notice except as specified below, sell, assign, and deliver, or grant options to purchase, the Collateral or any part thereof in one or more parcels, or any interest therein, at public or private sale, at any of the Secured Party's offices or elsewhere, for cash, on credit or for other property, for immediate or for future delivery, without any assumption of credit risk, for such price or prices and upon such other terms as the Secured Party may deem commercially reasonable, and at any such public or private sale the Secured Party, as agent for the benefit of the Lender Group, may bid for and/or purchase all or any part of the Collateral so sold. The Debtor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and shall be deemed to meet any requirement under any applicable law (including the Hawaii Uniform Commercial Code, the Uniform Commercial Code, and the Uniform Commercial Code of any other applicable jurisdiction) that reasonable notification be given of the time and place of such sale or disposition. The Debtor hereby waives and releases to the fullest extent permitted by applicable law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and any right of marshalling the Collateral and any other security for the Secured Obligations or otherwise. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor,

and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Secured Party may, in the Secured Party's name or in the name of a designee or nominee, buy all or any part of the Collateral at any public sale or private sale, free of any right or equity of redemption. Upon any sale of any of the Collateral hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Secured Party or the officer making the sale shall be sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Secured Party, for the benefit of the Lender Group, or such officer or be answerable in any way for the misapplication or nonapplication thereof;

(c) Holding of Collateral. Until the Secured Party, as agent for the benefit of the Lender Group, is able to effect a sale, lease, or other disposition of the Collateral, the Secured Party shall have the right to hold or use the Collateral, or any part thereof, to the extent that the Secured Party deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Secured Party. The Secured Party shall have no obligation to the Debtor to maintain or preserve the rights of the Debtor as against third parties with respect to the Collateral while the Collateral is in the possession of the Secured Party. The Secured Party may, if it so elects, seek the appointment of a receiver or keeper to take possession of the Collateral and to enforce any of the Secured Party's remedies, for the benefit of the Lender Group, with respect to such appointment without prior notice or hearing as to such appointment;

(d) Application of Proceeds. All net cash proceeds received by the Secured Party, as agent for the benefit of the Lender Group, in respect (i) of any sale or other realization upon all or any part of the Collateral, or (ii) of any collection upon any policy of insurance, may, in the discretion of the Secured Party, be held by the Secured Party, as agent for the benefit of the Lender Group, as collateral for the Secured Obligations, and/or then or at any time thereafter applied (after payment of any amounts payable to the Secured Party pursuant to **Section 11**) in whole or in part by the Secured Party against, all or any part of the Secured Obligations in such order as the Secured Party shall elect, without resorting to and without regard to any guaranty, other security, or source of reimbursement which may at the time be available to the Secured Party or any Person in the Lender Group. Any surplus of such cash or cash proceeds held by the Secured Party, as agent for the benefit of the Lender Group, and remaining after payment in full of all the Secured Obligations and expenses of enforcement and collection shall be paid over to the Debtor or to whomsoever may be lawfully entitled to receive such surplus;

(e) Retaking of Collateral. The Secured Party, as agent for the benefit of the Lender Group, may at any time and from time to time, with reasonable notice (in light of the circumstances) and during reasonable hours, with or without judicial process or the aid or assistance of others, (i) enter upon any premises in which Collateral may be located and, without resistance or interference by the Debtor, take physical possession of any items of Collateral and maintain such possession on the Debtor's premises or move the same or any part thereof to such other places as the Secured Party shall choose without being liable to the Debtor on account of any losses, damage or depreciation that may occur as a result thereof so long as the Secured Party shall act reasonably and in good faith, (ii) dispose of all or any part of the Collateral on any

premises of the Debtor, (iii) require the Debtor to assemble and make available to the Secured Party or any Person in the Lender Group, at the Debtor's expense all or any part of the Collateral at any reasonable place and time designated by the Secured Party, or (iv) remove all or any part of the Collateral from any premises in which any part may be located for the purpose of effecting the sale or other disposition thereof;

(f) Exercise of Remedies. To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Debtor acknowledges and agrees that it is not commercially unreasonable for the Secured Party (i) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Debtor, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as warranties of title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure the Secured Party and the Lender Group against risks of loss, collection or disposition of Collateral or to provide to the Secured Party and the Lender Group a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. The Debtor acknowledges that the purpose of this **Section 10(f)** is to provide nonexhaustive indications of what actions or omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being specifically set forth in this **Section 10(f)**. Without limiting the generality of the foregoing, nothing contained in this **Section 10(f)** shall be construed to grant any rights to the Debtor or to impose any duties on the Secured Party that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this **Section 10(f)**;

(g) Grant of License to Use Intellectual Property Collateral. For the purpose of enabling the Secured Party to exercise its rights and remedies, as agent for the benefit of the Lender Group, under this **Section 10**, in order to take possession of, hold, preserve, process,

assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral, at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies, the Debtor hereby grants to the Secured Party, for the benefit of the Lender Group, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Debtor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by the Debtor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof;

(h) Limitation on Secured Party's and Lender Group's Duties in Respect of Collateral. Each Person in the Lender Group shall use reasonable care with respect to the Collateral in its possession or under its control. No Person in the Lender Group shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of any Person in the Lender Group, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. Neither the Secured Party nor any Person in the Lender Group shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in such collection or realization; and

(i) Nature of Remedies. All rights and remedies existing under this Security Agreement are cumulative to, and not exclusive of, any other rights or remedies available under contract or applicable law or in equity. Neither the Secured Party nor any Person in the Lender Group shall be required to make any demand upon or pursue or exhaust any of their respective rights or remedies against the Debtor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any of their respective rights or remedies with respect to any Collateral therefor, other property or assets pledged as collateral security, or any direct or indirect guarantee thereof. Neither the Secured Party nor any Person in the Lender Group shall be required to marshal the Collateral, any other property or assets pledged as collateral, or any guarantee of the Secured Obligations or to resort to the Collateral, such other property or assets, or any such guarantee in any particular order, and all of their respective rights hereunder or under any other Loan Documents shall be cumulative. To the extent it may lawfully do so, the Debtor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Secured Party or any Person in the Lender Group, any valuation, stay, appraisal, extension, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise. The Secured Party, as agent for the benefit of the Lender Group, may demand performance under this Security Agreement before, simultaneously with, or subsequent to making a demand for payment or performance under the Promissory Notes or any or all of the Loan Documents.

11. Indemnity and Expenses.

(a) Indemnification. The Debtor agrees to indemnify, defend (with counsel acceptable to the Secured Party), and hold harmless the Secured Party and each Person in the

Lender Group from and against, and to reimburse and compensate the Secured Party and each Person in the Lender Group for, any and all claims, demands, costs, losses, liabilities, expenses, suits, proceedings, or investigations, including reasonable attorneys' fees and legal costs, growing out of, arising in connection with, or resulting from this Security Agreement (including, without limitation, enforcement of this Security Agreement), and whether or not arising from direct first party claims or from third party claims (collectively, "*Claims*"), except Claims resulting solely from the Secured Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. The indemnification in this subsection shall (a) survive the repayment of all principal, interest, and fees payable in connection with the Secured Obligations and (b) constitute a part of the Secured Obligations.

(b) Expenses. The Debtor shall: (i) pay all out of pocket costs and expenses of the Secured Party incurred after the date hereof in connection with the administration of this Security Agreement by the Secured Party (including, without limitation, attorneys' fees incurred by the Secured Party to obtain the advice of counsel as to the rights and duties of the Secured Party or any Person in the Lender Group with respect thereto), (ii) pay all out of pocket costs and expenses of the Secured Party and each Person in the Lender Group incurred in connection with the preservation of rights under, the enforcement of, or the renegotiation or restructuring of this Security Agreement or any of the Loan Documents and any amendment, waiver or consent relating hereto or thereto, whether or not litigation or any other proceeding is initiated (including, without limitation, the reasonable attorneys' fees and disbursements of counsel for the Secured Party and each Person in the Lender Group); (iii) pay all out of pocket costs and expenses of the Secured Party, as agent for the benefit of the Lender Group, and each Person in the Lender Group, incurred in connection with the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon any of the Collateral (including, without limitation, the reasonable attorneys' fees and disbursements of counsel for the Secured Party and each Person in the Lender Group); (iv) pay and hold the Secured Party and each Person in the Lender Group harmless from and against, and reimburse and compensate the Secured Party and each Person in the Lender Group for, any and all present and future excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Security Agreement and the Loan Documents and save the Secured Party and each Person in the Lender Group harmless from and against, and reimburse and compensate the Secured Party and each Person in the Lender Group for, any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (v) indemnify the Secured Party and each Person in the Lender Group and their respective officers, directors, managers, members, employees, agents, representatives and affiliates from and hold each of them harmless against, and reimburse and compensate each of them for, any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation, or other proceeding related to this Security Agreement, the Loan Agreement, or any of the Loan Documents, the Secured Party's holding or administration, as agent for the benefit of the Lender Group, of any Collateral, or any transaction contemplated hereby, including, without limitation, the reasonable attorneys' fees and disbursements of counsel incurred in connection with any such investigation, litigation, or other proceeding, whether or not arising from direct first party claims or from third party claims, except in each

case to the extent resulting from the Secured Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. The Debtor's obligations under this **Section 11(b)** shall survive any termination of this Security Agreement and shall constitute a part of the Secured Obligations. For the purposes of this Security Agreement, attorneys' fees shall include in all cases the amount of all attorneys' fees actually incurred without giving effect to any statutory presumption or limitation, and whether or not litigation or any other similar proceeding is instituted, and shall include, without limitation, fees incurred in the following: (i) pre-trial motions; (ii) discovery; (iii) trials and similar proceedings; (iv) post-judgment motions; (v) contempt proceedings; (vi) garnishment, levy, and debtor and third party examinations; (vii) enforcement and collection efforts; and (viii) bankruptcy and other litigation. All expenses incurred by the Secured Party or any Person in the Lender Group shall, until paid in full by the Debtor, constitute a part of the Secured Obligations, and shall bear interest at the rate then applicable under the Loan Agreement from the date incurred until the date paid in full.

12. Amendment.

No amendment or waiver of any provision of this Security Agreement nor consent to any departure by the Debtor herefrom shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13. Notices.

Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other party any communication with respect to this Security Agreement or any of the Loan Documents, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and two (2) Business Days after deposit in the United States mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission during business hours on any Business Day, or, if after 5:00 p.m. (HST) on a Business Day or at any time on a day which is not a Business Day, then as of 9:00 a.m. (HST) on the next succeeding Business Day, when sent by telecopy, electronic mail, or other similar facsimile transmission (with such telecopy, electronic mail, or facsimile promptly confirmed by delivery of a copy by personal delivery or United States mail as otherwise provided in this **Section 13**), (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which communications shall be addressed to the party to be notified and sent to the address, facsimile number, or electronic mail address set forth below or to such other address (or facsimile number or electronic mail address) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than the Debtor, the Secured Party, or the Lender Group) designated below to receive copies shall in no

way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

If to the Secured Party: St. Francis Healthcare System of Hawaii
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817
Attention: Mr. Jerry Correa
Facsimile Number: (808) 547-6616
Email address: jcorrea@stfrancishawaii.org

With a courtesy copy (which shall not constitute notice) to: McCorriston Miller Mukai MacKinnon LLP
Five Waterfront Plaza, 4th Floor
500 Ala Moana Boulevard
Honolulu, Hawaii 96813
Attention: Stewart Pressman, Esq.
Facsimile Number: (808) 524-8293
Email address: Pressman@m4law.com

If to the Debtor: St. Francis Hospitals Hawaii
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817
Attention: Mr. Jerry Correa
Facsimile Number: (808) 547-6616
Email address: jcorrea@stfrancishawaii.org

14. Continuing Security Interest.

This Security Agreement shall create a continuing Security Interest in the Collateral and shall (i) remain in full force and effect until payment, performance, and satisfaction in full of the Secured Obligations and the terms and conditions of this Security Agreement and each of the Loan Documents, (ii) be binding upon the Debtor, the Debtor's successors and assigns and (iii) inure to the benefit of the Secured Party and each Person in the Lender Group and each of their respective successors, transferees and assigns. The Debtor shall not assign or transfer any of the Debtor's rights or obligations under this Security Agreement without the prior written consent of the Secured Party. Subject to the provisions of *Section 18*, upon the indefeasible payment in full in cash and complete performance, discharge, and satisfaction of the Secured Obligations and the terms and conditions of this Security Agreement, the Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to the Debtor.

15. Governing Law.

This Security Agreement shall be governed by and interpreted and enforced in accordance with the internal and substantive laws of the State of Hawaii without giving effect to principles of conflict of laws or the choice of law rules of any jurisdiction to the extent that the law of any jurisdiction other than the State of Hawaii would be required or permitted thereby,

and except to the extent that the validity or perfection of the Security Interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of Hawaii.

16. Waivers.

The rights, remedies, powers, and privileges of the Secured Party and each Person in the Lender Group under this Security Agreement shall be cumulative to and not exclusive of any rights, remedies, powers, or privileges which the Secured Party or any Person in the Lender Group would otherwise have, now or hereafter existing, under contract, at law, in equity, by statute, or otherwise, and may be exercised singly or concurrently. No failure or delay by the Secured Party or by any Person in the Lender Group in exercising any right, remedy, power, or privilege shall operate as a waiver of such right, remedy, power, or privilege, nor shall any single or partial exercise of any right, remedy, power, or privilege preclude the further or future exercise by the Secured Party or any Person in the Lender Group of the same or any other right, remedy, power, or privilege. A waiver by the Secured Party or by any Person in the Lender Group of any right, remedy, power, or privilege, in whole or in part, on any one occasion shall not be construed as a bar to the exercise of any right, remedy, power, or privilege which the Secured Party or any Person in the Lender Group would otherwise have on any future occasion.

The Debtor hereby expressly agrees to all of the terms and conditions of the Promissory Notes, this Security Agreement, the Loan Documents, and the Secured Obligations, and waives irrevocably, absolutely, and unconditionally to the fullest extent permitted by law (a) diligence, presentment, and demand (whether for payment, nonpayment, protest, acceptance, maturity, extension of time, change in the nature of the form of the Secured Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of, the Secured Obligations, notice of adverse change in any Obligor's financial condition or other fact which might increase the risk with respect to the Secured Obligations, and all other demands whatsoever) with respect to any of the Secured Obligations or any part thereof; (b) notice of the occurrence of a breach, default, or of an event of default under any Secured Obligation; (c) protest of the nonpayment of any Secured Obligation or any part thereof; (d) notice of presentment, demand or protest; (e) notice of acceptance of any guaranty or collateral security or of the terms and provisions thereof or hereof by the Secured Party, as agent for the benefit of the Lender Group; (f) any requirement of diligence or promptness on the part of the Secured Party in the enforcement of any of the Secured Party's rights, as agent for the benefit of the Lender Group, under the provisions of any Secured Obligation, the Promissory Notes, this Security Agreement, or any of the Loan Documents; (g) any right which the Debtor might have to require the Secured Party or any Person in the Lender Group to proceed against or exhaust any collateral or security therefor or to pursue any other remedy available to or within the power of the Secured Party or any other Person in the Lender Group; (h) all defenses arising by reason of any disability of the Debtor, any guarantor of the Secured Obligations, or of any other party to any of the Loan Documents (collectively, an "***Obligor***"), including without limitation, the Debtor's or any Obligor's dissolution, insolvency, bankruptcy and/or reorganization under state or federal bankruptcy laws, or the restrictions placed upon the Debtor or any Obligor by the Hawaii Revised Statutes, the Hawaii Nonprofit Corporations Act, the Code as in effect in the

State of Hawaii or in any other applicable controlling jurisdiction, or other applicable law; (i) all defenses which may be acquired by reason of an election by the Secured Party or any Person in the Lender Group of any remedy against the Debtor or any Obligor; (j) any and all notices of every kind and description which may be required to be given by any statute or rule of law in any jurisdiction except as provided herein; (k) all claims, damages, and demands against the Secured Party or any Person in the Lender Group arising out of, relating to, or in connection with the repossession, retention, holding, maintenance, or sale of the Collateral; (l) the benefits of the automatic stay of §362 of the Bankruptcy Code or, more appropriately, the debtor's right to oppose a motion for relief from the automatic stay; (m) any right to seek court approval of a priming lien under §364(d) of the Bankruptcy Code ahead of the non-debtor secured creditor; (n) any right to seek to surcharge under §506(c) of the Bankruptcy Code the secured creditor's collateral; (o) any right to reject the subject lease or executory contract under §365 of the Bankruptcy Code; (p) with respect to nonresidential real property leases under which the debtor is the lessee, any right to seek to extend the time to assume or reject under §365(d)(4) of the Bankruptcy Code; (q) any right to seek to equitably subordinate under §510(c) of the Bankruptcy Code a claim; (r) any right to seek to extend the exclusivity period under §1121 of the Bankruptcy Code for filing and obtaining approval of a plan of reorganization; (s) any right to bring and pursue a preference or fraudulent transfer action against the creditor; (t) any right to use cash collateral without the secured creditor's consent; (u) any right to challenge the validity, priority, extent, and/or perfection of the creditor's claim and/or lien; (v) any right to impair the creditor's claim under a plan of reorganization; and (w) any right to file a plan of reorganization not acceptable to the non-debtor party to the contract. The Debtor agrees that any notice or directive given at any time to the Secured Party or any Person in the Lender Group which is inconsistent with any waiver contained in this Security Agreement shall be null and void and may be ignored by the Secured Party and all Persons in the Lender Group, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Security Agreement or any of the Loan Documents for the reason that such pleading or introduction would be at variance with the written terms of this Security Agreement, unless the Secured Party has specifically agreed otherwise in writing. It is agreed between the Debtor and the Secured Party, as agent for the benefit of the Lender Group, that the foregoing waivers are of the essence of the transactions contemplated by the Promissory Notes, this Security Agreement, and the Loan Documents, and that, but for this Security Agreement and such waivers, the Secured Party, as agent for the benefit of the Lender Group, and the Lender Group itself, would decline to propose the Reorganization Plan for confirmation, accept the Promissory Notes, or to execute, deliver, and perform the Loan Agreement or any of the other Loan Documents.

17. Specific Performance.

The Debtor recognizes that the rights of the Secured Party hereunder, as agent for the benefit of the Lender Group, are unique and, accordingly, the Secured Party shall, in addition to such other remedies as may be available to the Secured Party under contract, at law, or in equity, have the right to enforce the Secured Party's rights hereunder, as agent for the benefit of the Lender Group, by actions for injunctive relief and specific performance to the fullest extent permitted by law, without the necessity of posting a bond or other security and without any requirement to prove irreparable harm, which requirements the Debtor hereby waives to the

fullest extent permitted by law. This Security Agreement is not intended to limit or abridge any rights of the Secured Party or any Person in the Lender Group which may exist apart from this Security Agreement.

18. Revival and Reinstatement.

This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against the Debtor or any Obligor in bankruptcy or for liquidation, should the Debtor or any Obligor become insolvent or make an assignment for the benefit of creditors, or should a receiver or trustee be appointed for all or any portion of the Debtor's assets or properties, and shall terminate only upon the indefeasible payment in full in cash and complete performance of the Secured Obligations; *provided* that, if at any time all or any part of any payment previously made by the Debtor or any Obligor, or applied by the Secured Party or any Person in the Lender Group, in respect of any of the Secured Obligations shall be recovered or rescinded by or on behalf of the Debtor or any Obligor, or is reduced in amount or must be otherwise restored or returned, whether as a "voidable preference" or "fraudulent transfer," or upon the insolvency, bankruptcy or reorganization of the Debtor or any Obligor, the operation of the Hawaii Revised Statutes, the Hawaii Nonprofit Corporations Act, the Code as in effect in the State of Hawaii or in any applicable controlling jurisdiction, by court order, administrative order, settlement, or otherwise, the Debtor's obligations under this Security Agreement and the pledge of and Security Interest in the Collateral hereunder shall continue to be effective or shall be reinstated, as the case may be, and shall continue as if such payment had never been made by the Debtor or any Obligor, or applied by the Secured Party or any Person in the Lender Group, and the Debtor shall remain liable for the full amount and complete performance of the Secured Obligations as though such payment had not been made or applied, notwithstanding any termination of this Security Agreement or any of the Loan Documents or the cancellation of any Secured Obligation. In the event that any payment, or any part thereof, is recovered, rescinded, reduced, restored, or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so recovered, rescinded, reduced, restored, or returned.

19. Termination.

This Security Agreement shall terminate on the Termination Date, subject to the provisions of *Section 18*. Upon the indefeasible payment in full in cash and complete performance of all of the Secured Obligations, the Secured Party on behalf of each Person in the Lender Group shall deliver to the Debtor such termination statements and other documents as are necessary or appropriate to evidence the termination of the Security Interest in favor of the Secured Party for the benefit of the Lender Group securing payment of the Secured Obligations. Such termination statements and other documents shall be prepared by the Debtor and shall be in form and substance reasonably satisfactory to the Secured Party.

20. Severability.

Any provision of this Security Agreement which is invalid, illegal, prohibited or unenforceable in any jurisdiction shall be so only as to such jurisdiction and only to the extent of

such invalidity, illegality, prohibition or unenforceability, but all the remaining provisions of this Security Agreement shall remain valid and enforceable to the fullest extent permitted by law. The parties further agree that this Security Agreement shall be reformed so as to replace such invalid, illegal, prohibited or unenforceable provisions with provisions which will achieve, to the extent possible, the economic, business and other purposes of the invalid, illegal, prohibited or unenforceable provisions. All rights, remedies, powers, and privileges provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they do not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

21. Entire Agreement.

This Security Agreement, the Loan Documents, and the Reorganization Plan are intended by the parties as the final expressions of the Debtor's obligations to the Secured Party, as agent for the benefit of the Lender Group, in connection with the Collateral and otherwise, and supersede all prior and contemporaneous understandings, agreements, or negotiations, written or oral, concerning the subject matter hereof. There are no conditions to the effectiveness of this Security Agreement other than the occurrence of the "Effective Date" as defined in the Reorganization Plan.

22. Nature of the Debtor's Obligations.

All of the Debtor's representations, warranties, covenants, agreements and obligations arising under, made in connection with, or relating to this Security Agreement shall survive the execution, delivery, and performance of the Debtor's obligations hereunder until the indefeasible payment in cash in full and complete performance, discharge, and satisfaction of all of the Secured Obligations.

23. Counterparts.

This Security Agreement may be signed in any number of counterparts, each of which when executed and delivered shall constitute and be deemed an original and all of which together shall constitute one and the same agreement, with the same effect as if the signatures thereto and hereto were upon the same instrument, notwithstanding that all of the parties are not signatories to the same original or counterpart, or that signature pages from different counterparts are combined. The signature of any party to any counterpart shall be deemed to be a signature to and may be appended to any other counterpart. Electronically transmitted or facsimile copies of original signature pages shall be deemed to be, and shall be legally effective as, originally signed signature pages for all purposes of this Security Agreement.

24. Construction; Headings; Pronouns and Plurals.

The Debtor acknowledges that it has read and understood this Security Agreement and has sought and received the legal advice of counsel of its choice, and that this Security Agreement represents the combined efforts and arm's length negotiations between the Debtor and the Secured Party. Accordingly, all rules of construction that would otherwise require that any ambiguities be resolved against the drafting party are not applicable and shall not be employed in the interpretation of this Security Agreement. Whenever the term "**including**" is used in this Security Agreement (whether or not that term is followed by the phrase "**but not limited to**" or "**without limitation**" or words of similar effect) in connection with a listing of one or more items or matters, the word "**including**" shall be deemed to be followed by the words "**without limitation,**" and that listing will be interpreted to be illustrative only and will not be interpreted as a limitation on, or an exclusive listing of, such items or matters. Whenever the term "**Person**" is used in this Security Agreement, such term shall mean and include any individual, company, corporation, limited liability company or limited liability partnership, limited partnership, general partnership, association, trust, joint venture, governmental entity, regulatory authority, charitable organization, public or private foundation, society, trade group, research organization, or other entity of any kind or nature whatsoever. Whenever the term "**Prevailing Party**" is used in this Security Agreement, such term shall mean the party who is determined to have prevailed or who prevails by default or otherwise in any Litigation (as such term is defined in the Loan Agreement) proceeding, and shall include a party who dismisses an action in exchange for consideration substantially equal to the relief sought in the Litigation proceeding. The paragraph, section, and other headings contained in this Security Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Security Agreement or any provision hereof. Wherever the context may require, any pronoun used in this Security Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular forms of nouns, pronouns, and verbs include the plural and *vice versa*. This Security Agreement shall comprise a part of and is included as one of the Loan Documents.

25. CONSENT TO JURISDICTION AND VENUE.

THE DEBTOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN HONOLULU, HAWAII SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES PERTAINING TO THIS SECURITY AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE PROMISSORY NOTES, OR ANY OF THE OTHER LOAN DOCUMENTS; *PROVIDED*, THAT NOTHING IN THIS SECURITY AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE SECURED PARTY FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON ANY COLLATERAL GRANTED AS SECURITY FOR THE OBLIGATIONS CREATED HEREBY, OR ANY OTHER SECURITY FOR THE SECURED OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE SECURED PARTY, AS AGENT FOR THE BENEFIT OF THE LENDER GROUP. THE DEBTOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY

SUCH COURT, AND THE DEBTOR HEREBY WAIVES ANY OBJECTION WHICH THE DEBTOR MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR INCONVENIENT FORUM (*FORUM NON CONVENIENS*) AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. THE DEBTOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE DEBTOR AT THE ADDRESS SET FORTH HEREIN AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF THE DEBTOR'S ACTUAL RECEIPT THEREOF OR TWO (2) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

26. WAIVER OF JURY TRIAL.

BECAUSE DISPUTES ARISING IN CONNECTION WITH FINANCIAL TRANSACTIONS OF THE TYPE SET FORTH HEREIN ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE PARTIES ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS SECURITY AGREEMENT, THE PROMISSORY NOTES, OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS THERETO.

27. Successors and Assigns.

This Security Agreement and all obligations of the Debtor hereunder shall be binding upon the successors and assigns of the Debtor (including any debtor-in-possession on behalf of the Debtor) and shall, together with the rights and remedies of the Secured Party hereunder, for the benefit the Lender Group, inure to the benefit of each Person in the Lender Group, all future holders of any instrument evidencing any of the Secured Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing any of the Secured Obligations or any portion thereof or interest therein shall in any manner impair the Security Interest granted to the Secured Party, for the benefit of the Lender Group, hereunder. The Debtor may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Security Agreement.

28. Terminations and Amendments Not Authorized.

The Debtor acknowledges that it is not authorized to file any financing statement or amendment or termination statement without the prior written consent of the Secured Party, and the Debtor hereby covenants and agrees that it will not do so without the prior written consent of the Secured Party, subject to the Debtor's rights under Section 490:9-509(d)(2) of the Code as enacted in the State of Hawaii (or Section 9-509(d)(2) of the Uniform Commercial Code as enacted in any other applicable jurisdiction).

29. Secured Party's Capacity; Successor Secured Party.

All references set forth in this Security Agreement to the Secured Party shall mean and be a reference to the Secured Party acting on its own behalf and acting as agent for the benefit of the Lender Group. The Secured Party may resign at any time in its capacity as agent for the benefit of the Lender Group, and the Lender Group, acting by a majority in interest of its members, may remove the Secured Party at any time at its discretion for any reason whatsoever or for no reason at all. In the event of the resignation or removal of the Secured Party as agent for the benefit of the Lender Group, the Lender Group, acting by a majority in interest of its members, shall have the unilateral and unqualified right to appoint a successor or replacement Secured Party to act as the Secured Party for all purposes of this Security Agreement, and the Debtor hereby covenants and agrees (a) to acknowledge and attorn to such successor Secured Party as if originally a party hereto with all of the rights, powers, benefits, privileges, and protections accorded to the Secured Party hereunder and under applicable law, and (b) that the Security Interest of the Secured Party, as agent for the benefit of the Lender Group, shall remain fully enforceable and effective without lapse, and the Debtor shall not assert in any action, proceeding, or otherwise any defenses, claims, setoffs, or other rights as a result of the replacement of the Secured Party or assert any release, waiver, or discharge of all or any portion of the Security Interest or the Secured Obligations.

30. Benefit of Lender Group.

The Security Interest granted or contemplated hereby shall be for the benefit of the Secured Party for the benefit of the Lender Group, and all proceeds or payments realized from Collateral in accordance herewith shall be applied to the Secured Obligations in accordance with the terms of the Loan Agreement.

31. Cross Default.

Any breach, default, or Event of Default under this Security Agreement shall be deemed a breach, default, and event of default under the Promissory Notes and each of the Loan Documents, and any breach, default, or event of default under the Promissory Notes or any of the Loan Documents shall constitute a breach, default, and Event of Default under this Security Agreement.

32. Further Assurances.

The Debtor agrees, upon the request of the Secured Party made from time to time and at any time, to execute and deliver to the Secured Party any additional instruments or documents, and to take such further actions and do such things, as may be considered by the Secured Party to be necessary, appropriate, or helpful to cause this Security Agreement to be, become or remain valid and effective in accordance with its terms.

(The signatures of the parties are contained on the following page.)

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed or caused this Security Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.

DEBTOR:

ST. FRANCIS HOSPITALS HAWAII,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

SECURED PARTY:

ST. FRANCIS HEALTHCARE SYSTEM OF
HAWAII, a Hawaii nonprofit corporation, as agent

By: _____

Name: Sister Agnelle Ching

Title: Chief Executive Officer

SCHEDULE 1 TO SECURITY AGREEMENT

Inventory

1. Chief Executive Office and principal place of business of the Debtor:

2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

2. Corporate Offices of the Debtor: Same

3. Warehouses: None

4. Other Premises at which Collateral is Stored or Located: None

5. Locations of Records Concerning Collateral:

2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817

SCHEDULE 2 TO SECURITY AGREEMENT
Intellectual Property

1. Copyrights: None

2. Patents: None

3. Trademarks: None

227429.1

SCHEDULE 3 TO SECURITY AGREEMENT
Instruments, Letter of Credit Rights, and Chattel Paper

1. Instruments: None

2. Letter of Credit Rights: None

3. Chattel Paper: None

227429.1

SCHEDULE 4 TO SECURITY AGREEMENT

Deposit Accounts

Account Title	Bank	Bank Account #	Type of Acct.	Account Description
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227429.1

SCHEDULE 5 TO SECURITY AGREEMENT

Motor Vehicles

<u>Name of Debtor</u>	<u>Motor Vehicle Make/Model</u>	<u>Model Year</u>	<u>VIN</u>
	NONE		

227429.1

EXHIBIT 5

AFTER RECORDATION, RETURN BY MAIL [] PICK-UP []

Total No. of Pages: _____

TITLE OF DOCUMENT:

**MORTGAGE, SECURITY AGREEMENT
AND FINANCING STATEMENT (LILIHA)**

PARTIES TO DOCUMENT:

MORTGAGEE: **ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII**, a Hawaii nonprofit corporation, as Agent for **ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII**, a Hawaii nonprofit corporation, **ST. FRANCIS MEDICAL CENTER**, a Hawaii nonprofit corporation, and **ST. FRANCIS MEDICAL CENTER - WEST**, a Hawaii nonprofit corporation

MORTGAGOR: **ST. FRANCIS HOSPITAL - LILIHA**, a Hawaii nonprofit corporation

PROPERTY DESCRIPTION: : LIBER/PAGE/DOCUMENT NO.: _____
LOT 1, MAP 1 :
CONSOLIDATION NO. 187 : LAND COURT DOCUMENT NO.: _____
LOT A-2, R.P. 2107, L.C. AW. 7767, AP. 2 :
TO NAWAHALAAU : TRANSFER CERTIFICATE OF
CITY AND COUNTY OF HONOLULU : TITLE NO(S): 167,251, 173,021 & 447,441
STATE OF HAWAII :

TAX MAP KEY: (1) 1-8-018-003 and (1) 1-8-022-006 & 007

**MORTGAGE, SECURITY AGREEMENT
AND FINANCING STATEMENT (LILIHA)**

ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII, a Hawaii nonprofit corporation, as Agent for ST. FRANCIS HEALTHCARE SYSTEM OF HAWAII, a Hawaii nonprofit corporation, ST. FRANCIS MEDICAL CENTER, a Hawaii nonprofit corporation, and ST. FRANCIS MEDICAL CENTER - WEST, a Hawaii nonprofit corporation (hereinafter collectively called the “Lenders”), whose post office address is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817, is hereinafter called the “Mortgagee”. St. Francis Healthcare System of Hawaii is the agent for the Lenders as provided in that certain Loan Agreement dated as of _____, 2010 (hereinafter called the “Loan Agreement”), between the Lenders, as the “Lenders” therein, and ST. FRANCIS HOSPITALS HAWAII, a Hawaii nonprofit corporation, ST. FRANCIS HOSPITAL-LILIHA, a Hawaii nonprofit corporation, and ST. FRANCIS HOSPITAL-EWA, a Hawaii nonprofit corporation, as the “Borrowers” therein (hereinafter called the “Borrowers”).

ST. FRANCIS HOSPITAL - LILIHA, a Hawaii nonprofit corporation, whose post office address is 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817, is hereinafter called the “Mortgagor”.

The Mortgagor HEREBY MORTGAGES to the Mortgagee, assigns to the Mortgagee as security, and hereby GRANTS TO THE MORTGAGEE A SECURITY INTEREST in, all of the properties described in subparagraphs (a) through (k) immediately following hereafter, subject, however, to the encumbrances described in Exhibit A attached hereto and by reference made a part hereof (which properties are hereinafter collectively called the “Mortgaged Properties”):

(a) Land. All of the Mortgagor’s right, title and interest in and to the lands described in said Exhibit A (hereinafter collectively called the “Land”), together with all of the Mortgagor’s right, title and interest in and to (i) all strips and gores adjoining the Land and (ii) all easements, privileges, rights, appendages, reversions, remainders and appurtenances now or hereafter belonging to, inuring to the benefit of, or in any manner appertaining to, the Land;

(b) Improvements. All of the Mortgagor’s right, title and interest in and to all buildings, structures, fixtures, systems and other improvements now or hereafter located or constructed on the Land, and all easements, licenses, permits, privileges, and other rights appurtenant thereto (hereinafter called the “Improvements”);

(c) Rents. All of the Mortgagor’s present and future income derived or to be derived from the leasing and subleasing of all or any part of the Land or from the leasing and subleasing of any space within the Improvements, together with all of the Mortgagor’s other rights, title and interests in, to and under any and all leases and subleases, now or hereinafter in existence, demising all or any part of the Land or Improvements;

(d) Building Materials. All of the Mortgagor’s right, title and interest in all building materials, equipment, fixtures and supplies, wherever situated, that are or may hereafter be acquired for the purpose of constructing, repairing or altering any or all of the Improvements;

(e) Insurance. All of the Mortgagor's right, title and interest in and to any and all binders or policies of insurance of any kind covering all or any portion of the Mortgaged Properties; and any and all riders, amendments, extensions, renewals, supplements or revisions thereof; together with all rights and remedies thereunder and all rights to proceeds therefrom;

(f) Awards. All awards, damages, payments or other compensation, including interest thereon, and the right to receive the same, which may be made payable to the Mortgagor with respect to the Mortgaged Properties, or any portion thereof, by any public or quasi-public authority or corporation as a result of (i) the exercise of the right or power of eminent domain, (ii) the alteration of the grade or the vacation of any street, or (iii) any other injury to, or decrease in the value of the Mortgaged Properties, to the extent of all amounts which may be secured by this Mortgage at the date of receipt of any such award or payment by the Mortgagee, and of the reasonable fees of legal counsel, costs and disbursements incurred by the Mortgagee in connection with the collection of any such award, damage, payment or other compensation, the Mortgagor agreeing to execute and deliver, from time to time, such further instruments as may be required by the Mortgagee to confirm such assignment to the Mortgagee of any such award, damage, payment or other compensation;

(g) Contracts. All of the Mortgagor's right, title and interest in, to and under any and all leases, sales contracts, agreements of sale, partial assignments, contracts of conveyance, escrow agreements, rental agreements, management contracts, service contracts or agreements, other contracts or agreements, rights to performance, copyrights, trademarks, or other general intangibles (as defined in Section 490:9-106, Hawaii Revised Statutes, as amended), now or hereafter entered into or owned by the Mortgagor, covering any part of the Mortgaged Properties; and any and all rents, royalties, profits, revenues, incomes and other benefits arising from the use or enjoyment of all or any portion of the Mortgaged Properties or from any contract pertaining to such use or enjoyment, together with all rights, options and remedies thereunder, and the benefit of all covenants therein, including, without limitation thereto, the right to receive all moneys, rents or payments of every other kind due or to become due to the Mortgagor thereunder;

(h) Personal Property. All of the Mortgagor's right, title and interest in and to all furniture, inventory, motor vehicles, furnishings, fixtures, equipment and articles of personal property and intangibles of every nature, and accessions thereto, and renewals and replacements thereof and substitutions therefor, now or at any time hereafter attached to or located on or within the Land or the Improvements, or any part thereof, or used or to be used in any way in connection with the business operated on the Land or the Improvements, whether now owned or leased or hereafter acquired by the Mortgagor;

(i) Trade Names and Goodwill. All of the Mortgagor's right, title and interest, if any, in and to all names under or by which the Land, the Improvements or the business operated thereon or therein may at any time be operated or known, the goodwill of the Mortgagor in connection therewith and the right of the Mortgagor, if any, to carry on business under any or all such names or name and any variant or variants thereof, including any and all trade names, trademarks, prints, labels and advertising concepts, insofar as the same may be transferable by the Mortgagor without breach of any agreement pursuant to which the Mortgagor may have obtained its right to use such names or name;

(j) Further Title. Any and all other, further or additional title, estate, interest or right which may at any time be acquired by the Mortgagor in or to the Mortgaged Properties described above; and

(k) Proceeds and Products. All proceeds and products of the Mortgaged Properties.

This instrument has been executed and delivered for the purpose of securing (i) the obligation of the Mortgagor to pay when due all of the indebtedness evidenced by Promissory Note (Term Note A) dated _____, 2010, in the principal amount of \$20,000,000.00, made by the Borrowers, as the "Borrowers" therein, in favor of the Lenders, as the "Lenders" therein (hereinafter called the "Term Note A"), in accordance with the terms thereof, (ii) the observance and performance of all terms, covenants, conditions and agreements on the part of the Mortgagor to be observed and performed under (a) this Mortgage, (b) all other instruments or agreements further evidencing or securing the payment of the indebtedness described in the Term Note A, (c) the Loan Agreement, (d) the Loan Documents (as defined in the Loan Agreement), and (e) all amendments of the Term Note A and any document described in (a), (b), (c) and/or (d) hereof, and (iii) any and all other obligations that now or hereafter may be or become owing by the Borrowers, or any Borrower, to the Lenders, or any Lender (the Term Note A, this Mortgage, said other instruments or agreements, the Loan Agreement, the Loan Documents and all amendments to any of them, being hereinafter collectively called the "Documents"). All of the foregoing, including, without limitation, all indebtedness evidenced by the Term Note A and the Documents, are hereinafter collectively called the "Secured Obligations".

If the Mortgagor pays to the Mortgagee the principal amount of the Term Note A, with interest, fees, charges and premium, if any, according to their provisions and effect, and if the Mortgagor shall discharge any and all monetary obligations that now or hereafter may be or become owing, directly or contingently, by the Mortgagor to the Mortgagee, whether or not the same have matured, of which obligations the books of the Mortgagee shall be prima facie evidence, and if the Mortgagor shall observe and perform all of the covenants, conditions and agreements to be observed and performed by the Mortgagor in this Mortgage and the other Documents, and if the Mortgagor shall pay the costs of release, then this instrument shall be void, and the Mortgagee, upon the Mortgagor's written request therefor, will execute and deliver to the Mortgagor a release of this instrument, in recordable form, provided such release is reasonably satisfactory in form to the Mortgagee and that all reasonable expenses of preparing and recording (or filing) such release are borne by the Mortgagor.

As used in this Mortgage, the term "Event of Default" shall mean and include the occurrence of any one or more of the following events:

(a) Failure to Pay the Term Note A. Default shall be made in the payment of any amount payable under the Term Note A at the time and in the manner the same becomes due and payable thereunder, and any grace or cure period provided in the Term Note A has expired; or

(b) Breach of Covenant. Any default or breach shall be made in the due observance or performance of any other covenant, term, obligation, condition or agreement contained in any of the Documents, required to be observed or performed by the Mortgagor, and the cure period provided in the applicable Document, if any, has expired; or

(c) Breach of Warranty. If any representation or warranty contained in any Document shall be untrue in any material respect, and the cure period provided in the applicable Document, if any, has expired; or

(d) Attachment. If the Mortgaged Properties, or any part thereof, shall be seized, attached, executed, confiscated, levied upon under any legal process or under claim of legal right, or subject to forfeiture proceedings under state or federal laws, or if the Mortgaged Properties or any part thereof are destroyed, lost or substantially damaged, and such seizure, attachment, execution, confiscation, levy, destruction, loss or damage materially diminishes the value of the Mortgaged Properties; or

(e) Involuntary Bankruptcy. If a decree or order for relief is entered by a court having jurisdiction over the Mortgagor, any pledgor, and/or any other obligor of all or a portion of the Secured Obligations (hereinafter collectively called the “Obligors”) in an involuntary case under the federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar law, or a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) is appointed for any Obligor, or for any substantial part of the property of any Obligor, or if the winding-up or liquidation of the affairs of any Obligor is ordered and any such decree or order continues unstayed and in effect for a period of sixty (60) consecutive days; or

(f) Voluntary Bankruptcy. If any Obligor commences a voluntary case under the federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar law, or if any Obligor consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of all or any substantial part of such Obligor’s property, or if any Obligor shall generally not pay its debts as such debts fall due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of its creditors; or

(g) Default Under CSC Condominium Conveyance Documents. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the “Unit Owner” under any of those certain Condominium Conveyance Documents dated December 6, 2001, December 17, 2002, December 28, 1998, December 17, 2002, December 28, 1998, December 17, 2002 and December 28, 1998, filed in said Office as Land Court Document Nos. 2760740, 2875412, 2510563, 2875413, 2510564, 2875414 and 2510565, respectively, as amended (hereinafter collectively called the “Condominium Conveyance Documents”), which Condominium Conveyance Documents were transferred to Hawaii Medical Center LLC (hereinafter called “HMC”), by Limited Warranty Condominium Apartment Conveyance and Ground Lease Assignments dated January 13, 2007, filed in said Office as Land Court Document Nos. 3542261, 3542262, 3542263, 3542264, 3542265, 3542266 and 3542267, and then transferred to St. Francis Hospital-Ewa, pursuant to that certain Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC Proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, filed in the United States Bankruptcy Court for the District of Hawaii (hereinafter called the “Bankruptcy Court”) in the case of *CHA Hawaii, LLC et al.*, Case No. 08-01369 (as it may be modified, amended, or supplemented from time to time, hereinafter called the “Reorganization Plan”), as confirmed by the Bankruptcy Court pursuant to the _____ entered on _____.

2010, and any grace or cure period provided in the applicable Condominium Conveyance Document has expired; or

(h) Default Under Weinberg Space Lease. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the lessee under that certain unrecorded Lease dated August 18, 1994, by and between Liliha Partners, L.P., as the “Landlord” therein, and St. Francis Medical Center, as the “Tenant” therein, as amended, a short form of which is dated September 30, 1997, recorded in said Bureau as Document No. 97-132336 (hereinafter called the “Weinberg Space Lease”), which Weinberg Space Lease was transferred to HMC, by Limited Warranty Assignment of Lease (5th Floor Weinberg) dated January 13, 2007, recorded in said Bureau as Document No. 2007-009100, and then transferred to St. Francis Hospital-Liliha pursuant to the Reorganization Plan, and any grace or cure period provided in the Weinberg Space Lease has expired; or

(i) Default Under Weinberg Sublease. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the sublessee under that certain Sublease Agreement dated January 13, 2007, by and between St. Francis Medical Center, as the “Sublessor” therein, and Hawaii Medical Center LLC, as the “Sublessee” therein, a short form of which is dated January 13, 2007, recorded in said Bureau as Document No. 2007-009101 (hereinafter called the “Weinberg Sublease”), which Weinberg Sublease was transferred to St. Francis Hospital-Liliha pursuant to the Reorganization Plan, and any grace or cure period provided in the Weinberg Sublease has expired; or

(j) Default Under Leeward Mortgages. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the mortgagor under any of those certain Mortgages, Security Agreements and Financing Statements (Leeward) dated _____, 2010, made by St. Francis Hospital-Ewa, as the “Mortgagor” therein, in favor of the Mortgagee, as the “Mortgagee” therein, filed in said Office as Land Court Document Nos. _____ and _____, respectively (hereinafter collectively called the “Leeward Mortgages”), and any grace or cure period provided in the applicable Leeward Mortgage has expired; or

(k) Default Under CSC Mortgages. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the mortgagor under any of those certain Mortgages, Security Agreements and Financing Statements (CSC) dated _____, 2010, made by St. Francis Hospital-Ewa, as the “Mortgagor” therein, in favor of the Mortgagee, as the “Mortgagee” therein, filed in said Office as Land Court Document Nos. _____ and _____, respectively (hereinafter collectively called the “CSC Mortgages”), and any grace or cure period provided in the applicable CSC Mortgage has expired; or

(l) Default Under Weinberg Space Lease Mortgages. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the mortgagor under any of those certain Mortgages, Security Agreements and Financing Statements (Weinberg Space Lease) dated _____, 2010, made by the Mortgagor, as the “Mortgagor” therein, in favor of the Mortgagee, as the “Mortgagee” therein, recorded in said Bureau as Document Nos. 2010-_____ and 2010-_____, respectively (hereinafter collectively called the “Weinberg Space Lease

Mortgages”), and any grace or cure period provided in the applicable Weinberg Space Lease Mortgage has expired; or

(m) Default Under Weinberg Sublease Mortgages. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the mortgagor under those certain Mortgages, Security Agreements and Financing Statements (Weinberg Sublease) dated _____, 2010, made by the Mortgagor, as the “Mortgagor” therein, in favor of the Mortgagee, as the “Mortgagee” therein, recorded in said Bureau as Document Nos. 2010-_____ and 2010-_____, respectively (hereinafter collectively called the “Weinberg Sublease Mortgages”), and any grace or cure period provided in the applicable Weinberg Sublease Mortgage has expired; or

(n) Default Under Liliha Second Mortgage. Any default or breach shall be made in the due observance or performance of any of the terms, covenants, agreements, obligations or conditions imposed upon the mortgagor under that certain Mortgage, Security Agreement and Financing Statement (Liliha) dated _____, 2010, made by the Mortgagor, as the “Mortgagor” therein, in favor of the Mortgagee, as the “Mortgagee” therein, recorded in said Bureau as Document No. 2010-_____, and also filed in said Office as Land Court Document No. _____ (hereinafter called the “Liliha Second Mortgage”), and any grace or cure period provided in the Liliha Second Mortgage has expired; or

(o) Default Under the Documents. There shall be any breach, default or event of default (however defined) under any of the Documents, and any grace or cure period provided in the applicable Document has expired.

Subject to the terms of this Mortgage and until the happening of an Event of Default, the Mortgagor shall be permitted to use and possess the Mortgaged Properties and to receive the rents, issues, profits, revenues, and other income derived from the leasing and subleasing of all or any portion thereof. However, if any Event of Default shall occur and be continuing, then, or at any time thereafter, in any such event:

(A) Acceleration. The Mortgagee may, by notice in writing given to the Mortgagor, without presentment or demand, declare the Secured Obligations to be immediately due and payable, and the Secured Obligations shall thereupon become and be immediately due and payable, and shall thereafter bear interest at the rate applicable under the Term Note A following the maturity of the Term Note A (the “Default Rate”).

(B) Expenses. Whether or not the Mortgagee shall have declared the Secured Obligations to be immediately due and payable and whether or not the Mortgagee shall have commenced foreclosure or other legal proceedings for the enforcement of its remedies under the Documents, the Mortgagor will pay to the Mortgagee, on demand, all costs and expenses (including reasonable fees of legal counsel) incurred by the Mortgagee during the existence of any such Event of Default in connection with the administration of the Secured Obligations, the enforcement of the provisions contained in the Documents, the investigation and policing of the Event of Default in question and the negotiation, documentation and administration of any loan “work out” proposal (whether or not effectuated), all of which costs and expenses, together with interest thereon at the Default Rate, shall be added to and secured by the lien and security interest created by this Mortgage, and said lien and security interest securing the payment of said costs and expenses shall be prior to any lien or security

interest in the Mortgaged Properties which is subordinate to the lien and security interest originally created by this Mortgage;

(C) Possession. The Mortgagor, on demand of the Mortgagee, shall forthwith surrender to the Mortgagee, or to the receiver hereafter referred to, the actual possession of the Mortgaged Properties and, to the extent permitted by law, the Mortgagee itself or by such officers or agents as it may appoint, or said receiver, (i) may enter and take possession of the Mortgaged Properties together with the books, papers and accounts of the Mortgagor relating thereto, (ii) may exclude the Mortgagor, its employees, agents and servants therefrom, (iii) may hold, preserve, operate and manage the same and exercise all of the rights of the Mortgagor, either in the name of the Mortgagor or otherwise, including but without limiting the generality of the foregoing, the right to enter into management agreements, to lease or cancel, modify, review or extend any lease of the Mortgaged Properties, or any part thereof, and from time to time make all needed repairs and such alterations, additions, advances and improvements as the Mortgagee, or said receiver, may deem wise, (iv) may receive tolls, rents, revenues, issues, income, products, proceeds and profits thereof and out of the same may pay all proper costs and expenses of so taking, preserving, holding and managing the same, including compensation to the Mortgagee's agents, attorneys and counsel, compensation to said receiver, and any taxes and assessments and other charges prior to the lien of this Mortgage which the Mortgagee or said receiver shall deem it wise to pay and all expenses of such repairs, alterations, additions and improvements, and other disbursements made by the Mortgagee or said receiver pursuant to the terms hereof, and may apply the remainder of the moneys so received by the Mortgagee or said receiver to the payment of the indebtedness secured hereby, and whenever all such indebtedness shall have been satisfied and all defaults made good, the Mortgagee shall surrender, or cause to be surrendered, possession of the Mortgaged Properties to the Mortgagor, its successors or assigns, with the same right of entry in case of a subsequent Event of Default;

(D) Sale as Real Property. To the extent permitted by law, the Mortgagee may elect to treat any or all of the Mortgaged Properties as real property and cause the same to be sold, separately, or in any combination as the Mortgagee, in its sole discretion, shall determine, under the power of sale hereafter mentioned in subparagraph (E) or pursuant to the judicial proceedings hereinafter mentioned in subparagraph (F);

(E) Power of Sale. The Mortgagee may, to the extent permitted by law, either with or without first taking possession, sell the Mortgaged Properties for cash, in whole or, to the extent permitted by law, separately or in any combination as the Mortgagee in its sole discretion shall determine, at public auction in the State of Hawaii, at such place as may be required by law, after giving notice of such sale and satisfying all applicable requirements provided in Chapter 667, Hawaii Revised Statutes, as amended, and may adjourn such sale from time to time by announcement at the time and place appointed for such sale or adjourned sale, and upon such sale the Mortgagee may make and deliver to any purchaser a good and sufficient deed, assignment, or bill of sale, and a good and sufficient receipt for the purchase money, and do and perform all other acts as may be necessary fully to carry into effect this power of sale in compliance with said Chapter 667;

(F) Judicial Action. The Mortgagee may, either with or without first taking possession, bring suit to enforce payment of the Secured Obligations and to foreclose this Mortgage and to sell the Mortgaged Properties, separately, collectively or in any combination as the Mortgagee, in its sole

(G) Receiver. On the date of or at any time after the commencement of proceedings to enforce the rights of the Mortgagee, the Mortgagee shall be entitled as a matter of right, by ex parte order or otherwise, to the appointment without bond of a receiver or receivers of the Mortgaged Properties, and of the tolls, rents, revenues, issues, income, products, proceeds and profits thereof, pending such proceedings, without regard to the value of the Mortgaged Properties or the solvency of any person or legal entity liable for the payment of the indebtedness hereby secured and regardless of whether the Mortgagee has an adequate remedy at law, and the Mortgagor hereby waives any and all defenses which the Mortgagor may now have or may hereafter acquire to the Mortgagee's application for the appointment of a receiver and hereby specifically consents to such appointment;

(H) Sale of Personal Property. To the extent permitted by law, the Mortgagee may elect to treat any part of the Mortgaged Properties which consists of a right in action or of property that can be severed from the Land or from the Improvements without causing structural damage thereto as personal property and may exercise as to such property all of the rights, remedies and privileges with respect to repossession, retention, sale and disposition of proceeds as are accorded to a secured party by the applicable provisions of Chapter 490, Article 9, of the Hawaii Revised Statutes, as amended.

(I) UCC Remedies. With respect to any exercise of the Mortgagee's rights, remedies and privileges hereunder, (i) the Mortgagee's reasonable attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising and selling the Mortgaged Properties shall be chargeable to the Mortgagor, (ii) the Mortgagee may at its discretion, and in addition to its other remedies hereunder, (a) enter on the Land and/or within the Improvements peaceably by the Mortgagee's own means or with legal process and take possession of all property in which it has a security interest, or render it unusable, or dispose of it, and the Mortgagor agrees not to resist or interfere therewith, and (b) require the Mortgagor to assemble such property and make it available to the Mortgagee at a place to be designated by the Mortgagee, reasonably convenient to both parties, and (iii) unless such property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Mortgagee will give the Mortgagor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice will be met if such notice is sent by registered or certified mail, postage prepaid, to the address of the Mortgagor stated herein, at least ten (10) days before the time of sale or disposition. The Mortgagor shall remain liable for any deficiency resulting from a sale of the Mortgaged Properties and shall pay any such deficiency forthwith upon demand and the Mortgagee's right to recover such deficiency shall not be impaired by the sale or other disposition of such property without the required notice;

(J) Choice of Remedies. The Mortgagee shall have the right to enforce one or more remedies hereunder, or any other remedy the Mortgagee may have, successively or concurrently, including the right to foreclose the lien of this Mortgage or to enforce the security interests herein mentioned with respect to any portion of the Mortgaged Properties, without thereby impairing the

lien or security interest created by this instrument on the remainder of the Mortgaged Properties or affecting the other remedies of the Mortgagee available with respect thereto;

(K) Purchase by Mortgagee. To the extent permitted by law, upon any sale under judgment or decree in any judicial proceedings for foreclosure or otherwise or for the enforcement of this Mortgage, the Mortgagee may bid for and purchase the Mortgaged Properties or any part thereof and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such properties in its absolute right without further accountability, and any purchaser, including the Mortgagee, at any such sale may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash for the costs and expenses of the sale, compensation and other charges, in paying purchase money, turn in the Term Note A, in lieu of cash, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, in order that there may be credited against the purchase price indebtedness owed by the Mortgagor to the Mortgagee;

(L) Application of Sale Proceeds. The Mortgagee may apply the proceeds of any such sale in the following priority: (i) first, to the fees and expenses owed to the Mortgagee, including any such fees and expenses incurred in connection with the enforcement of and exercise of remedies under the Documents, any costs and expenses of such sale and all proceedings in connection therewith, including reasonable fees of legal counsel; (ii) next to the payment of any disbursements made by the Mortgagee for taxes or assessments or other charges prior to the lien or security interest created by this instrument which the Mortgagee shall deem it wise to pay; (iii) next to the payment of any unpaid and overdue interest under any of the Documents in such order as determined by the Mortgagee in its sole discretion; (iv) next to the repayment of any and all other disbursements made by the Mortgagee according to the terms hereof; (v) next to the payment, in such order as the Mortgagee may designate in its sole discretion, of the remainder of the indebtedness secured by this Mortgage; and (vi) the remainder, if any, shall be paid over to the Mortgagor, or to others thereunto entitled. If such proceeds shall be insufficient to discharge in full the Secured Obligations, the Mortgagee may have any other legal recourse against the Mortgagor for the deficiency. Any such sale shall, to the extent permitted by law, be a perpetual bar both at law and in equity against the Mortgagor and all persons and entities lawfully claiming or to claim by or through or under the Mortgagor; and the Mortgagee is hereby irrevocably appointed the true and lawful attorney of the Mortgagor, which power of attorney is coupled with an interest, in the Mortgagor's name and stead, for the purpose of effecting any such sale, including without limitation, any sale of the Mortgaged Properties pursuant to the power of sale provisions of said Chapter 667, to execute and deliver all necessary deeds, conveyances and other instruments with power to substitute one or more persons or corporations with like power; provided, that the Mortgagor shall ratify and confirm any such sale or transfer, if requested by the Mortgagee, by delivering all proper conveyances or other instruments to such persons or corporations as may be designated in any such request;

(M) Waivers. Neither the Mortgagor nor anyone claiming through or under it, to the extent the Mortgagee may lawfully so agree, shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in the State of Hawaii in order to prevent or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of such property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat; and the Mortgagor, for itself and all who may claim under it, hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws and any and all right to have the Mortgaged Properties marshalled upon any foreclosure of the lien hereof and

agrees that the Mortgagee or any receiver or commissioner appointed by any court having jurisdiction to foreclose such lien or enforce such security interest may sell the Mortgaged Properties as an entirety or separately or in any combination, as the Mortgagee or such receiver or commissioner in their respective sole discretion shall determine;

(N) Discontinuances. If the Mortgagee shall have proceeded to enforce any right hereunder and such proceedings shall have been discontinued or abandoned for any reason, then in every such case the Mortgagor and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Properties, and all rights, remedies and powers of the Mortgagee shall continue as if no such proceedings had been taken. No remedy herein reserved or otherwise available to the Mortgagee is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or under any other instrument now or hereafter existing at law or in equity or by statute; and

(O) Enforcement of the Term Note A. Nothing in this instrument or any other instrument contained shall affect or impair the right, which is unconditional and absolute, of any holder of the Term Note A to enforce payment of the principal of, and interest on, the Term Note A at or after the date therein expressed as the date when the same shall become due, or the obligation of the Mortgagor which is likewise unconditional and absolute, to pay such amounts at the respective times and places therein expressed.

THE MORTGAGOR HEREBY REPRESENTS, WARRANTS AND COVENANTS TO, AND AGREES WITH, THE MORTGAGEE AS FOLLOWS:

1. Payments Under The Term Note A. To pay the Mortgagee, (i) all installments of principal and interest payable under the Term Note A in accordance with the terms of the Term Note A, and (ii) all other sums that may hereafter be or become owing by the Mortgagor to the Mortgagee hereunder or under the Documents, in lawful money of the United States of America.

2. Title. The Mortgagor is the lawful and absolute owner of the Mortgaged Properties, subject only to the encumbrances described in said Exhibit A (hereinafter called the "Permitted Encumbrances"); the same are free and clear of any lien prior to or on a parity with the lien of this Mortgage except for the Permitted Encumbrances; the Mortgagor has good right and lawful authority to mortgage and grant a security interest in the same as provided in and by this Mortgage; the Mortgagor will warrant and defend the title to the same against claims of all persons whomsoever, except for the Permitted Encumbrances; and the Mortgagor will maintain and preserve the lien and security interest of this Mortgage so long as any indebtedness hereby secured is outstanding, subject only to the Permitted Encumbrances.

3. Right of Mortgagee to Prevent or Remedy Default. The Mortgagor will at all times fully observe and perform all covenants, conditions, restrictions and agreements contained in any and all declarations of protective covenants, conditions and restrictions affecting the Land (hereafter called the "Declaration of Protective Covenants"), and upon the Mortgagor's failure so to do the Mortgagee, at its option, may (but shall not be so obligated) take any action deemed by the Mortgagee to be necessary or desirable to prevent or cure any default by the Mortgagor in the observance or performance of any such covenant, condition, restriction or agreement, including without limitation, enter in and upon the Mortgaged Properties or any part thereof to such extent and as often as the Mortgagee, in its sole discretion, deems necessary or desirable in order to prevent or

to remedy any such default by the Mortgagor or otherwise to protect the security of this Mortgage, and the Mortgagee may pay and advance for the account of the Mortgagor such sums of money as the Mortgagee, in its sole discretion, deems necessary for any such purpose. The Mortgagor will promptly notify the Mortgagee in writing of any default by the Mortgagor in the observance or performance of any covenant, condition or agreement contained in any Declaration of Protective Covenants on its part to be observed and performed, and of the occurrence of any event which with the lapse of time or the giving of notice, or both, would constitute such a default. Upon receipt of any written notice of the Mortgagor's default under a Declaration of Protective Covenants from any person or legal entity authorized to enforce performance thereof, the Mortgagee may rely thereon and take any reasonable action deemed necessary to cure such default, even though the existence of the default or the nature thereof be questioned or denied by the Mortgagor or by any party on behalf of the Mortgagor. The Mortgagee, in its reasonable discretion, may expend such sums of money as it deems necessary for such purpose and the Mortgagor hereby agrees to pay to the Mortgagee, immediately and without demand, all such sums so expended with interest thereon from the date of such payment at the Default Rate. All sums so expended by the Mortgagee and the interest thereon shall be added to and be secured by the lien and security interest created by this Mortgage. At the sole cost and expense of the Mortgagor, the Mortgagor will enforce, short of termination thereof, the observance and performance of each and every covenant, condition, restriction and agreement contained in any Declaration of Protective Covenants and on the part of other persons thereunder to be observed or performed.

4. No Change. Until the indebtedness hereby secured has been paid indefeasibly in full, the Mortgagor will not, without the prior written consent of the Mortgagee, (i) join in or consent to any change in any private restrictive covenant, land use classification, zoning ordinance or other public or private restrictions limiting or defining the use which may be made of the Mortgaged Properties, or any part thereof, or (ii) consolidate any portion of the Land with any adjacent or other real property, or partition or subdivide the Land. The Mortgagor agrees that the taking or allowing of any of the foregoing actions, without the prior written consent of the Mortgagee, shall be void.

5. Good Repair. The Mortgagor will keep and maintain the Mortgaged Properties in good repair, working order and condition, or cause the same to be done; provided, however, that if on receipt of a notice of default in repairing or maintaining any portion of the Mortgaged Properties, the Mortgagor shall proceed, promptly and with all due diligence, to repair or maintain (or to cause to be repaired or maintained) the Mortgaged Properties which are the subject of such notice and thereafter prosecute (or cause to be prosecuted) the completion of such repairs and maintenance with all due diligence, then said notice shall be of no force and the rights of the Mortgagor and the Mortgagee shall be the same as existed prior to the giving of said notice.

6. Waste. The Mortgagor will not suffer any strip or waste or any unlawful, improper or offensive use of the Mortgaged Properties or any act or negligence whereby said properties or any interest therein shall become liable to seizure or attachment on mesne or final process of law or whereby the lien and security interest created hereby shall be impaired.

7. Payment of Real Property Taxes, Etc. The Mortgagor will duly pay and discharge or cause to be paid and discharged, as the same shall become due and payable, all real estate taxes and assessments and other taxes and hazard charges lawfully levied or imposed on the Mortgaged Properties, or on the earnings and business of the Mortgagor, including without limitation, Hawaii

general excise taxes, and on request of the Mortgagee, the Mortgagor will exhibit to the Mortgagee receipts for the payment of all of said items prior to the date when the same shall become delinquent; provided, however, that nothing contained in this Paragraph 7 shall be deemed to require the Mortgagor to pay or cause to be paid any tax, assessment or charge, so long as (i) the Mortgagor, in good faith by appropriate action diligently pursued, shall contest or cause to be contested the amount, applicability or validity thereof, (ii) the Mortgagor shall have set aside or shall have caused to be set aside cash reserves (segregated to the extent required by sound accounting principles) deemed by the Mortgagee to be adequate to provide for the contingency that such contest may be determined adversely to the interests of the Mortgagor, (iii) the nonpayment thereof during the pendency of such proceedings will not subject the Mortgaged Properties or any part thereof to forfeiture or loss (or reasonable probability thereof) or otherwise impair the security afforded hereby, and (iv) the Mortgagor shall have promptly notified the Mortgagee of the institution of any such proceedings. In case of default in the payment thereof when the same shall be due and payable, the Mortgagee may, but shall not be obligated to, without notice or demand to the Mortgagor, pay the same or any of them, and any advances by the Mortgagee in discharge of such taxes, assessments and other charges shall be a lien on the Mortgaged Properties secured by this Mortgage, payable on demand with interest at the Default Rate.

8. Compliance with Laws. The Mortgagor will duly observe and comply with all laws, rules and regulations made by any governmental authority, whether federal, state or local, and all valid requirements of any regulatory body which may acquire jurisdiction, which apply or relate to the development, construction, ownership, operation, management or use of the Mortgaged Properties, provided, however, that any failure of the Mortgagor to observe and comply with such laws, rules, regulations, requirements and agreements, which in the Mortgagee's reasonable discretion will not materially adversely affect the development, construction, ownership, operation, management, leasing, sale or use of the Mortgaged Properties shall not constitute a default by the Mortgagor under this Paragraph 8.

9. Liens. The Mortgagor will not suffer any mechanic's, materialman's, tax, statutory or other lien to be hereafter created and remain upon the Mortgaged Properties, or any part thereof, or the income therefrom, except liens of taxes or assessments or other charges not yet payable without penalty. In the event a lien is created upon the Mortgaged Properties, or any part thereof, or the income therefrom, the Mortgagor shall promptly cause such lien to be released, discharged or bonded, which bond and surety must be reasonably satisfactory to the Mortgagee.

10. No Impairment of Value. No building or other property now or hereafter covered by the lien of this Mortgage shall be removed, demolished or altered in such manner as to materially diminish the value thereof or of the other Mortgaged Properties, without the prior written consent of the Mortgagee, except that the Mortgagor shall have the right, without such consent, to remove and dispose of (or to permit to be removed or disposed of), free from the lien of this Mortgage, such furniture, furnishings and equipment as from time to time may become worn out or obsolete, provided that simultaneously with or prior to such removal, any such furniture, furnishings and equipment shall be replaced with other furniture, furnishings and equipment of a value at least equal to that of the replaced furniture, furnishings and equipment and free from chattel mortgage or other encumbrance and from any reservation of title, and by such removal and replacement the Mortgagor shall be deemed to have subjected such furniture, furnishings and equipment to the lien of this Mortgage.

11. Inspection. The Mortgagee and any persons authorized by the Mortgagee shall have the right to enter and inspect the Mortgaged Properties at all reasonable times.

12. Required Insurance. The Mortgagor shall, with respect to all insurable properties now or hereafter constituting any portion of the Mortgaged Properties and with respect to all insurable activities of the Mortgagor in respect of the Mortgaged Properties, procure and maintain, at all times during the effectiveness of this Mortgage, insurance in such forms and covering such risks and hazards and in such amounts as are reasonably satisfactory to the Mortgagee. Additional coverages and increases in liability limits may be required in the future at the reasonable discretion of the Mortgagee. To the extent, and as soon as, such insurable properties and activities exist, such insurance shall include:

(a) hazard and fire insurance with extended coverage (with vandalism and malicious mischief endorsements) in an amount not less than the maximum insurable replacement value of the Improvements and said personal property;

(b) public liability insurance and property damage insurance against claims for bodily or personal injury or death, or property damage suffered by others occurring on, in or about any of the Mortgaged Properties or on, in or about the adjoining streets and passageways thereof;

(c) if and to the extent required by law, flood insurance;

(d) worker's compensation insurance; and

(e) all such other insurance insuring all insurable properties constituting part of the Mortgaged Properties, and insuring all insurable activities of the Mortgagor, against all other risks usually insured against by persons owning like properties in the locality where the Mortgaged Properties are located.

THE MORTGAGOR IS HEREBY NOTIFIED THAT THE MAKING OF THE LOAN SECURED HEREBY IS NOT CONTINGENT UPON THE MORTGAGOR'S PROCURING ANY INSURANCE REQUIRED HEREUNDER FROM AN INSURANCE COMPANY DESIGNATED BY THE MORTGAGEE, AND THE MORTGAGOR MAY OBTAIN SUCH INSURANCE FROM ANY INSURANCE COMPANY AUTHORIZED TO DO BUSINESS IN THE STATE OF HAWAII.

13. Insurance Policies. Each insurance policy required under this Mortgage shall (i) prohibit cancellation or material modification by the insurer without at least thirty (30) days' prior written notice to the Mortgagee, (ii) provide that the insurance shall not be invalidated as to the Mortgagee by any act or neglect of any person owning or leasing the Mortgaged Properties, or by foreclosure proceeding or notice of sale or by deed or assignment in lieu of foreclosure or by any other change in the title or ownership of the Mortgaged Properties, (iii) contain an agreement by the insurer that such policy constitutes primary insurance, and (iv) contain a provision specifically naming the Mortgagee as an additional insured under such policy. All such casualty insurance policies shall be carried in the name of the Mortgagor, shall contain a standard mortgagee clause (without contribution) in favor of the Mortgagee, and provide that losses thereunder shall be adjusted with the insurer by the Mortgagor, but with settlements subject to the approval of the Mortgagee, on behalf of the insured parties. Upon the execution of this Mortgage and thereafter not

less than twenty (20) days prior to the expiration dates of expiring policies, originals of all policies of such insurance (or certificates thereof in form acceptable to the Mortgagee) shall be deposited with the Mortgagee. If the Mortgagor fails to carry any such insurance or fails to deliver the policies (or certificates) to the Mortgagee, then the Mortgagee, at its option but without being obligated to do so, may procure such insurance from year to year and pay premiums therefor, and the Mortgagor will reimburse the Mortgagee on demand for premiums so paid, with interest thereon from the time of payment at the Default Rate, and the same shall be secured by this Mortgage.

14. Condemnation. Should all or any part of the Mortgaged Properties be taken by eminent domain, the Mortgagor, forthwith upon payment thereof, will cause to be deposited with the Mortgagee the Mortgagor's share of the award for any Mortgaged Properties so taken. In the event of any such taking (other than a taking for governmental occupancy for a limited or specified period), the Mortgagee shall release the properties so taken upon receipt by and deposit with the Mortgagee of the proceeds of such award so recovered by the Mortgagor.

15. Insurance and Condemnation Proceeds. All insurance proceeds on account of damage or destruction to any Mortgaged Properties, or any portion thereof, and the Mortgagor's share of all proceeds of any award for any Mortgaged Properties, or any portion thereof, taken by eminent domain, shall be applied to the restoration of any of the Improvements damaged; provided, however, at the option of the Mortgagee such proceeds may be applied to the payment of the indebtedness hereby secured. If the Mortgagee must (or elects to) apply such proceeds to restoration, the proceeds shall be applied to the payment of the cost of repairing, restoring or rebuilding the Mortgaged Properties, or any portion thereof, so damaged or destroyed (hereafter referred to as the "Work"), from time to time as the Work progresses, subject to such reasonable conditions as may be imposed by the Mortgagee to insure the lien-free completion of the Work.

16. No Encumbrance. As an inducement to the Mortgagee's granting of the loan evidenced by the Term Note A and secured by this Mortgage, the Mortgagor hereby covenants to and agrees with the Mortgagee that the Mortgagor will not further mortgage or create any other lien or encumbrance on the Mortgaged Properties or any part thereof, whether such other mortgage, lien or encumbrance be subordinate or not subordinate to the lien and security interests created by this Mortgage. If, notwithstanding the covenants and agreements just mentioned, the Mortgagor without the Mortgagee's prior written consent shall further mortgage or create any other lien or encumbrance on the Mortgaged Properties, the Mortgagee may at its option, if not prohibited by law, declare the Secured Obligations to be immediately due and payable. Notwithstanding any term contained herein to the contrary, the Mortgagee hereby consents to the Liliha Second Mortgage, and agrees that the Mortgagor may further mortgage the Mortgaged Properties by way of the Liliha Second Mortgage; provided however that this consent to the Liliha Second Mortgage shall not operate nor be construed as a consent to any other or further mortgage or encumbrance on the Mortgaged Properties.

17. No Transfer. The Mortgagee may at its option declare the Secured Obligations to be immediately due and payable if the Mortgagor, without having obtained the Mortgagee's prior written consent, shall sell, assign or otherwise dispose of either the legal or equitable title to all or any part of the Mortgaged Properties, or shall enter into an agreement of sale for the transfer of the Mortgagor's interest in all or any part of the Mortgaged Properties. The provisions of this Paragraph 17 shall constitute a continuing covenant or condition, and any failure on the part of the Mortgagee to exercise its option to declare all indebtedness due and payable on the occurrence of any one event

hereinabove mentioned shall not prejudice the right of the Mortgagee to declare the indebtedness hereby secured at once due and payable on the occurrence of any other event hereinabove mentioned.

18. Right to Defend. The Mortgagee may appear in and defend any action or proceeding at law or in equity purporting to affect the security hereof and in such event the Mortgagee shall be allowed and paid, and the Mortgagor hereby agrees to pay on demand, all the Mortgagee's costs, charges and expenses, including cost of evidence of title and attorneys' fees in a reasonable amount, incurred in such action or proceeding in which the Mortgagee may appear. All costs and expenses so incurred, together with interest thereon at the Default Rate if not paid within three (3) days after demand, shall be added to and secured by the lien of this Mortgage.

19. Attorney-in-Fact. The Mortgagee is hereby irrevocably constituted and appointed the true and lawful attorney of the Mortgagor, which power of attorney is coupled with an interest, with full power of substitution, to demand, settle for, collect (by suit or otherwise), receive and give valid and sufficient receipts for, any and all condemnation awards, insurance proceeds, sales proceeds, rents, and other benefits arising from the ownership, subleasing or sale of the Mortgaged Properties. The Mortgagee shall be without liability for any loss which may arise for uncollectible amounts so long as the Mortgagee shall act without gross negligence or willful misconduct. Any moneys so received by the Mortgagee may be applied toward the Secured Obligations, or may be held by the Mortgagee as part of the Mortgaged Properties as additional Collateral to secure the performance of the Mortgagor's obligations under the Documents, as determined by the Mortgagee in its sole and absolute discretion. The Mortgagee, by its acceptance hereof, temporarily waives its right to exercise the powers conferred in this Paragraph 19 until the date of the Mortgagee's written notice to the Mortgagor that an Event of Default has occurred, but the Mortgagee's forbearance to exercise the powers conferred in this Paragraph 19 shall be without prejudice to its right at any time to proceed with the exercise of such powers after notice as aforesaid.

20. Security Agreement. This instrument shall constitute a security agreement under Chapter 490, Article 9 of the Hawaii Revised Statutes, as amended (the "Uniform Commercial Code") and the Mortgagor hereby grants to the Mortgagee a security interest so that the Mortgagee shall have and may enforce a security interest in any and all of the Mortgaged Properties, including but not limited to any or all of the accounts, deposit accounts, documents, chattel paper, goods, proceeds, instruments, investment property, supporting obligations and letter of credit rights, furniture, furnishings, fixtures, equipment, inventory and other articles of personal property, general intangibles and accessions thereto referred to herein, whether now owned or hereafter acquired by the Mortgagor (said property being sometimes hereafter referred to as the "Collateral"), in addition to a mortgage lien upon the same insofar as the same are part of the realty described herein imposed by said granting clauses. With respect to the Collateral, upon the Mortgagor's default and acceleration of the indebtedness pursuant to the provisions hereof, (i) the Mortgagee shall have all the rights, remedies and privileges with respect to repossession, retention and sale of the Collateral and disposition of the proceeds as are accorded to a secured party by the applicable sections of Article 9 of the Uniform Commercial Code in effect as of the date of this security agreement, (ii) the Mortgagee's reasonable attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising, and selling the Collateral shall be chargeable to the Mortgagor and secured hereby, (iii) the Mortgagee may at its discretion, and in addition to its other remedies hereunder, (a) enter upon the Mortgagor's premises peaceably by the Mortgagee's own

means or with legal process and take possession of the Collateral, or render it unusable, or dispose of the Collateral, and the Mortgagor agrees not to resist or interfere therewith, and (b) require the Mortgagor to assemble the Collateral and make it available to the Mortgagee at a place to be designated by the Mortgagee, reasonably convenient to both parties; and (iv) unless the Collateral is perishable or threatens to decline speedily in value or is a type customarily sold on a recognized market, the Mortgagee will give the Mortgagor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice will be met if such notice is sent by registered mail, postage prepaid, to the address of the Mortgagor stated herein, at least ten (10) days before the time of sale or disposition.

21. Expenses; Indemnification. The Mortgagor will pay all expenses incurred by the Mortgagee with respect to any and all transactions contemplated herein and preparation of any document reasonably required hereunder affecting the Mortgagor or the Mortgaged Properties, including, without limiting the generality of the foregoing, all title and conveyancing charges, recording and filing fees and taxes, insurance premiums (including title insurance premiums), court costs, fees of surveyors, photographers, appraisers, architects, engineers, accountants and attorneys, and will reimburse to the Mortgagee all reasonable expenses paid by it to third parties of the nature described in this Paragraph 21. In addition, the Mortgagor will indemnify, protect and keep the Mortgagee harmless from and against, and will reimburse and compensate the Mortgagee for, any and all liabilities, damages, costs, and expenses (including reasonable fees of legal counsel) of whatever kind or nature which may be imposed on, incurred by, or asserted at any time against the Mortgagee (except as a result of the Mortgagee's gross negligence or willful misconduct) in connection with an action or claim (including, without limitation, claims of third parties) in any way relating to or arising out of or in connection with the development, construction, ownership, operation, management or use of any of the Mortgaged Properties or concerning this Mortgage.

22. Right of Set-Off. Upon the occurrence of any Event of Default, or if the Mortgagee shall be served with garnishee process in which the Mortgagee shall be named as defendant, whether or not the Mortgagor shall be in default hereunder at the time, the Mortgagee may, but shall not be required to, set off any indebtedness secured hereby, without first resorting to the Mortgaged Properties and without prejudice to any other rights or remedies of the Mortgagee or the lien of the Mortgagee on the Mortgaged Properties.

23. Acknowledgment of Mortgage Debt. Within ten (10) days after request by the Mortgagee, the Mortgagor shall furnish to the Mortgagee or to any proposed assignee of this Mortgage a written statement, duly acknowledged, of the amount due on the Term Note A and under this Mortgage and whether any offsets, counterclaims or defenses exist against the indebtedness secured hereby.

24. Right of Mortgagee to Extend Time of Payment, Substitute, Release Security, etc. Without affecting the liability of any person, including the Mortgagor for the payment of any indebtedness secured hereby, or the lien of this Mortgage on the Mortgaged Properties (or the remainder thereof), for the full amount of any indebtedness unpaid, the Mortgagee may from time to time, without notice and without affecting or impairing any of its rights under this Mortgage, without limitation:

- (a) Release any person liable for the payment of any of the indebtedness;

- (b) Extend the time for payment of any of the indebtedness or accept a renewal note or notes to evidence such an extension or alteration;
- (c) Accept additional security therefor of any kind, including (but not limited to) deeds of trust, mortgages, security agreements, and guarantees;
- (d) Substitute or release any property securing the indebtedness;
- (e) Resort for the payment of the indebtedness secured hereby to any collateral or other property held as security therefor in such order and manner as it may see fit;
- (f) Join in granting any easement or creating any restriction thereon; and
- (g) Join in any extension or subordination or other agreement affecting this Mortgage or the lien or charge thereof.

25. Loss or Destruction of the Term Note A. If the Term Note A shall be mutilated, destroyed, lost or stolen, the Mortgagor shall deliver to the Mortgagee, in substitution therefor, a new note containing the same terms and conditions as the old Term Note A with a notation thereon of the unpaid principal and accrued unpaid interest.

26. Partial Releases. The Mortgagee may release, in its sole and absolute discretion, but without any obligation to do so, for such consideration or none, as it may require, any portion of the Mortgaged Properties without, as to the remainder of the Mortgaged Properties, in any way impairing or affecting the lien and priorities herein provided for the Mortgagee compared to any subordinate lien holder.

27. Governmental Approvals. The Mortgagor shall at all times during the continuance of the Mortgage maintain in full force and effect all governmental and municipal approvals and permits which are required to comply with all environmental, ecological and other governmental requirements relating to the Mortgaged Properties or to the occupancy thereof.

28. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give or serve upon any other party any communication with respect to this Mortgage, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (i) upon the earlier of actual receipt or two (2) calendar days after deposit in the United States mail, registered or certified mail, return receipt requested, with proper postage prepaid, (ii) upon transmission during business hours, when sent by telecopy, electronic mail, or other similar facsimile transmission, (iii) one (1) business day after deposit with a reputable overnight courier with all charges prepaid or (iv) when delivered, if hand-delivered by messenger, all of which communications shall be addressed to the party to be notified and sent to the address, facsimile number, or electronic mail address indicated on Exhibit B attached hereto and by reference made a part hereof, or to such other address (or facsimile number or electronic mail address) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration

or other communication to any person (other than the Mortgagor or the Mortgagee) designated on said Exhibit B to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

29. Paragraph Headings. The paragraph or other headings herein are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provisions of the Mortgage.

30. Applicable Law. This Mortgage shall be governed by and construed, interpreted, and enforced under the laws of the State of Hawaii, without giving effect to principles of conflict of laws or the choice of law rules of any jurisdiction to the extent that the application of the law of any jurisdiction other than the State of Hawaii would be required or permitted thereby. If any provision of this Mortgage is held to be invalid or unenforceable, such will not affect the validity or enforceability of the other provisions of this Mortgage.

31. Further Instruments. The Mortgagor within five (5) days after the Mortgagee's request, will execute and deliver such further instruments and do such further acts as may be necessary and proper to carry out more effectively the purposes of this Mortgage and to subject to the lien and security interest hereof any of the properties herein described and any renewals, additions, substitutions, replacements or betterments thereto.

32. Successors and Assigns; Definitions. As and when used herein, the term "Mortgagee" includes St. Francis Healthcare System of Hawaii, a Hawaii nonprofit corporation, St. Francis Medical Center, a Hawaii nonprofit corporation, and St. Francis Medical Center – West, a Hawaii nonprofit corporation, and their respective successors and assigns; the term "Mortgagor" includes St. Francis Hospital - Liliha, a Hawaii nonprofit corporation, and its successors and assigns; and the term "person" includes an individual, partnership, association, trust, limited liability company, corporation, other business entity, or governmental authority, as appropriate.

33. Assignment of Rents. The Mortgagor does hereby absolutely assign and transfer to the Mortgagee, all the rents, issues, payments, income and profits now or hereafter arising or in any manner accruing from or out of all and every part of the Mortgaged Properties, including but not limited to, (i) all sums payable under any contracts or agreements relating thereto and all net proceeds from the sale of any interest in any portion or portions of the Mortgaged Properties, including, without limitation, all payments on agreement of sale balances, purchase money notes, or similar periodic payments, and (ii) all rents, income and deposits from any leases, rental or occupancy agreements of any kind now or hereafter existing with respect to the Mortgaged Properties (sometimes such rents, issues, payments, income and profits are collectively referred to herein as the "Rents"), and, with respect to all of the above, the sole, exclusive and immediate right to demand, collect (by suit or otherwise), receive and give valid and sufficient receipts for any and all of the Rents; it being the intention of the parties hereto to establish an absolute, unconditional and present transfer and assignment of all such leases, contracts, and agreements to the Mortgagee and not merely the creation of a security interest. Further, the existence or exercise of the Mortgagor's revocable license to collect the Rents absent the existence of an Event of Default shall not operate to subordinate this assignment to any subsequent assignment, and this assignment shall be fully operative without any further action on the part of any party hereto, and the Mortgagee shall be entitled upon the occurrence of an Event of Default to all the Rents, whether or not the Mortgagee takes possession of the Mortgaged Properties or any part thereof. So long as there shall exist no

Event of Default, the Mortgagor shall have a revocable exclusive license to collect the Rents and to deal with such leases, contract and agreements, to the extent permitted by this Mortgage. Upon the occurrence of an Event of Default, the license hereinabove granted shall automatically terminate without notice to the Mortgagor. The Mortgagor hereby irrevocably appoints the Mortgagee, its true and lawful attorney in its name, place and stead (which appointment shall be irrevocable, be deemed to be coupled with an interest and shall survive the voluntary or involuntary dissolution of the Mortgagor and shall not be affected by any disability or incapacity suffered by the Mortgagor subsequent to the date hereof) to rent, lease or let all or any portion of the Mortgaged Properties to any party or parties at such rental and upon such terms as the Mortgagee shall, in its discretion, determine, and to collect all of the Rents now or hereafter existing, with the same rights and powers and subject to the same immunities, exoneration of liability and rights of recourse and indemnity as the Mortgagee would have upon taking possession pursuant to the provisions of this Mortgage. The Mortgagor represents and agrees that except with the prior written approval of the Mortgagee, no Rent has been or will be paid by any tenant in possession of any portion of the Mortgaged Properties for more than one installment in advance (except for security deposits) and that the payment of the Rents will not be waived, released, reduced, discounted or otherwise discharged or compromised by the Mortgagor, except as may be approved in writing by the Mortgagee. The Mortgagor waives any rights of set-off against any person in possession of any portion of the Mortgaged Properties. The Mortgagor agrees that it will not assign any of the Rents other than pursuant to this Mortgage. Nothing herein contained shall be construed as constituting the Mortgagee a mortgagee-in-possession in the absence of the taking of actual possession of the Mortgaged Properties by the Mortgagee pursuant to this Mortgage. In the exercise of the powers herein granted to the Mortgagee, no liability shall be asserted or enforced against the Mortgagee, all such liability being expressly waived and released by the Mortgagor. The Mortgagor further agrees to assign and transfer to the Mortgagee all future leases, contracts and agreements upon all or any part of the Mortgaged Properties and to execute and deliver, at the request of the Mortgagee, all such further assurances and assignments in connection with the Mortgaged Properties as the Mortgagee shall from time to time reasonably require. The Mortgagor agrees that (i) the Mortgagee shall be without liability for any loss which may arise from uncollectible proceeds or other payments so long as the Mortgagee shall act without gross negligence or willful misconduct; and (ii) the monies so received by the Mortgagee pursuant to this assignment may be applied toward the Secured Obligations, or may be held by the Mortgagee as part of the Mortgaged Properties as additional Collateral to secure the performance of the Mortgagor's obligations under the Documents, as determined by the Mortgagee in its sole and absolute discretion. The Mortgagor irrevocably consents that the respective payors of the Rents shall, upon demand and notice from the Mortgagee of an occurrence of an Event of Default, pay the Rents to the Mortgagee without liability to such payor for the determination of the actual existence of an Event of Default as claimed by the Mortgagee.

34. Future Advances. The Mortgagor agrees that this Mortgage is given to secure not only existing indebtedness, but also such future advances, whether such advances are obligatory or are to be made at the option of the Mortgagee, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Mortgage. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but the total unpaid balance so secured at one time shall not exceed ONE HUNDRED MILLION AND NO/100 DOLLARS (U.S. \$100,000,000.00) plus interest thereon at the rate provided in the Term Note A, and any disbursements made for the payment of taxes, levies or insurance on the Mortgaged Properties, with interest thereon at the rate provided in the Term Note A.

35. Environmental Laws. The Mortgagor will indemnify the Mortgagee against and hold the Mortgagee harmless from, and will reimburse and compensate the Mortgagee for, all costs and expenses (including reasonable fees of legal counsel), losses, damages (including foreseeable or unforeseeable consequential damages) and liabilities incurred by the Mortgagee which may arise out of or may be directly or indirectly attributable to (i) the use, generation, manufacture, treatment, handling, refining, production, processing, storage, release, discharge, disposal or presence of any Hazardous Materials (hereinafter defined) on, within, under or about the Mortgaged Properties, (ii) the Mortgagee's investigation and handling (including the defense) of any Hazardous Materials Claims (hereinafter defined) whether or not any lawsuit or other formal legal proceeding shall have been commenced in respect thereof, and (iii) the Mortgagee's enforcement of this provision, whether or not suit is brought therefor. The foregoing provisions of this paragraph shall survive (i) the repayment of the indebtedness secured by this Mortgage (ii) any foreclosure of this Mortgage, and (iii) any deed (or assignment) of the Mortgaged Properties in lieu of foreclosure. As used in this paragraph the term "Hazardous Materials" means and includes any and all radioactive materials, asbestos, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous waste, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", or "toxic substances" under, or for the purposes of, any federal, state or local laws, ordinances or regulations now or hereafter in effect, relating to environmental conditions, industrial hygiene or Hazardous Materials ("Hazardous Materials Laws"). As used in this paragraph, the term "Hazardous Materials Claims" means and includes (i) any and all enforcement, cleanup, removal, remediation, mitigation or other governmental or regulatory actions instituted, contemplated or threatened, in respect of the Mortgaged Properties pursuant to any Hazardous Materials Laws, and (ii) any and all claims made, contemplated or threatened, by any third party against the Mortgagor seeking damages, contribution, cost recovery, compensation, injunctive relief or similar relief resulting from the existence of any Hazardous Materials on, within or under the Mortgaged Properties.

36. Reserve Fund. If the Mortgagee shall so require after an Event of Default (whether such Event of Default has been cured or has not been cured), the Mortgagor will pay or cause to be paid to the Mortgagee, monthly on the first day of each month, until all obligations secured hereby are fully paid, a sum equal to the real property taxes and assessments next due on the Mortgaged Properties (all as estimated by the Mortgagee), less all sums already paid therefor, divided by the number of months to elapse before one month prior to the date when such taxes and assessments will become due and payable. Such sums shall be held by the Mortgagee, without interest, to pay such taxes and assessments as and when the same shall become due and payable. If the total of such payments shall exceed the amount necessary to pay such taxes and assessments, such excess may, at the Mortgagee's option, be released to the Mortgagor, or the person depositing such sums or applied on any indebtedness secured hereby or be credited by the Mortgagee on subsequent payments to be made or caused to be made by the Mortgagor. If, however, the total of such payments shall not be sufficient to pay such taxes and assessments when the same shall become due and payable, then the Mortgagor shall pay to the Mortgagee any amount necessary to make up the deficiency on or before the date when payment of such taxes and assessments shall be due. If at any time the Mortgagor shall tender to the Mortgagee, in accordance with the provisions hereof, full payment of the entire indebtedness secured hereby, the Mortgagee shall, in computing the amount of indebtedness, credit to the account of the Mortgagor any balance remaining in the funds accumulated under the provisions of this paragraph. If there be a default under the provisions of this Mortgage or any of the

other Documents, and thereafter a sale of the Mortgaged Properties in accordance with the provisions hereof, or if the Mortgagee acquires the Mortgaged Properties otherwise after default, the Mortgagee, at the Mortgagee's option, and at the time the Mortgaged Properties are otherwise acquired, may apply the balance then remaining in the funds accumulated under the provisions of this paragraph as a credit against any sums or charges secured hereby, including but not limited to, the amount of principal, interest, charges and fees then remaining unpaid under the Documents.

37. Submission to Jurisdiction. The Mortgagor hereby submits to the exclusive jurisdiction of (i) the United States District Court for the District of Hawaii, (ii) any Hawaii State Court for the City and County of Honolulu, Hawaii, and (iii) to the extent of its retained jurisdiction, the Bankruptcy Court, for the purposes of all legal proceedings arising out of or relating to this Mortgage or the transactions contemplated thereby. The Mortgagor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

38. WAIVER OF JURY TRIAL. THE MORTGAGOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL OR EQUITABLE PROCEEDING ARISING OUT OF OR RELATING TO THIS MORTGAGE OR THE TRANSACTIONS CONTEMPLATED THEREBY.

39. No Waiver. Any failure by the Mortgagee to insist upon the strict performance by the Mortgagor of any of the terms and provisions hereof shall not be deemed to be a waiver of any of the terms and provisions hereof, and the Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by the Mortgagor of any and all of the terms and provisions of this Mortgage to be performed by the Mortgagor. No change, amendment or discharge of any provision of this Mortgage shall be valid unless consented to in writing by the Mortgagee.

40. Reservation of Right to Modify. The Mortgagee may at any time and from time to time, without notice to, and without the consent of, any other person or entity (except for the Mortgagor in the case of a modification of the terms of the Term Note A or this Mortgage) (i) extend or accelerate the time of payment of the indebtedness secured hereby, (ii) agree to modify the terms of the Term Note A or this Mortgage, including increasing the payments of interest and principal, (iii) release any person liable for payment of any indebtedness secured hereby or for performance of any Secured Obligation, (iv) release all or any part of the security held for the indebtedness secured hereby, or (v) exercise or refrain from exercising or waive any right the Mortgagee may have.

The Mortgagee shall have such rights and may exercise them without affecting the lien or priority of this Mortgage upon the Mortgaged Properties or any part thereof, and without affecting the liability of any guarantor or surety, notwithstanding the fact that guarantors, sureties, junior mortgagees, judgments, or other claims or encumbrances may be impaired, prejudiced, or otherwise adversely affected thereby.

[Signatures contained on the following page]

This Mortgage is executed by the Mortgagor as of the ____ day of _____,
2010.

MORTGAGOR:

ST. FRANCIS HOSPITAL - LILIHA, a Hawaii
nonprofit corporation

By _____
Print Name: _____
Title _____

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this ____ day of _____, 2010, before me appeared _____, to me personally known (or proved to me to be such person on the basis of satisfactory evidence), who being by me duly sworn or affirmed, did say that such person executed this ____ page *MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (LILIHA)*, dated _____, in the First Circuit of the State of Hawaii, as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Notary Public, in and for said County and State
Print Name: _____

My commission expires: _____

EXHIBIT A

-PARCEL FIRST:-

ALL of that certain parcel of land situate at Puunui, Honolulu, City and County of Honolulu, State of Hawaii, described as follows:

LOT 1, area 216,030 square feet, more or less, as shown on Map 1, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Consolidation No. 187 of St. Francis Medical Center.

BEING the land(s) described in Transfer Certificate of Title No. 447,441 issued to ST. FRANCIS MEDICAL CENTER, a Hawaii non-profit corporation.

TOGETHER WITH access to Liliha Street, a public road, over and across Lot A-1, as set forth by Land Court Order No. 118634, filed November 9, 1994.

-Note:- Lot A-1 is now known as Lot A-1-A, as set forth by instrument recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 95-136119. (Not noted on Transfer Certificate(s) of Title referred to herein)

-PARCEL SECOND:-

BEING portion of the unregistered portion of Lot E of the consolidation and resubdivision comprising the St. Francis Medical Center into Lots E and F, as shown on survey map prepared by Alden S. Kajioka, Land Surveyor, with ControlPoint Surveying and Engineering, Inc., dated September 18, 1995, and thus bounded and described as per survey of Alden S. Kajioka, Land Surveyor, dated October 19, 1995, to-wit:

LOT A-2

BEING a portion of R.P. 2107, L.C. Aw. 7767, Ap. 2 to Nawahalaau.

BEGINNING at the East corner of this parcel of land, being also the West corner of Lot 52 (Map 7) of Land Court Application 261, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUNCHBOWL" being 6,423.34 feet North and 979.84 feet West, and running by azimuths measured clockwise from true South:

- | | | | | |
|----|------|---------|--------|--|
| 1. | 46° | 20' | 121.67 | feet along the remainder of R.P. 2107, L.C. Aw. 7767, Ap. 2 to Nawahalaau; |
| 2. | 151° | 09' | 100.00 | feet along Lot 1 (Map 1) of Land Court Consolidation 187; |
| 3. | 262° | 49' 20" | 50.48 | feet along Lot 1 (Map 1) of Land Court Consolidation 187; |

Exhibit A
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4. 276° 33' 86.75 feet along Lot 1 (Map 1) of Land Court Consolidation 187 to the point of beginning and containing an area of 6,403 square feet, more or less.

-PARCEL THIRD:-

BEING portion of the unregistered portion of Lot E of the consolidation and resubdivision comprising the St. Francis Medical Center into Lots E and F, as shown on survey map prepared by Alden S. Kajioka, Land Surveyor, with ControlPoint Surveying and Engineering, Inc., dated September 18, 1995, and thus bounded and described as per survey of Alden S. Kajioka, Land Surveyor, dated October 19, 1995, to-wit:

LOT A-1-A

BEING portions of R.P. 4378, L.C. Aw. 8548, Ap. 2 to Kaahea, R.P. 2676, L.C. Aw. 1136, Ap. 2 to Paka, R.P. 2703, L.C. Aw. 10,519 to Nahalelahala, R.P. 3616, L.C. Aw. 1071, Ap. 1 to Pili, R.P. 2107, L.C. Aw. 7767, Ap. 1 to Nawahalaau and Grant 2591, Ap. 3 to I. Richardson.

BEGINNING at the East corner of this parcel of land, being also the South corner of Land Court Application 573 (Map 1) and on the Northwesterly side of Liliha Street, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUNCHBOWL" being 6,023.99 feet North and 823.39 feet West, and running by azimuth measured clockwise from true South:

1. 52° 56' 279.85 feet along the northwesterly side of Liliha Street;
2. 123° 30' 164.70 feet along R.P. 4461-B, L.C. Aw. 1070, Ap. 1 to Hikoula;
3. 123° 43' 106.70 feet along Lot B (Map 28) of Land Court Application 471 and along the remainder of Grant 2591, Ap. 3 to I. Richardson;
4. 60° 23' 107.20 feet long the remainder of Grant 2591, Ap. 3 to I. Richardson;
5. 144° 40' 105.05 feet long Lots F-1-A-7 and F-1-A-8 (Map 27) of Land Court Application 471;
6. 226° 44' 39.45 feet along Lot 11 (Map 29) of Land Court Application 471;
7. 151° 00' 49.00 feet along Lot 11 (Map 29) of Land Court Application 471;
8. 230° 49' 10.06 feet along Lot 1 of Land Court Consolidation 187;

9.	327°	29'	1.48	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson;
10.	331°	00'	57.08	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson;
11.	46°	44'	38.52	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson;
12.	324°	40'	87.75	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson;
13.	240°	23'	63.75	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson;
14.	232°	56'	88.83	feet along the remainder of Grant 2591, Ap. 3 to I. Richardson and along the remainder of R.P. 2107, L.C. Aw. 7767, Ap. 1 to Nawahalaau;
15.	142°	56'	110.50	feet along the remainder of R.P. 2107, L.C. Aw. 7767, Ap. 1 to Nawahalaau;
16.	232°	56'	15.50	feet along the remainder of R.P. 2107, L.C. Aw. 7767, Ap. 1 to Nawahalaau;
17.	142°	56'	66.65	feet along the remainder of R.P. 2107, L.C. Aw. 7767, Ap. 1 to Nawahalaau;
18.	223°	48'	51.87	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
19.	317°	15'	47.90	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
20.	315°	33'	51.00	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
21.	301°	27'	7.40	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
22.	219°	41'	26.40	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
23.	212°	16'	24.00	feet along Lot 1 (Map 1 of Land Court Consolidation 187);
24.	235°	24'	20.80	feet along Lot 1 (Map 1 of Land Court Consolidation 187);

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- | | | | | |
|-----|------|-----|--------|--|
| 25. | 323° | 56' | 54.30 | feet along Lot 1 (Map 1 of Court Consolidation 187; |
| 26. | 232° | 46' | 39.90 | feet along Lot 1 (Map 1 of Land Court Consolidation 187; |
| 27. | 300° | 08' | 149.25 | feet along Land Court Application 573 (Map 1); |
| 28. | 301° | 37' | 185.26 | feet along Land Court Application 573 (Map 1) to the point of beginning and containing a gross area of 97,806 square feet, less Lot F, area 25,797 square feet, and less Lot D, area 15,414 square feet, for a net area of 56,595 square feet, more or less. |

TOGETHER WITH a perpetual non-exclusive easement (to use in common with others entitled thereto) for sanitary sewerlines, under Easement A, B, C, and D, as shown on Map 17, Land Court Application No. 471, also together with the right of ingress and egress for purpose of installing, maintaining, operating and replacing said lines, dated June 5, 1956, filed in said Office as Land Court Document No. 189498; and subject to the terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained therein.

TOGETHER WITH an easement 8 feet wide, for sanitary sewer, the centerline, more particularly described as follows:

BEGINNING at the Southeast end of this centerline, the true azimuth and distance from a concrete post marked "+" at the initial point of the above described piece of land being 238° 57' 4.32 feet, thence running by azimuths measured clockwise from true south: 141° 18' 7.96 feet and containing an area of 64 square feet, together with the right of ingress and egress for the purpose of installing, maintaining, operating and replacing said lines, as reserved in DEED dated June 5, 1956, recorded in said Bureau in Liber 3124, Page 305; and subject to the terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained therein.

-PARCEL FOURTH:-

ALL of that certain parcel of land situate at Puunui, Honolulu, City and County of Honolulu, State of Hawaii, described as follows:

LOT 13-A, area 3,358 square feet, more or less, as shown on Map 5, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 651 of Bishop Trust Company, Limited, Trustee under the Deed of Trust by E. A. Knudsen.

BEING the land(s) described in Transfer Certificate of Title No. 173,021 issued to ST. FRANCIS HOSPITAL, a Hawaii non-profit corporation.

-PARCEL FIFTH:-

ALL of that certain parcel of land situate at Puunui, Honolulu, City and County of Honolulu, State of Hawaii, described as follows:

LOT 13-B, area 3,526 square feet, more or less, as shown on Map 5, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii with Land Court Application No. 651 of Bishop Trust Company, Limited, Trustee under the Deed of Trust by E. A. Knudsen.

BEING the land(s) described in Transfer Certificate of Title No. 167,251 issued to ST. FRANCIS MEDICAL CENTER, a Hawaii non-profit corporation, as Fee Owner.

SUBJECT, HOWEVER, to the following:

1. Any and all real property taxes assessed for the current tax year but not yet due and payable.

2. -AS TO PARCELS FIRST THROUGH THIRD:-

Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. -AS TO PARCEL FIRST:-

(1) An easement in favor of all present and future owners of Lots 48-A, 45-A and 43-A of Land Court Application 651 (amended) to make one connection from each of said Lots 48-A, 45-A and 43-A to and with the main sewer line which runs underneath the surface of adjoining portion of LOT 1, together with the right of ingress and egress to said owners over, across, along and upon the said premises to the extent necessary to make the above described connections and maintain the same in good repair; as set forth in Transfer Certificate of Title No. 5,433.

(2) An easement in favor of the owners of the premises Makai of Lot 1 for a right of way for a ditch, as shown on Map 1, filed with Land Court Application No. 261, as set forth in Transfer Certificate of Title No. 42,599.

4. -AS TO PARCEL THIRD:-

(1) A 5-foot easement for the free flowage of storm water.

(2) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Exchange Deed dated June 5, 1956, recorded in said Bureau in Liber 3124, Page 305.

The foregoing includes, but is not limited to the following:

Reservation in favor of St. Francis Hospital, its successors and assigns, of an easement 8.00 feet wide for sanitary sewer, the centerline of which is more particularly described as follows:

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Beginning at the Southeast end of this centerline, the true azimuth and distance from a concrete post marked “+” at the initial point of the above described piece of land being 238° 57’ 4.32 feet thence running by azimuths measured clockwise from true South: 141° 18’ 7.96 feet and containing an area of 64 square feet, together with the right of ingress and egress for the purpose of installing, maintaining, operating and replacing said lines.

(3) A 5-foot road widening setback line, as shown on surveyor’s map prepared by Alden S. Kajioka, Licensed Land Surveyor, with Controlpoint Surveying and Engineering, Inc, dated August 31, 1994.

(4) Easement 1-A (24-ft wide) for access purposes, more particularly described as follows:

Beginning at the East corner of this easement, the true azimuth and distance from the initial point of the above described Lot A-1-A being 52° 56’ 8.59 feet, on the northwesterly side of Liliha Street, the coordinates of said point of beginning referred to Government Survey Triangulation Station “PUNCHBOWL” 6,018.81 feet north and 830.25 feet West, and running by azimuths measured clockwise from true South:

1. 52° 56’ 25.76 feet along the northwesterly side of Liliha Street;
2. 121° 37’ 155.32 feet along the remainder of R. P. 4378, L. C. Aw. 8548, Ap. 2 to Kaahea;
3. 50° 42’ 20” 126.10 feet along the remainder of R. P. 4378, L. C. Aw. 8548, Ap. 2 to Kaahea, R. P. 2676, L. C. Aw. 1136, Ap. 2 to Paka and R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
4. 52° 56’ 81.60 feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
5. 303° 30’ 148.24 feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
6. 52° 56’ 25.45 feet along the northwesterly side of Liliha Street;
7. 123° 30’ 253.78 feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala, and R. P. 2107, L. C. Aw. 7767, Ap. 1 to Nawahalaau;
8. 142° 56’ 31.12 feet along the remainder of R. P. 2107, L. C. Aw. 7767, Ap. 1 to Nawahalaau;
9. 232° 56’ 24.00 feet along the remainder of R. P. 2107, L. C. Aw. 7767, Ap. 1 to Nawahalaau;

10.	322°	56'	27.02	feet along the remainder of R. P. 2107, L. C. Aw. 7767 Ap.1 to Nawahalaau;
11.	303°	30'	83.02	feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
12.	322°	56'	1.34	feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
13.	232°	56'	90.00	feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala;
14.	230°	42' 20"	142.80	feet along the remainder of R. P. 2703, L. C. Aw. 10,519 to Nahalelahala, and R. P. 4378, L. C. Aw. 8548, Ap. 2 to Kaahea;
15.	301°	37'	181.78	feet along the remainder of R. P. 4378, L. C. Aw. 8548, Ap. 2 to Kaahea to the point of beginning and containing an area of 16,166 square feet, more or less.

5. –AS TO PARCELS FIRST THROUGH THIRD:-

(1) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration dated May 25, 1971, recorded in said Bureau in Liber 7560, Page 242.

(Not noted on Transfer Certificate(s) of Title referred to herein)

(2) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration dated February 27, 1979, filed in said Office as Land Court Document No. 931559, and also recorded in said Bureau in Liber 13601, Page 630.

(3) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Agreement for Issuance of Conditional Use Permit Under Section 4.40-21 of the Land Use Ordinance (LUO) dated May 18, 1994, recorded in said Bureau as Document No. 94-098413.

(Not noted on Transfer Certificate(s) of Title referred to herein)

(4) The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration of Restrictions and Grants of Easements and Parking License Agreement dated July 20, 1998, filed in said Office as Land Court Document No. 2471862, and also recorded in said Bureau as Document No. 98-105400.

Consent given by First Hawaiian Bank, a Hawaii corporation, by instrument dated July 17, 1998, recorded in said Bureau as Document No. 98-105401.

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Page 7 of 9

(5) Encroachments or any other matters as shown on survey map prepared by Michael T. Kutaka, Land Surveyor, with Baseline Surveying, dated June 16, 2006, last revised September 17, 2006.

(6) The following Leases:

a. Lease Agreement dated July 1, 2000, by and between St. Francis Medical Center, as lessor, and CKS Joint Venture, as lessee, regarding 2584 sq. ft. of space in the basement and 5668 sq. ft. of space on the first floor of the Mother Marianne Building.

b. Lease Agreement dated September 26, 2001, by and between St. Francis Medical Center, as lessor, and Island Cardiac Center, as lessee, regarding 4,536 sq. ft. of space in the basement of the Mother Marianne Building.

c. Space Lease Agreement dated January 16, 2006, by and between St. Francis Medical Center, as lessor, and Liberty Dialysis-Hawaii LLC, as lessee, regarding 1,000 sq. ft. of space on the fourth floor of the Mother Marianne Building, a memorandum of which is dated January 17, 2006, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2006-016501, and filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 3383419.

d. Space Lease Agreement dated January 16, 2006, by and between St. Francis Medical Center, as lessor, and Liberty Dialysis-Hawaii LLC, as lessee, regarding 4,157 sq. ft. of space in the basement of the Sullivan Building, a memorandum of which is dated January 17, 2006, recorded in said Bureau as Document No. 2006-016503, and filed in said Office as Land Court Document No. 3383421.

e. Lease dated September 1, 1997, by and between St. Francis Medical Center, as lessor, and St. Francis Imaging, LLC (now Island Imaging Center), as lessee, regarding 4,799 sq. ft. of space in the basement of the Sullivan Building.

f. Gift Shop Management and Operation Agreement dated October 31, 2005, by and among St. Francis Medical Center and St. Francis Medical Center – West, as lessors, and JFK LLC, as lessee, as amended by that certain Addendum to Gift Shop Management and Operation Agreement dated October 31, 2005, regarding 693 sq. ft. of space on the first floor of the Sullivan Building.

6. –AS TO PARCELS FOURTH AND FIFTH:-

Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

-NOTE:- THERE IS HEREBY OMITTED FROM ANY COVENANTS, CONDITIONS AND RESERVATIONS CONTAINED IN ANY INSTRUMENT DESCRIBED HEREIN, ANY COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX,

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HANDICAP, FAMILIAL STATUS OR NATIONAL ORIGIN, UNLESS AND ONLY TO THE EXTENT THAT SAID COVENANT OR RESTRICTION (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE, OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS.

END OF EXHIBIT A

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EXHIBIT B

NOTICE ADDRESSES

If to the Mortgagee, addressed to:

St. Francis Healthcare System of Hawaii
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817
Attention: Mr. Jerry Correa
Facsimile: (808) 547-6616
Email: jcorrea@stfrancishawaii.org

If to the Mortgagor, addressed to:

St. Francis Hospital - Liliha
2226 Liliha Street, Suite 227
Honolulu, Hawaii 96817
Attention: Mr. Jerry Correa
Facsimile: (808) 547-6616
Email: jcorrea@stfrancishawaii.org

END OF EXHIBIT B

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EXHIBIT 6

PROMISSORY NOTE

(Term Note C)

\$ _____, 2010

FOR VALUE RECEIVED, ST. FRANCIS HOSPITALS HAWAII, a Hawaii nonprofit corporation (“*Hospitals*”), ST. FRANCIS HOSPITAL-LILIHA, a Hawaii nonprofit corporation (“*Liliha*”), and ST. FRANCIS HOSPITAL-EWA, a Hawaii nonprofit corporation (“*Ewa*”), hereby promise, jointly and severally, to pay to _____, a _____ (the “*Holder*”), on _____, 2020 (the “*Maturity Date*”), a principal amount determined in accordance with *Section 2* below, based upon the face amount of _____ Dollars (\$ _____) (the “*Face Amount*”), or so much thereof as shall remain unpaid hereunder, together with interest on the unpaid Face Amount of this Promissory Note (Term Note C) (the “*Term Note C*”) outstanding from time to time from the date of the original issuance of this Term Note C at the rate and at the times set forth in *Section 1* below. Each of Hospitals, Liliha, and Ewa are referred to herein as a “*Maker*” and together as the “*Makers*.”

This Term Note C is issued as one of a series of Promissory Notes (Term Note C) issued by the Makers on the date hereof aggregating _____ Dollars (\$ _____) in principal amount (collectively, the “*Term Notes C*”), each of such Term Notes C containing substantially identical terms and conditions as this Term Note C, in connection with the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC Proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, filed in the United States Bankruptcy Court for the District of Hawaii (the “*Bankruptcy Court*”) in the case of *CHA Hawaii, LLC et al.*, Case No. 08-01369 (as it may be modified, amended, or supplemented from time to time, the “*Reorganization Plan*”) which was confirmed by the Bankruptcy Court pursuant to the _____ entered on _____, 2010. The Term Notes C shall be unsecured and rank equally without preference or priority of any kind over one another, and all payments on account of principal and interest with respect to any of the Term Notes C shall be applied ratably and proportionately against all outstanding Term Notes C on the basis of the original aggregate Face Amount of all outstanding Term Notes C.

1. INTEREST RATE AND INTEREST PAYMENTS.

This Term Note C shall bear interest on the unpaid Face Amount of this Term Note C outstanding from time to time at the rate of two percent (2%) per annum, simple interest. Interest hereunder shall be paid semi-annually in arrears beginning on January 1, 2011 and thereafter on each subsequent July 1 and January 1 of each calendar year until and including the Maturity Date.

2. PRINCIPAL PAYMENTS.

The Makers agree to pay to the Holder on the Maturity Date in full and complete satisfaction of all principal obligations existing or arising under this Term Note C the “*Applicable Percentage*”

(set forth in the table below) of the Face Amount, based upon the Average EBIDA (as such term is defined below in this *Section 2*) of the Makers, calculated as follows:

<u>Average EBIDA</u>	<u>Applicable Percentage</u>
Less than \$13,500,000	20%
Greater than \$13,500,000, but less than or equal to \$14,485,000	40%
Greater than \$14,485,000, but less than or equal to \$16,485,000	80%
Greater than \$16,485,000, but less than or equal to \$18,485,000	100%
Greater than \$18,485,000, but less than or equal to \$20,485,000	120%
Greater than \$20,485,000, but less than or equal to \$22,485,000	140%
Greater than \$22,485,000	160%

As used in this Term Note C, the term “*Average EBIDA*” means the arithmetic mean over the five full fiscal years of the Makers immediately preceding the Maturity Date of the reported EBIDA calculated by the Makers and based upon their audited consolidated financial statements for each year during such five fiscal year period. For purposes of such calculation, “*EBIDA*” shall mean an amount equal on a combined or consolidated basis to (a) net income of the Makers for such period, *minus* (b) the sum of (i) interest income, (ii) gain from extraordinary items for such period, (iii) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by the Makers (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), (iv) any charitable contributions or donations received by the Makers from any person or entity, and (v) any other non-cash gains which have been added in determining net income, in each case to the extent included in the calculation of net income of the Makers for such period in accordance with U.S. generally accepted accounting principles (“*GAAP*”) (or, if the Makers are required or elect to adopt International Financial Reporting Standards issued by the International Accounting Standards Board (“*IFRS*”), then in accordance with IFRS), but without duplication, *plus* (c) the sum of (i) interest expense, (ii) loss from extraordinary items for such period, (iii) the amount of non-cash charges (including depreciation and amortization) for such period, and (iv) amortized debt discount for such period, in each case to the extent included in the calculation of net income of the Makers for such period in accordance with GAAP (or IFRS, if applicable), but without duplication. For purposes of this definition, the following items shall be excluded in determining net

income of the Makers: (1) the income (or deficit) of any other person or entity accrued prior to the date it became a subsidiary or affiliate of, or was merged or consolidated into, a Maker or any of a Maker's subsidiaries or affiliates; (2) the income (or deficit) of any other person or entity (other than a subsidiary or affiliate) in which a Maker has an ownership interest, except to the extent any such income has actually been received by such Maker in the form of cash dividends or distributions; (3) the undistributed earnings of any subsidiary or affiliate of a Maker to the extent that the declaration or payment of dividends or similar distributions by such subsidiary or affiliate is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such subsidiary or affiliate; (4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (5) any write-up of any asset; (6) any net gain from the collection of the proceeds of life insurance policies; (7) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP (or IFRS, if applicable), of any indebtedness, of a Maker; (8) in the case of a successor to a Maker by consolidation or merger or as a transferee of assets, any earnings of such successor prior to such consolidation, merger or transfer of assets; and (9) any deferred credit representing the excess of equity in any subsidiary or affiliate of a Maker at the date of acquisition of such subsidiary or affiliate over the cost to such Maker of the investment in such subsidiary or affiliate.

3. METHOD OF PAYMENT.

Payments of principal and interest due hereunder shall be payable in lawful money of the United States and made by corporate check of any Maker on the due date for each such payment deposited into the U.S. mails and directed to the Holder at the address set forth on the signature page to this Term Note C. If any payment of principal or interest on this Term Note C falls due on a Saturday, Sunday or other day which is not a business day in the State of Hawaii, then such due date shall be extended to the next following business day.

4. PREPAYMENT.

This Term Note C may be prepaid at the option of the Makers at any time and from time to time, in whole or in part, together with payment of all interest accrued and unpaid to the date of such prepayment on the principal amount so prepaid, without any prepayment penalty or fee. Any partial prepayment made at the option of the Makers shall be applied first to satisfy all accrued but unpaid interest hereunder, and thereafter shall be applied to reduce the amount of principal then outstanding.

5. DEFAULT.

An "*Event of Default*" will occur if any of the following happens and such default is not cured within a thirty (30) day period after the Holder has given the Makers written notice of such default:

(a) **Payment Obligations.** The Makers fail to make any payment of principal or interest when due hereunder; or

(b) **Bankruptcy and Insolvency.** Any of the Makers shall (i) commence a voluntary case under Title 11 of the United States Code as from time to time in effect; (ii) file an answer or other pleading admitting or failing to deny the material allegations of a petition filed against such

Maker commencing an involuntary case under said Title 11, or seek consent to or acquiesce in the relief therein provided, or fail to controvert timely the material allegations of any such petition; (iii) be subject to the entry of an order for relief in any involuntary case commenced under said Title 11; (iv) seek relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or consent to or acquiesce in such relief; (v) be subject to the entry of an order by a court of competent jurisdiction (A) finding such Maker to be bankrupt or insolvent, (B) ordering or approving the liquidation, reorganization or any modification or alteration of the rights of the creditors of such Maker, or (C) assuming custody of, or appointing a receiver, trustee, fiscal agent or other custodian for, all or a substantial part of the property of such Maker; or (vi) appoint or consent to the appointment of a receiver, trustee, fiscal agent or other custodian for all or a substantial part of the property of such Maker.

Upon the occurrence of any Event of Default, all accrued but unpaid interest and all outstanding principal under this Term Note C shall become immediately due and payable in full upon written demand by the Holder.

6. REMEDIES.

No right, power or remedy conferred hereby upon the Holder shall be exclusive, and each such right, power or remedy shall be cumulative and in addition to every other right, power or remedy, whether conferred hereby or now or hereafter available under contract, at law, in equity, by statute or otherwise.

7. NO IMPLIED WAIVERS.

No course of dealing between the Holder and the Makers and no delay in exercising any right, power or remedy conferred hereby or now or hereafter existing under contract, at law, in equity, by statute or otherwise, shall operate as a waiver of or otherwise prejudice any such right, power or remedy.

8. INTEREST SAVINGS PROVISION.

In the event that this Term Note C shall require the payment of interest in excess of the maximum amount permissible under applicable law, then the Makers' obligation to pay interest hereunder shall, automatically and retroactively, be deemed reduced to the highest maximum amount permissible under applicable law. In the event the Holder receives as interest an amount which would exceed such maximum applicable rate, the amount of any excess interest shall not be applied to the payment of interest hereunder, but shall, automatically and retroactively, be applied to the reduction of the unpaid principal balance due hereunder. In the event and to the extent such excess amount of interest exceeds the outstanding unpaid principal balance hereunder, any such excess amount shall be immediately returned to the Makers by the Holder.

9. SUBORDINATION.

In the event that (a) the Makers or any of them commence voluntary proceedings under Title 11 of the United States Code or (b) an order for relief is entered against the Makers or any of them in

an involuntary proceeding under Title 11 of the United States Code (together, a “**Bankruptcy Event**”) at any time prior to the maturity date and the indefeasible payment in cash in full and the complete performance of the obligations existing or arising under the Promissory Note (Term Note D) that may be issued by the Makers pursuant to the Reorganization Plan (the “**Term Note D**”), then this Term Note C and all obligations hereunder shall be subordinated in rights of payment to all of the obligations of the Makers to the holders under the Term Note D. The Holder hereby agrees to subordinate, and does hereby subordinate, in the case of the occurrence of a Bankruptcy Event (a) payment by the Makers of all or any part of any Maker’s obligations, liabilities and indebtedness which may now or hereafter be owing by any Maker to the Holder under this Term Note C, including the outstanding balance of principal and accrued interest from time to time owing by the Makers to the Holder, and all costs and expenses (including attorneys’ fees) owing by any Maker to the Holder, to the indefeasible payment in cash in full and complete satisfaction by the Makers of all obligations under the Term Note D, and (b) all rights and claims which the Holder may have by virtue of this Term Note C against the assets and properties of the Makers, to all security interests, pledges, mortgages and liens now or hereafter securing the Term Note D.

10. PROVISIONS OF GENERAL APPLICATION.

(a) **Notices.** Any and all notices required or permitted pursuant to the provisions of this Term Note C shall be in writing and given to the Makers or the Holder by one of the methods provided below, and will be effective and deemed to provide such party sufficient notice under this Term Note C on the earliest of the following: (a) at the time of personal delivery, if delivery is in person; (b) at the time of transmission by facsimile or electronic mail, addressed to the other party at its facsimile number or electronic mail address specified herein; (c) one (1) business day after deposit with an express overnight courier, with proof of delivery from the courier requested; or (d) two (2) business days after deposit in the United States mail by certified mail (return receipt requested). All notices shall be sent with postage and/or other charges prepaid and properly addressed or directed to the Holder at the address or electronic destination set forth on the signature page to this Term Note C and to the Makers at 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817, Attention: Jerry Correa, Facsimile No. (808) 547-6616, Email Address: JCorrea@stfranchishawaii.org, or to such other address or electronic destination as any party may designate by one of the indicated means of notice herein.

(b) **Governing Law.** This Term Note C and the rights of the Holder and of the Makers hereunder shall be governed by and interpreted, construed, applied and enforced in accordance with the internal and substantive laws of the State of Hawaii, without giving effect to principles of conflict of laws or the choice of law rules of any jurisdiction to the extent that the application of the law of any jurisdiction other than the State of Hawaii would be required or permitted thereby.

(c) **Severability.** If one or more provisions of this Term Note C shall be declared invalid, illegal, or unenforceable, the remaining provisions hereof shall remain in full force and effect and shall be construed in the broadest possible manner to effectuate the purposes hereof. The parties further agree to replace such invalid, illegal, or unenforceable provisions with provisions which will achieve, to the extent possible, the economic, business, and other purposes of the invalid, illegal, or unenforceable provisions.

(d) **Assignment.** Neither this Term Note C nor any rights or obligations of the Makers or the Holder hereunder may be assigned, conveyed or transferred, in whole or in part, without the prior written consent of the other. The rights and obligations of the Makers and the Holder under this Term Note C shall be binding upon and benefit their respective permitted successors, assigns, heirs, administrators and transferees. Any defenses that may be available at any time to any of the Makers shall be equally applicable to the Holder and to any transferee, assignee, or successor-in-interest to the Holder, whether by voluntary transfer, involuntary transfer, operation of law, court or administrative order, or otherwise.

(e) **Amendments and Waivers.** Any term of this Term Note C may be amended and the observance of any term of this Term Note C may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Makers and the Holder.

(f) **Construction of Note Terms.** The terms of this Term Note C have been approved by the United States Bankruptcy Court for the District of Hawaii in connection with the confirmation of the Reorganization Plan. Accordingly, in the event an ambiguity or question of intent or interpretation arises, this Term Note C shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Term Note C.

(g) **Jurisdiction.** The Makers and the Holder each hereby consents and agrees that the state or federal courts located in Honolulu, Hawaii (including, without limitation, the United States Bankruptcy Court for the District of Hawaii to the extent that Bankruptcy Court shall then have continuing jurisdiction over the matters which are the subject of this Term Note C) shall have exclusive jurisdiction to hear and determine any claims or disputes between or among the parties hereto pertaining to this Term Note C. Each of the Makers and the Holder expressly submits and consents in advance to such exclusive jurisdiction in Honolulu, Hawaii in any action or suit commenced in any such court, and hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue or inconvenient forum (*forum non conveniens*), and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court.

[The signatures of the parties are contained on the following page.]

IN WITNESS WHEREOF, each of the Makers has caused this Term Note C to be executed and delivered in its name by its duly authorized representative as of the date first above written.

THE MAKERS

ST. FRANCIS HOSPITALS HAWAII,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

ST. FRANCIS HOSPITAL-LILIHA,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

ST. FRANCIS HOSPITALS-EWA,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

AGREED AND ACKNOWLEDGED:

THE HOLDER

_____,
a _____

By: _____

Name: _____

Title: _____

Address:

Facsimile No.: (____) _____

Email Address: _____

[SIGNATURE PAGE TO TERM NOTE C PAYABLE TO _____]

EXHIBIT 7

PROMISSORY NOTE

(Term Note D)

\$1,750,000 _____, 2010

FOR VALUE RECEIVED, ST. FRANCIS HOSPITALS HAWAII, a Hawaii nonprofit corporation (“*Hospitals*”), ST. FRANCIS HOSPITAL-LILIHA, a Hawaii nonprofit corporation (“*Liliha*”), and ST. FRANCIS HOSPITAL-EWA, a Hawaii nonprofit corporation (“*Ewa*”), hereby promise, jointly and severally, to pay to each holder of an Allowed General Unsecured Claim in Class 7 of the Reorganization Plan (as such term is defined in the paragraph immediately below) (the “*Holder*”), on _____, 2013 (the “*Maturity Date*”), a Pro Rata Share (as such term is defined in *Section 2* below) of the principal sum of One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000), or so much thereof as shall remain unpaid hereunder, without the accrual or payment of any interest under this Promissory Note (Term Note D) (the “*Term Note D*”). Each of Hospitals, Liliha, and Ewa are referred to herein as a “*Maker*” and together as the “*Makers*.”

This Term Note D is issued in connection with the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC Proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, filed in the United States Bankruptcy Court for the District of Hawaii (the “*Bankruptcy Court*”) in the case of *CHA Hawaii, LLC et al.*, Case No. 08-01369 (as it may be modified, amended, or supplemented from time to time, the “*Reorganization Plan*”) which was confirmed by the Bankruptcy Court pursuant to the _____ entered on _____, 2010 (the “*Confirmation Order*”). This Term Note D shall be unsecured.

1. NO INTEREST PAYMENTS.

This Term Note D shall not bear any interest, and no interest shall be due or payable hereunder by the Makers or any of them.

2. PRINCIPAL PAYMENT.

The Makers agree to pay to each Holder its Pro Rata Share of the principal balance of this Term Note D on the Maturity Date, or so much thereof as shall remain outstanding and unpaid on that date, in full and complete satisfaction of all obligations due hereunder, without any interest due thereon. “*Pro Rata Share*” shall mean the ratio of the Allowed Amount (as such term is defined in the Reorganization Plan) of such Holder’s Allowed General Unsecured Claim (as such term is defined in the Reorganization Plan) to the aggregate Allowed Amounts of all Allowed General Unsecured Claims in Class 7 of the Reorganization Plan.

3. METHOD OF PAYMENT.

Payment of principal on the Maturity Date shall be made in lawful money of the United States by corporate check of any Maker deposited into the U.S. mails and directed to the Holder in

accordance with the Reorganization Plan. If the Maturity Date falls due on a Saturday, Sunday or other day which is not a business day in the State of Hawaii, then such due date shall be extended to the next following business day.

4. PREPAYMENT.

This Term Note D may be prepaid at the option of the Makers at any time and from time to time, in whole or in part, without any prepayment penalty or fee.

5. DEFAULT.

An “*Event of Default*” will occur if any of the following happens and such default is not cured within a thirty (30) day period after the Holder has given the Makers written notice of such default:

(a) **Payment Obligations.** The Makers fail to make payment of the principal balance of this Term Note D on the Maturity Date; or

(b) **Bankruptcy and Insolvency.** Any of the Makers shall (i) commence a voluntary case under Title 11 of the United States Code as from time to time in effect; (ii) file an answer or other pleading admitting or failing to deny the material allegations of a petition filed against such Maker commencing an involuntary case under said Title 11, or seek consent to or acquiesce in the relief therein provided, or fail to controvert timely the material allegations of any such petition; (iii) be subject to the entry of an order for relief in any involuntary case commenced under said Title 11; (iv) seek relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or consent to or acquiesce in such relief; (v) be subject to the entry of an order by a court of competent jurisdiction (A) finding such Maker to be bankrupt or insolvent, (B) ordering or approving the liquidation, reorganization or any modification or alteration of the rights of the creditors of such Maker, or (C) assuming custody of, or appointing a receiver, trustee, fiscal agent or other custodian for, all or a substantial part of the property of such Maker; or (vi) appoint or consent to the appointment of a receiver, trustee, fiscal agent or other custodian for all or a substantial part of the property of such Maker.

6. REMEDIES.

No right, power or remedy conferred hereby upon the Holder shall be exclusive, and each such right, power or remedy shall be cumulative and in addition to every other right, power or remedy, whether conferred hereby or now or hereafter available under contract, at law, in equity, by statute or otherwise.

7. NO IMPLIED WAIVERS.

No course of dealing between the Holder and the Makers and no delay in exercising any right, power or remedy conferred hereby or now or hereafter existing under contract, at law, in equity, by statute or otherwise, shall operate as a waiver of or otherwise prejudice any such right, power or remedy.

8. PROVISIONS OF GENERAL APPLICATION.

(a) **Notices.** Any and all notices required or permitted pursuant to the provisions of this Term Note D shall be in writing and given to the Makers or the Holder by one of the methods provided below, and will be effective and deemed to provide such party sufficient notice under this Term Note D on the earliest of the following: (a) at the time of personal delivery, if delivery is in person; (b) at the time of transmission by facsimile or electronic mail, addressed to the other party at its facsimile number or electronic mail address specified herein; (c) one (1) business day after deposit with an express overnight courier, with proof of delivery from the courier requested; or (d) two (2) business days after deposit in the United States mail by certified mail (return receipt requested). All notices shall be sent with postage and/or other charges prepaid and properly addressed or directed to the Holder at the address or electronic destination set forth on the signature page to this Term Note D and to the Makers at 2226 Liliha Street, Suite 227, Honolulu, Hawaii 96817, Attention: Jerry Correa, Facsimile No. (808) 547-6616, Email Address: JCorrea@stfrancishawaii.org, or to such other address or electronic destination as any party may designate by one of the indicated means of notice herein.

(b) **Governing Law.** This Term Note D and the rights of the Holder and of the Makers hereunder shall be governed by and interpreted, construed, applied and enforced in accordance with the internal and substantive laws of the State of Hawaii, without giving effect to principles of conflict of laws or the choice of law rules of any jurisdiction to the extent that the application of the law of any jurisdiction other than the State of Hawaii would be required or permitted thereby.

(c) **Severability.** If one or more provisions of this Term Note D shall be declared invalid, illegal, or unenforceable, the remaining provisions hereof shall remain in full force and effect and shall be construed in the broadest possible manner to effectuate the purposes hereof. The parties further agree to replace such invalid, illegal, or unenforceable provisions with provisions which will achieve, to the maximum extent possible, the economic, business, and other purposes of the invalid, illegal, or unenforceable provisions.

(d) **Assignment.** Neither this Term Note D nor any rights or obligations of the Makers or the Holder hereunder may be assigned, conveyed or transferred, in whole or in part, without the prior written consent of the other. The rights and obligations of the Makers and the Holder under this Term Note D shall be binding upon and benefit their respective permitted successors, assigns, heirs, administrators and transferees. Any defenses that may be available at any time to any of the Makers shall be equally applicable to the Holder and to any transferee, assignee, or successor-in-interest to the Holder, whether by voluntary transfer, involuntary transfer, operation of law, court or administrative order, or otherwise.

(e) **Amendments and Waivers.** Any term of this Term Note D may be amended and the observance of any term of this Term Note D may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Makers and the Holder.

(f) **Construction of Note Terms.** The terms of this Term Note D have been approved by the Bankruptcy Court pursuant to the Confirmation Order. Accordingly, in the event an ambiguity or question of intent or interpretation arises, this Term Note D shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Term Note D.

(g) **Jurisdiction.** The Makers and the Holder each hereby consents and agrees that the state or federal courts located in Honolulu, Hawaii (including, without limitation, the Bankruptcy Court to the extent the Bankruptcy Court shall then have continuing jurisdiction over the matters which are the subject of this Term Note D) shall have exclusive jurisdiction to hear and determine any claims or disputes between or among the parties hereto pertaining to this Term Note D. Each of the Makers and the Holder expressly submits and consents in advance to such exclusive jurisdiction in Honolulu, Hawaii in any action or suit commenced in any such court, and hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue or inconvenient forum (*forum non conveniens*), and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court.

[The signatures of the parties are contained on the following page.]

IN WITNESS WHEREOF, each of the Makers has caused this Term Note D to be executed and delivered in its name by its duly authorized representative as of the date first above written.

THE MAKERS

ST. FRANCIS HOSPITALS HAWAII,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

ST. FRANCIS HOSPITAL-LILIHA,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

ST. FRANCIS HOSPITALS-EWA,
a Hawaii nonprofit corporation

By: _____

Name: _____

Title: _____

AGREED AND ACKNOWLEDGED:

THE HOLDER

By: _____

Name: _____

Title: _____

Address:

Facsimile No.: (____) _____

Email Address: _____

[SIGNATURE PAGE TO TERM NOTE D]

EXHIBIT 8



199 Water Street
20th Floor
New York, NY 10038

May 5, 2010

Ms. Pauline Osborne
Controller
St. Francis Healthcare System of Hawaii
2226 Liliha Street, Suite 227
Honolulu, HI 96817

CC:
Jerrea Correa, Chief Information Officer, St. Francis Healthcare System of Hawaii
Richard Dahl, Chairman, St. Francis Healthcare System of Hawaii
Young Chang, Altaris Capital, on behalf of Brim Healthcare
Shari Sakami, St. Francis Healthcare System of Hawaii

Dear Ms. Osborne:

Healthcare Finance Group, LLC ("HFG") is pleased to set forth below the proposed terms of an exit financing facility in connection with St. Francis Healthcare System of Hawaii ("SFHS")'s proposed Plan of Reorganization ("SFHS POR") filed in the Hawaii Medical Center, LLC, Hawaii Medical Center East, LLC, and Hawaii Medical Center West, LLC (referred to below, with any and all subsidiaries, collectively as "HMC" or "Provider") Ch. 11 bankruptcy proceeding whereby SFHS contemplates operating the hospital facilities currently owned by HMC as not for profit 501(c)(3) corporations if its Plan is successfully confirmed and HMC emerges from Ch. 11 bankruptcy. For purposes hereof, "Borrower" shall include the reorganized entity which succeeds to the interests of the debtors HMC in connection with SFHS POR.

SUMMARY OF TERMS

GENERAL OVERVIEW:

The program provides funds to Borrower through ongoing funding, on a borrowing base formula basis, of eligible accounts receivable generated by HMC.

**TERM SHEET
EXPIRATION DATE:**

If not accepted by the SFHS this term sheet expires one week from the date of issuance, as listed above, unless mutually extended by both parties.

BORROWER:

Post-confirmation St. Francis Hospitals Hawaii, or a designated subsidiary or subsidiaries thereof.

LENDER:

HFG, or its assigns.

COMMITTED AMOUNT:

\$12,000,000 with a \$2,000,000 sub-limit for standby letters of credit.

<u>ADVANCE RATE:</u>	80% of the collectible value of Eligible Receivables aged up to 150 days, subject to due diligence.
<u>INTEREST RATE:</u>	3-month LIBOR + 5.50%.
<u>LIBOR FLOOR:</u>	The rate set for U.S. dollars 3-month LIBOR shall not be less than 2.00%.
<u>MATURITY:</u>	Three Years.
<u>COMMITMENT FEE:</u>	1.75% of the Committed Amount.
<u>NON-UTILIZATION FEE:</u>	0.50% per annum payable monthly on the difference between the Committed Amount and the greater of: 1) average outstanding balance, or 2) \$3,000,000.
<u>COLLATERAL TRACKING FEE:</u>	\$3,000 per month.
<u>MINIMUM USAGE:</u>	Borrower agrees to maintain a minimum balance of no less than \$3,000,000.
<u>EARLY TERMINATION FEE:</u>	2.0% in year one and 1.0% thereafter.
<u>EXPENSES:</u>	SFHS is responsible for all due diligence and legal expenses of Lender related to this transaction (including attorneys' fees and expenses related to enforcing this provision) whether or not it closes. A \$35,000 advance against expenses is due and payable from SFHS upon signing this letter, with any unused portion of the deposit refunded to SFHS whether or not the transaction contemplated herein does not close. Upon commencement of legal due diligence or loan documentation, SFHS may need to provide an additional advance against estimated legal expenses.
<u>SFHS POR:</u>	In general, the SFHS POR, the order confirming the SFHS POR, the contemplated Financing as proposed in this Term Sheet, and all documents, agreements, schedules and exhibits related to or entered into or delivered in connection with the SFHS POR shall be acceptable to the Lender in its sole discretion. Any changes to the exit financing as contemplated by this Term Sheet must be approved by Lender. In particular, the structure and all terms of, and the documentation for, each component of the Reorganization shall be satisfactory in form and substance to Lender, and such documentation shall be in full force and effect. It is understood and agreed that the SFHS POR and Disclosure Statement, each in the form filed with United States Bankruptcy Court for the District where HMC is pending, are satisfactory, <u>provided</u> that it is hereby further understood and agreed that (x) the SFHS POR documents will be modified in a manner satisfactory to Lender to reflect the exit facility contemplated by this Summary of Terms, (y) any modifications or waivers to the SFHS POR documents must be satisfactory to Lender, and (z) all documents executed and delivered to effectuate the SFHS POR (including without limitation those whose terms are summarized in attachments to the plan) shall be required to be in form and

substance satisfactory to Lender; (ii) all conditions precedent to the consummation of the reorganization, as set forth in the documentation relating thereto, shall have been satisfied, and not waived except with the consent of Lender and each component of the reorganization shall have been consummated in accordance with the documentation therefor and all applicable laws; (iii) Lender shall be satisfied with all liabilities assumed (and not discharged) pursuant to the SFHS POR; (iv) the SFHS POR, the disclosure statement and the other plan documents shall, in each case, have been approved by the United States Bankruptcy Court and be in the form approved pursuant to clauses above; (v) the SFHS POR shall have been confirmed pursuant to a confirmation order (the "Confirmation Order") in accordance with Sections 1128 and 1129 of the Bankruptcy Code, and such Confirmation Order shall be in form and substance satisfactory to Lender; (vi) the Confirmation Order shall not have been stayed and all conditions precedent to the effective date of the SFHS POR shall have been satisfied (and not waived without the consent of Lender) to the satisfaction of Lender; (vii) the SFHS POR shall become effective on or before August 31, 2010.

COLLATERAL:

Lender will be granted a perfected first priority lien on all of the Borrower's accounts receivable and proceeds thereof, inventory, general intangibles related to the accounts receivable and to the extent necessary to collect accounts receivable, and a second lien on all other assets subject to the first lien held by SFHS and affiliates.

LOCK BOXES:

All payors on the receivables will be instructed to send payments to designated lockboxes for deposit. The deposits will be swept to Lender daily, made available for draws by Borrower on a same-day basis, and credited against the loan in five business days.

ELIGIBLE RECEIVABLES:

All receivables due from third-party payers acceptable to Lender in its sole discretion.

REPRESENTATIONS AND WARRANTIES:

Usual and customary, including organization in good standing, validity of agreements, tax status, compliance with law, litigation and Provider's billing and collection policies and procedures.

DUE DILIGENCE:

Before closing, a review of the Provider's historical and projected financial information, SFHS POR, receivables performance, its systems, management controls, servicing capabilities and other matters will be conducted. Pending consummation of the Proposed Transaction, SFHS will keep Lender advised with respect to HMC's business activities and financial condition, and will furnish to Lender such information as may be requested, all to the extent such information is available to SFHS and obtainable by SFHS.

FINANCIAL COVENANTS:

To be determined by Lender, in consultation with SFHS.

CONFIDENTIALITY:

Except as otherwise provided herein, SFHS agrees that the existence and the terms of this letter are confidential, may not be disclosed by SFHS to any party, and may not be used for any purpose other than the consummation of the transaction outlined herein; provided however, that SFHS may disclose the terms of this letter to the attorneys and professional consultants representing the SFHS in this transaction who agree in advance to the same confidentiality provisions stated herein. Lender agrees that we will not disclose SFHS' or Provider's confidential information, except (a) as may be required by law, rule, or regulation (and to the extent legally permissible, we will provide notice to you prior to such disclosure) and (b) to our and our affiliates' officers, directors, employees, attorneys, agents, and, to the extent such parties agree to maintain the confidentiality of such information, to potential co-lenders or co-investors, participants, assignees, and professional consultants in connection with this transaction. Notwithstanding anything herein to the contrary, SFHS shall be permitted to file this letter with the Bankruptcy Court and to disclose and discuss this letter in connection with or relating to (i) confirmation of the SFHS POR and/or (ii) a motion seeking authority for SFHS to execute this letter and requiring HMC to pay the \$35,000 advance against expenses and any additional advances.

**GOVERNING LAW,
WAIVER OF JURY TRIAL,
JURISDICTION:**

In the event that the Bankruptcy Court exercising jurisdiction over Provider's Ch. 11 does not have jurisdiction, in connection with the transaction outlined herein, all parties, as of the date hereof, agree: (i) that the law of the State of New York governs without regard to any conflicts of law principles; (ii) to the waiver of a trial by jury; and (iii) to the jurisdiction of the state and federal courts located in New York County, New York City, New York.

Lender's consummation of this financing will be subject to (a) SFHS and Lender reaching final agreement on the terms, conditions and other provisions to be included in the supporting documentation for the financing, (b) authorization of the transaction by the Board of Directors of Borrower and the Credit Committee of Lender, (c) liquidity and capitalization of Borrower acceptable to Lender at closing, (d) Inter Creditor and subordination agreement(s) and collateral and other assignments in form and substance acceptable to Lender, (e) Lender being satisfied with all terms and conditions of the SFHS POR, (f) retention of Borrower's management team acceptable to the Lender, (g) confirmation of the SFHS POR and emergence of Borrower from bankruptcy, and (h) the satisfaction of Lender's counsel with the documentation, proceedings, and legal opinions incident to the proposed transaction.

If the funding facility contemplated herein does not close on or before the earlier of (i) the emergence date from bankruptcy or (ii) 90 days from the date of Borrower's signing of this term sheet, HFG reserves the right to adjust the pricing and terms.

The Summary of Terms and conditions herein is not meant to be, nor should it be construed as, an attempt to define all of the terms and conditions of the proposed exit financing contemplated hereby, nor is it

intended to reflect specific document phrasing that will exist in the loan agreement. It is intended only to outline the basic points of business understanding around which binding legal documentation may be negotiated and / or structured. Healthcare Finance Group, LLC has not completed its due diligence and has not received approval from its credit committee to enter into the transaction described herein and remains subject thereto.

If the terms and conditions set forth above are acceptable to you, please so indicate by signing the enclosed copy of this letter in the place provided and returning the same to me, along with the \$35,000 advance.

Sincerely,



Alan G. Regdos II
Senior Vice President
National Underwriting Manager

Accepted and agreed to:

By:  on this date: 5/5/2010
Name: _____
Title: _____

WIRE TRANSFER INSTRUCTIONS

Bank Name: JP Morgan Chase
ABA: 021000021
Account #: 6302088541
Account Name: Healthcare Finance Group, LLC
Reference: Hawaii Medical Center

EXHIBIT 9

AGREEMENT FOR MANAGEMENT SERVICES

Parties

THIS AGREEMENT FOR MANAGEMENT SERVICES is entered this 5th day of May, 2010, by and between ST. FRANCIS HOSPITALS HAWAII ("St. Francis") and BRIM HEALTHCARE, INC., 105 Westwood Place, Suite 300, Brentwood, Tennessee 37027 ("Brim").

Recitals

A. St. Francis operates St. Francis Hospital-Liliha, Honolulu, Hawaii, and St. Francis Hospital-Ewa, Ewa Beach, Hawaii, acute care hospitals licensed in the state of Hawaii (each referred to hereinafter as a "Facility" and together as the "Facilities").

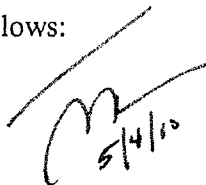
B. The Facilities provide acute general inpatient and outpatient services, and such other ancillary services as established by St. Francis' governing board for the Facilities (the "Board").

C. St. Francis requires the services of an experienced chief executive officer ("CEO"), an experienced chief financial officer ("CFO"), and two experienced chief operating officers (each a "Facility COO") to direct the Facilities, along with such management and other services described herein, necessary for the administration of the Facilities.

D. St. Francis desires to obtain Brim's services, and Brim agrees to provide a CEO, CFO, and two Facility COOs, along with such management and other services described herein, upon the terms and conditions set forth herein.

Agreement

NOW, THEREFORE, for good and valuable consideration and incorporating the recitals set forth above, St. Francis and Brim agree as follows:

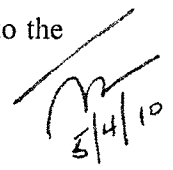
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ARTICLE I
DIVISION OF AUTHORITY AND RESPONSIBILITY

1.1 Authority and Responsibility of St. Francis and the Facilities. The full authority and ultimate control of St. Francis and the Facilities shall at all times remain exclusively with the Board of Directors of each of St. Francis and the Facilities, as applicable. The Board of Directors of each of St. Francis and the Facilities, as applicable, shall retain all authority placed on it by law, its respective Articles of Incorporation and Bylaws, and any other governing documents of St. Francis and the Facilities, all as may be amended from time to time. The duly appointed officers and employees of St. Francis other than the Brim appointed CEO, CFO, and each Facility COO shall retain such other authority as shall not have been specifically delegated to Brim as an independent contractor pursuant to the terms of this Agreement.

1.1.1 Compliance. Subject to the management and oversight responsibility of the CEO, CFO, and each Facility COO as set forth in Section 1.2 of this Agreement, St. Francis and the Facilities shall retain the full responsibility for compliance by St. Francis and the Facilities with all applicable federal, state, and local laws, including, without limitation, compliance with federal and state laws relating to “fraud and abuse” by hospitals and other healthcare providers, including compliance with the federal Stark law of 42 U.S.C. §1395nn et seq. St. Francis shall have, maintain, and implement at each Facility throughout the term of this Agreement a compliance program that is consistent with the Office of Inspector General’s “Model Compliance Guidelines for Hospitals.”

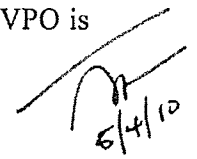
1.1.2 Board Representation. The Board or its Designated Representative (as such term is defined below in this Section 1.1.2) shall represent St. Francis and the Facilities in matters pertaining to the interpretation of this Agreement; provided, that in any situation in which, pursuant to the terms hereof, the Board shall be required or permitted to take any action, to give any approval, or to receive any report, Brim shall be entitled to rely upon the written statement of the representative or representatives of the Board who shall be designated in writing by the Board to act on its behalf under this Agreement (the “Designated Representative”), or in the absence of any such designation, the de facto Designated Representative shall be the Chair of the Board, to the effect that any such action or approval has been taken or given. Delivery of any such report to the



Designated Representative shall constitute delivery to the Board. Whenever any action shall be subject to the approval of the Board, the Board or the Designated Representative shall provide its decision to Brim in a timely fashion after receiving written notification of the proposed action.

1.1.3 Medical Staff; Medical and Professional Matters. Each Facility's medical staff shall be organized and shall function according to its medical staff bylaws and the laws and regulations of the state in which the Facilities are licensed, as they may be amended from time to time. Brim shall consult with each Facility's medical staff and the Board, as may from time to time be appropriate, with respect to issues relevant to the medical staff. All matters requiring professional medical judgment shall remain the sole responsibility of each Facility's medical staff, nurses, and allied health professionals. Brim, its employees, and contractors shall have no responsibility, control over, or liability whatsoever for such medical judgment and Brim shall not in any way be responsible for the credentialing of any healthcare professionals on staff at any Facility. Brim may rely on the recommendations of each Facility's medical staff and its designated committees and department chairmen relative to the quality of professional services provided by individuals with clinical privileges, and on recommendations of the Board and the medical staff, or any jointly appointed or Board appointed committee or representative as to the adequacy and proper state of repair of all medical equipment and the professional competency, training and requisite supervision of nurses, medical technicians, and other allied health professionals and medical staff.

1.2 Authority and Responsibility of Brim. Any powers not specifically delegated or granted by the Board to Brim will remain with St. Francis and the Facilities. The Board authorizes Brim to exercise, in accordance with written policies of the Board, the reasonable business judgment of a hospital management company in the discharge of Brim's duties hereunder, including oversight, supervision, and effective management of the day-to-day business operations of the Facilities through the CEO, CFO, and Facility COOs. Except as otherwise noted herein, and in particular Sections 1.2.5 and 2.2.4, all duties of Brim hereunder shall be exercised through the CEO, CFO, and Facility COOs, or if one is engaged hereunder, the Interim CEO, Interim CFO, Interim Facility COO, or VPO (as defined below while the VPO is



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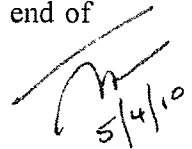
serving as Interim CEO). Specifically, Brim, through the CEO, CFO, and Facility COOs shall have responsibility and commensurate authority, subject to the terms of this Agreement, the direction, supervision, and prior approval of the Board, the written policies of the Board, and the budgets approved by the Board as hereinafter provided, for the following activities:

1.2.1 Personnel Administration. Brim shall be responsible for overseeing the recruitment, hiring, promotion, discharge, and disciplining of Facility employees (including employed physicians) in accordance with the Board-approved policies of each Facility; provided, however, that Brim's supervisory and management authority shall not extend to any aspect of such employees' professional medical judgment or medical actions, and provided further that Brim shall not have responsibility for the payment or provision of the wages, benefits, withholding, payroll taxes, and other expenses associated with such employees, nor shall Brim have any vicarious liability for the acts or omissions of such employees, but Brim shall have direct liability if it is negligent in the hiring of such employees.

1.2.2 Accounting and Financial Records.

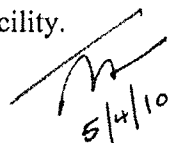
A. Accounting Procedures. Brim shall be responsible for overseeing the establishment and administration of accounting procedures and controls, in accordance with GAAP (as defined below), and overseeing the establishment and administration of systems for the development, preparation and safekeeping of records and books of account relating to the business and financial affairs of each Facility. Brim shall be responsible for overseeing the financial audit function by St. Francis and each Facility (including, on behalf of St. Francis and the Facilities, communicating and dealing with the third party independent auditors selected by the Board after consultation with and advice from Brim), the conduct of annual and other periodic audits, and the production of all audit reports.

B. Budgets. Within a reasonable period prior to the end of each Facility's fiscal year, but in no event later than thirty (30) days prior to the end of



each Facility's fiscal year, Brim shall submit to the Board for approval the following budgets covering each Facility's operations for the next fiscal year:

1. Capital Expenditures. A capital expenditure budget outlining a program of capital expenditures for the next fiscal year.
 2. Operating Budget. A detailed budget setting forth an estimate of operating revenues and expenses for the coming fiscal year.
 3. Cash Flow Projection. A projection of cash receipts and disbursements based upon the proposed operating and capital budgets, together with recommendations as to the use of projected cash flow.
- C. Collection of Accounts. Brim shall oversee the revenue cycle process including the collection of accounts and monies owed to each Facility, provided, however, that Brim shall not have any authority to develop substantive billing or coding policies for the Facilities, which authority shall remain with the Board, and provided further that Brim shall not provide any billing or coding services to St. Francis or the Facilities under this Agreement.
- D. Cost Reports. Brim shall oversee the timely preparation of each Facility's annual cost reports; provided, however, St. Francis shall have ultimate responsibility for the submission of the Facilities' cost reports. Once prepared, the cost reports shall be submitted to the Board for its approval sufficiently in advance of any filing or due dates to allow St. Francis to comply timely with all applicable legal and regulatory requirements. Upon approval by the Board, the cost reports shall be signed by the CEO at the direction of, and acting for, the Board and shall be filed by or at the direction of the CEO on behalf of, and in the name of, each Facility.


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E. Payment of Accounts and Indebtedness. Brim shall oversee the payment of payroll, trade accounts, amounts due on short- and long-term indebtedness, taxes and all other obligations of each Facility; provided, however, that Brim's responsibility under this paragraph shall be limited to the exercise of reasonable diligence and care to apply the funds collected in the operation of each Facility to its obligations in a timely and prudent manner.

F. Depositories for Funds. Brim shall oversee the maintenance of accounts, including certificates of deposits, in such banks, savings and loan associations and other financial institutions as the Board may from time to time select with such balances therein (which may be interest bearing or non-interest bearing) as Brim shall from time to time deem appropriate, subject to additional direction from the Board. All such bank accounts shall be maintained in the name of St. Francis or each Facility, as applicable, and controlled by St. Francis or each Facility, as applicable, in accordance with applicable Medicare reassignment rules. Checks withdrawing funds from said bank accounts and said depositories shall be signed only in a manner determined from time to time by the Board.

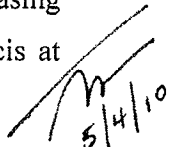
1.2.3 Purchases, Contracts, and Leases.

A. Contracts for Services. Subject to any applicable legal and regulatory requirements, and applicable Board policies, Brim may, subject to the limitations contained Section 1.2.6, negotiate, enter into, amend, terminate, and administer on behalf of each Facility and in the name of St. Francis or each Facility, as applicable, such contracts for the provision of products and services as are necessary for the operation of each Facility in the ordinary course of business and for maintenance and repair of the physical plant of each Facility; provided, however, that Brim shall not execute the following types of contracts without the specific prior approval of the Board:

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1. Collective bargaining contracts;
2. Contracts for the purchase or lease of real estate; and
3. Physician contracts and guarantees (including, but not limited to, recruitment agreements, etc.).

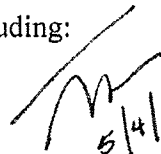
B. Purchasing Agreements. Brim shall offer each Facility access to purchasing agreements in which Brim may from time to time participate. St. Francis agrees to utilize at each Facility the purchasing agreements for all products and services available through the program so long as such products and services are not available to St. Francis or the Facilities from other vendors or suppliers at more favorable prices or on more favorable terms to St. Francis or the Facilities, unless a request for deviation has been submitted to Brim in writing setting forth the basis for such request, and such request is approved by Brim, which approval shall not be unreasonably withheld, conditioned, or delayed. St. Francis acknowledges that the overall commitment and utilization at each Facility of the purchasing agreements by St. Francis and the Facilities will affect Brim's ability to maximize savings to St. Francis. St. Francis acknowledges that as part of an agreement to furnish goods or services to St. Francis or a Facility, Brim, acting as a group purchasing organization as defined in 42 C.F.R. §§1001.952(j) (commonly known as the "group purchasing organization safe harbor" to the Anti-Kickback law), may receive payment from the vendor thereof in connection with certain products that are purchased, licensed or leased by St. Francis or a Facility and, to the extent such products are billable in whole or in part to federal healthcare programs, are billed by each Facility and not by the vendor of the product. Such payment to Brim from each such vendor may not exceed three percent (3%) of the purchase price of the goods or services provided by the participating vendor. To the extent required by the group purchasing organization safe harbor, Brim will disclose in writing to St. Francis at

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least annually, and to the Secretary of Health and Human Services (and the corollary governmental agencies of the State of Hawaii or any of their duly authorized representatives, to the extent required) upon request, the amount received from each such vendor with respect to purchases made by or on behalf of each Facility. Manufacturers' discounts which are based upon sales shall be paid or credited, as applicable, to St. Francis in their entirety, and Brim shall report such discounts to the Facilities at least quarterly.

1.2.4 Management Support Services. Brim shall review, monitor, and recommend management improvements or changes in the following areas of each Facility's operations, provided, however, that Brim shall not provide any marketing or advertising services to St. Francis or the Facilities under this Agreement:

- (1) Administration.
- (2) Nursing.
- (3) Labor Management.
- (4) Regulatory compliance.
- (5) Joint Commission or state survey preparedness.
- (6) Financial operations.
- (7) Business office.
- (8) Materials Management and Purchasing.
- (9) Other Facility Departments (as requested by the Designated Representative).
- (10) Strategic and Financial planning, including:


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- market analysis
- business planning
- medical staff development planning, which shall include consideration of objectively identifiable community needs.

(11) Management Training and Development.

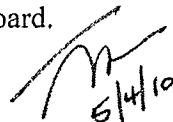
(12) Board Education.

1.2.5 Communications and Reports.

A. Reports. Brim shall present regular periodic written reports to the Board summarizing Brim's actions and results and such other written reports as Brim or the Board considers appropriate to keep the Board informed as to the status and condition of the Facilities.

B. Brim Oversight. Brim shall assign an officer of Brim (who shall be a vice president) who shall:

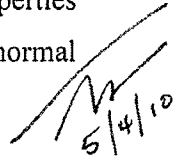
1. Provide supervision of, and coordinate support for, the CEO, CFO, and Facility COOs.
2. Evaluate the performances of the CEO, CFO, and Facility COOs, following input and discussion with the Board.
3. Coordinate the services of Brim as appropriate to the needs of St. Francis.
4. Attend meetings of the Board at least semi-annually and otherwise as reasonably requested by the Board, attend medical staff meetings as reasonably requested by St. Francis, and attend as appropriate any other major policy and/or strategy sessions reasonably requested by the Board.



5. Provide consultation in preparing material for Board decisions, operational issues/problems, special projects, and leadership development.
6. Submit and present an annual accountability report to the Board of services provided by Brim under this Agreement.

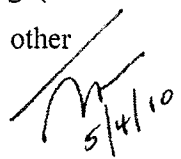
1.2.6 Limitation on Power and Authority of Brim. Notwithstanding anything set forth in this Agreement or otherwise, neither Brim, nor any of the Designated Officers (as such term is defined below in Section 4.4.1) or any Brim Representatives (as such term is defined below in Section 10.10) shall have the right, power, or authority to execute any contracts or agreements or otherwise bind or obligate St. Francis or either Facility with respect to any of the following matters, or to undertake or authorize St. Francis or either Facility to effect any of the following actions, without the express written approval of the Board:

- A. Merge, consolidate, convert, or otherwise reorganize St. Francis or either Facility with or into another entity, redomesticate or otherwise change the state or other jurisdiction where St. Francis or either Facility is organized, or enter into any share exchange (or similar transaction) between St. Francis or either Facility and another person or entity;
- B. Knowingly make any affirmation election to convert or reorganize St. Francis or either Facility into another entity form or cause St. Francis or either Facility to be taxed for federal, state, or local income, real property, excise, or other tax purposes;
- C. Dissolve, liquidate, or terminate the existence of St. Francis or either Facility;
- D. Purchase, lease, acquire or improve real property of any kind or nature, or purchase, lease or acquire any additional interest therein, by or for St. Francis or either Facility, or transfer or encumber any assets or properties of St. Francis or either Facility other than in the conduct of the normal



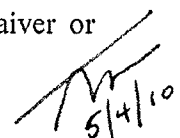
course of business of St. Francis or either Facility or with respect to transactions approved in any of the budgets adopted by St. Francis as set forth in Section 1.2.2 B.;

- E. Except as otherwise specifically provided herein, invest or reinvest funds of St. Francis or either Facility other than (i) depositing funds in an account of St. Francis or either Facility, as applicable, with a bank approved by the Board and organized under the laws of the United States, (ii) purchasing securities issued by the United States government or any agency or instrumentality thereof, (iii) purchasing certificates of deposit of any bank organized under the laws of the United States, (iv) purchasing securities issued by a money market fund having a net worth of \$500 million dollars or more, or (v) purchasing or making any comparably secure, liquid investment;
- F. Guarantee the obligations of any person or entity;
- G. Institute, prosecute, defend or settle any claim, litigation or other proceeding involving St. Francis or either Facility with respect to matters in which the amount in dispute is Seventy-Five Thousand Dollars (\$75,000) or more;
- H. Release any person or entity from any liability or potential liability to St. Francis or either Facility of Seventy-Five Thousand Dollars (\$75,000) or more;
- I. Confess judgment against St. Francis or either Facility if the amount involved exceeds Seventy-Five Thousand Dollars (\$75,000);
- J. Take any action to cause a Voluntary Bankruptcy (as defined below) of St. Francis or either Facility, or make an assignment for the benefit of creditors of St. Francis or either Facility. A "Voluntary Bankruptcy" means, with respect to St. Francis or either Facility, (a) instituting (or consenting to the institution of) proceedings or filing an answer or other

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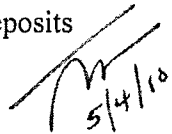
pleading in proceedings to have St. Francis or either Facility be adjudicated or otherwise determined to be bankrupt or insolvent; (b) seeking, consenting to, or acquiescing in the liquidation, winding up, dissolution, reorganization, rearrangement, adjustment, protection, composition, or other relief for St. Francis or either Facility or the debts of St. Francis or either Facility under any law relating to bankruptcy, insolvency, reorganization, liquidation or other relief of debtors, including Title 11 of the United States Code, as amended (a "Bankruptcy Law"); (c) seeking, consenting to, or acquiescing in the entry of any order, award, decision, injunction, judgment, ruling, decree, charge, writ, subpoena or verdict for relief or the appointment of a receiver, trustee, liquidator, custodian or other similar official for St. Francis or either Facility or all or any substantial part of the property or assets of St. Francis or either Facility under any Bankruptcy Law; or (d) making a general assignment for the benefit of the creditors of St. Francis or either Facility;

- K. Agree to indemnify, defend or hold harmless any person or entity with respect to an amount that is greater than Seventy-Five Thousand Dollars (\$75,000) except (1) as otherwise provided in this Agreement or (2) pursuant to contracts entered in the normal course of St. Francis' or a Facility's business which contain indemnification provisions which are consistent in scope and magnitude with St. Francis Medical Center's historical practices;
- L. Bind or obligate St. Francis or either Facility with respect to any agreement (or series of related agreements) (a) that has or will have a potential value or cost to St. Francis or either Facility of more than Seventy-Five Thousand Dollars (\$75,000) or (b) that cannot be terminated with or without cause on one hundred twenty (120) days' notice or less, without penalty or fee, if such contract has a duration in excess of one year (each a "Material Contract"), or agree on behalf of St. Francis or either Facility to any material amendment, modification, alteration, waiver or

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adjustment with respect to any Material Contract to which St. Francis or either Facility is a party or beneficiary;

- M. Except as otherwise provided in this Agreement, enter into, amend, restate, substitute or modify, or make any other decision with respect to, any contract, agreement, transaction or other arrangement between St. Francis or either Facility, on the one hand, and Brim or any of the Brim Representatives (or any affiliate of Brim or any of the Brim Representatives), on the other hand;
- N. Issue additional shares of capital stock or any debt or other equity interests in St. Francis or either Facility, or securities or interests exercisable or exchangeable for or convertible into any of such securities;
- O. Grant any option, conversion right, right of first offer or refusal or similar right to any person or entity to purchase any assets, properties, securities, or interest of St. Francis or either Facility, other than sales of inventory in the ordinary course of business;
- P. In any one transaction, or series of related transactions, issue a promissory note or other debt security, or otherwise borrow money other than trade payables in the ordinary course of business;
- Q. Create any Uniform Commercial Code or other consensual lien, mortgage, deed of trust, pledge, collateral assignment, security interest, option, right of first refusal or offer, hypothecation, or other encumbrance on all or part of the assets or properties of St. Francis or either Facility to secure loans or advances to St. Francis or either Facility or for any other purpose, other than (i) liens for taxes, assessments or governmental charges or levies incurred in the ordinary course of business, the payment of which is not at the time required; (ii) liens of carriers, warehousemen, artisans, mechanics and materialmen and other similar inchoate liens incurred in the ordinary course of business for sums not yet due; (ii) liens incurred or deposits

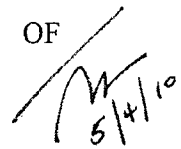

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made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or (iii) liens incurred in the ordinary course of business to secure the performance of tenders, statutory obligations, surety and appeal bonds, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

- R. Knowingly make any affirmative election to make distributions or dividends in cash or in-kind of any assets or properties, or otherwise to take any action, that has the effect of terminating the nonprofit status of St. Francis or either Facility;
- S. Take any action that requires approval by the Board as a matter of law or by the Articles of Incorporation, Bylaws, or other governing documents of St. Francis or either Facility, provided St. Francis timely delivers or makes available with notice to the Designated Officers current copies of such Articles of Incorporation, Bylaws, and other governing documents and all amendments made thereto from time to time; or
- T. Agree to and accomplish indirectly any of the things that are described above in this Section 1.2.6., except as directed to do so by the Board of St. Francis or a Facility.

1.2.7. Maintenance of Licensure and Certification. Each Facility COO shall direct that Facility's efforts to maintain its licenses and certifications in good standing, provided that St. Francis has the ultimate responsibility to obtain and maintain in good standing such licenses and certifications.

1.2.8 Limitation of Warranties. BRIM HEREBY DISCLAIMS AND EXCLUDES ALL WARRANTIES OF ANY KIND OTHER THAN AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, EXPRESS OR IMPLIED (WHETHER ARISING UNDER LAW OR EQUITY OR CUSTOM OR USAGE). INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF


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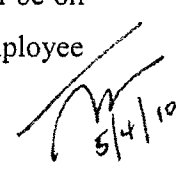
MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO ANY SUPPLIES, GOODS OR SERVICES PROVIDED TO ST. FRANCIS OR A FACILITY UNDER THIS AGREEMENT OR THROUGH THE GROUP PURCHASING PROGRAM AND ST. FRANCIS, ON BEHALF OF ITSELF AND THE FACILITIES, EXPRESSLY WAIVES RELIANCE UPON ANY SUCH WARRANTIES NOT EXPRESSLY CONTAINED IN THIS AGREEMENT. HOWEVER, NOTHING IN THIS SECTION SHALL BE INTERPRETED TO LIMIT OR MODIFY ANY CLAIM WHICH ST. FRANCIS OR A FACILITY, AS AN ORIGINAL PURCHASER, MAY HAVE AGAINST THE MANUFACTURER OR SUPPLIER (OTHER THAN BRIM) OF ANY SUPPLIES, GOODS AND SERVICES.

1.3 Good Faith. Although the parties recognize and acknowledge that Brim is not able to, and does not, guarantee any particular results under this Agreement, Brim agrees to act in good faith with due care and use commercially reasonable efforts in performing all of its obligations under this Agreement.

1.4 Independent Contractors. In performing their duties hereunder, the parties shall be and shall act as independent contractors, and neither party is or will act as a partner, agent, employee of, or in joint venture with, the other party. Neither party will have the authority to bind the other party, contractually or otherwise, except as specifically authorized in this Agreement. The Board and Brim specifically disclaim any fiduciary or confidential relationship, whether stated or implied by law.

ARTICLE II EMPLOYEES

2.1 General. Except for the positions of CEO, CFO, and the Facility COOs, all operating and service personnel as necessary for the proper operation and maintenance of each Facility shall be employees of St. Francis or that Facility. Notwithstanding the fact that Brim may have authority under this Agreement to direct or supervise certain non-medical aspects of the Facilities' employees, each St. Francis or Facility employee shall remain the responsibility of St. Francis and/or that Facility, as applicable. Each St. Francis or Facility employee shall be on St. Francis' or that Facility's payroll, as applicable, and shall continue to receive employee


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benefits in accordance with St. Francis' or that Facility's policies. No St. Francis or Facility employee shall have any claim under this Agreement, or otherwise, against Brim for vacation pay, sick leave, employment insurance, worker's compensation, disability benefits or employee benefits of any kind.

2.2 Brim Provided Personnel.

2.2.1 Brim Personnel at the Facilities. In furtherance of its obligations under this Agreement during the term hereof, Brim shall place employees of Brim who are acceptable to St. Francis to act as the CEO, CFO and each Facility's Facility COO. At the time of placement, and throughout the term of this Agreement, the CEO, CFO, and Facility COOs shall be at-will employees of Brim, subject to all policies and procedures of Brim, and shall be paid and provided employee benefits solely by Brim.

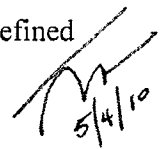
2.2.2 Placement of Brim Employees at the Facilities. Prior to placing a CEO, CFO, or Facility COO Brim shall communicate with the Board to establish the qualifications and initial salary range for the CEO, CFO or Facility COO to be so placed. Thereafter, Brim shall seek to identify candidates for the position to be placed that fit such desired qualifications within the established salary range. Upon identifying appropriate candidates acceptable to Brim and the Board, Brim shall present Brim's recommended candidate to the Board for approval. If the recommended candidate is acceptable to the Board, Brim shall promptly seek to employ the recommended candidate at a salary, with benefits, and on other terms and conditions which are approved by St. Francis in writing. If, however, such candidate declines Brim's offer of employment, Brim shall so notify the Board and shall meet with the Board to present an alternate candidate or to establish expanded parameters for the recruitment of further candidates for the position.

2.2.3 Reimbursement for Brim-Placed Personnel. The CEO, CFO, and Facility COOs, as employees of Brim, shall be paid a salary or hourly wage by Brim and, in addition thereto, shall receive benefits from Brim in accordance with Brim's then standard policies regarding the provision of benefits to its employees. St. Francis shall reimburse Brim on a monthly basis at the rates preapproved in writing by St. Francis for

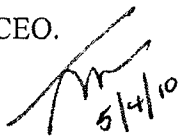
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such salary and benefits by paying to Brim an amount equal to the sum of the preapproved salaries for the CEO, CFO, and both Facility COOs together with thirty percent (30%) thereof to pay for benefits and administration thereof. In addition thereto, St. Francis shall reimburse Brim for the following costs and expenses incurred by Brim in connection with the CEO, CFO, and Facility COOs: (a) travel, lodging, meals, and other out-of-pocket expenses associated with the CEO's, CFO's and Facility COOs' attendance outside the Island of Oahu at meetings or conferences at the request and on behalf of St. Francis or that Facility, for the benefit of St. Francis or that Facility, or organized by Brim and approved by St. Francis in writing, provided that (i) such reimbursement shall not exceed applicable Internal Revenue Service per diem amounts (as published periodically at www.gsa.gov/perdiems) generally deductible for such items, (ii) airfare reimbursements will be made at applicable commercially reasonable coach rates, and (iii) lodging may include appropriate accommodations provided by St. Francis as acceptable to Brim (together, the "Travel Reimbursement Qualifiers"); (b) travel, lodging, meals, and other out-of-pocket expenses preapproved by St. Francis in writing and associated with the recruitment of candidates for the positions of CEO, CFO, and Facility COO, not to exceed the Travel Reimbursement Qualifiers; (c) reasonable costs and expenses preapproved in writing by St. Francis which are associated with relocating the successful candidates for the positions of CEO, CFO, and Facility COO; (d) severance pay and other expenses, as shall be approved by the Board, associated with the termination of the CEO, CFO, or a Facility COO if such employee is terminated by Brim at the request of St. Francis or is removed from a Facility at the request of the Board.

2.2.4 Interim CEO; Interim CFO; Interim Facility COO. If there is a vacancy in the CEO, CFO or a Facility COO position, a temporary, interim chief executive officer ("Interim CEO"), interim chief financial officer ("Interim CFO"), or interim Facility chief operating officer ("Interim Facility COO") acceptable to and approved by St. Francis in writing shall be assigned by Brim until a regular CEO, CFO or Facility COO is recruited and placed as described in Section 2.2.2 herein. The initial Interim CEO shall be Brim's Vice President of Operations ("VPO"). The VPO shall serve as Interim CEO for a period not to exceed the first twelve (12) months of the Initial Term (as defined



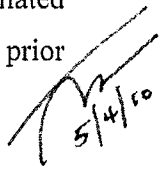
below). The VPO shall devote a minimum of seventy-five percent (75%) of his/her full-time efforts to fulfilling the Interim CEO duties under this Agreement and shall devote the remainder of his/her time to other activities for Brim unrelated to St. Francis. Each Interim CEO, Interim CFO, or Interim Facility COO, as an employee of Brim, shall be paid a salary by Brim and, in addition thereto, shall receive benefits from Brim in accordance with Brim's then standard policies regarding the provision of benefits to its employees. Prior to Brim assigning an interim CEO, Interim CFO, or Interim Facility COO, Brim shall inform St. Francis in writing of the salary, benefits, and Brim's costs and other expenses to be incurred by Brim in connection with such temporary assignment. After St. Francis shall have approved in writing the assignment by Brim of an Interim CEO, Interim CFO, or Interim COO at the salary, benefits, and other costs and expenses as disclosed by Brim and approved by St. Francis, St. Francis shall reimburse Brim on a monthly basis for such salary, benefits, and costs and expenses by paying to Brim an amount equal to such agreed upon salary, benefits, costs and expenses associated with such temporary assignment of an Interim CEO, Interim CFO, or Interim Facility COO which costs and expenses shall include, without limitation, the salary or hourly wage paid by Brim to such employee, together with an applicable amount (thirty percent (30%) thereof) to pay for benefits and administration thereof; provided, however, that such reimbursement for the VPO shall be at a rate of fifty percent (50%) of the reimbursement St. Francis otherwise would be required to pay Brim for an Interim CEO. In addition, St. Francis shall reimburse Brim for reasonable travel, lodging, meals, local transportation, and other out-of-pocket expenses which are related to the Interim CEO's, Interim CFO's or Interim Facility COO's duties (including without limitation reimbursement for each such interim's travel home once every fourth (4th) week for a period of no more than five (5) business days), not to exceed the Travel Reimbursement Qualifiers. Reimbursement for such travel-related expenses relating to the VPO shall be only for such expenses which are incurred by the VPO in relation to his/her duties for St. Francis as the initial Interim CEO.

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2.3 Non-Solicitation and No-Hire Covenant.

2.3.1. St. Francis. During the term of this Agreement and for the period of one year beginning with the date this Agreement terminates, whether upon its expiration or by earlier termination (or, in the case of any individual employed by Brim that terminates employment with Brim prior to the date this Agreement terminates, for a period of one year beginning on the date of such employee's termination), neither St. Francis nor either Facility shall, directly or indirectly, through subsidiary or affiliated companies or separate employee lease or staffing companies or otherwise, without prior written approval of Brim, solicit for employment or hire any person to work at St. Francis, a Facility or any of their respective subsidiaries or affiliates who is employed by Brim at the time of such solicitation or hire, nor shall St. Francis or either Facility solicit for employment or hire any person who worked at a Facility at any time as an employee of Brim whether or not such employee is employed by Brim at the time of such solicitation or hire; provided, that this provision shall not apply to persons who were employed by St. Francis or a Facility immediately prior to their employment by Brim. Notwithstanding the foregoing, this Section 2.3.1 does not preclude St. Francis or the Facilities from: (a) soliciting employees, other than those who have performed any services provided by Brim to St. Francis or any Facility pursuant to this Agreement (each a "Staffed Employee") through, or hiring any employee, other than any Staffed Employee, who responds to general job advertisements or similar notices that are not targeted specifically at the employees of Brim, (b) engaging any recruiting firm or similar organization to identify or solicit persons for employment on their behalf, or soliciting the employment of any employee other than any Staffed Employee, who is identified by any such recruiting firm or organization, as long as such recruiting firm or organization is not instructed or encouraged to target any employees of Brim, or (c) soliciting or hiring employees whose employment has been terminated by Brim.

2.3.2. Brim. During the term of this Agreement and for the period of one year beginning with the date this Agreement terminates, whether upon its expiration or by earlier termination, Brim shall not, directly or indirectly, through subsidiary or affiliated companies or separate employee lease or staffing companies or otherwise, without prior

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written approval of the Board, solicit for employment or hire any current or former employee of or consultant to St. Francis or either Facility or any of their respective affiliated entities; provided, that this provision shall not apply to persons who were previously employed by Brim prior to their employment with a Facility.

2.4 Obligations with Respect to Brim Personnel. Subject to the reimbursement obligations of St. Francis and the Facilities specifically set forth in Sections 2.2.3, 2.2.4, and 4.4 of this Agreement, Brim shall be responsible solely for withholding and paying all applicable taxes and regulatory payments with respect to the Designated Officers, all Brim Representatives, and all other employees and consultants provided by Brim to perform services for St. Francis or either Facility, specifically including, without limitation, all payroll and excise taxes, and Brim hereby agrees to indemnify, defend and hold harmless St. Francis, the Facilities, and their respective agents, officers and employees from and against any and all claims based upon such responsibilities of Brim. Notwithstanding anything contained in this Agreement or otherwise, St. Francis shall have the absolute and unequivocal continuing right to cause Brim to remove immediately from further service to St. Francis or either Facility from time to time and at any time any Designated Officer, Brim Representative (other than Brim's corporate Chief Executive Officer and Brim's Chief Development Officer), or other employee or consultant provided by Brim (each an "Other Representative"), for any reason whatsoever other than an illegal reason, or for no reason at all (subject to any right of the Designated Officer or Other Representative to receive severance compensation in accordance with any arrangement approved in writing by the Board at the time of hiring or engaging such person). St. Francis acknowledges that such removal by St. Francis of a Brim Representative or Other Representative may result in Brim no longer being able to provide to St. Francis or the Facilities a replacement for one or more service(s) performed by such person(s) if such Brim Representative or Other Representative is a regular employee of or consultant to Brim and not hired or engaged by Brim for the specific purpose of performing services to St. Francis or either Facility under this Agreement ("Regular Brim Personnel"). The inability of Brim to provide replacement services to St. Francis for the removed Regular Brim Personnel shall not constitute a breach by Brim of this Agreement, and Brim shall have no obligation to hire or retain replacement Regular Brim Personnel to provide such service(s), but Brim shall use commercially reasonable efforts to replace removed Designated Officers, Brim Representatives, and Other Representatives who were hired or

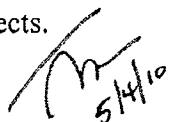
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engaged by Brim for the specific purpose of performing services to St. Francis or either Facility under this Agreement. Brim acknowledges, for itself and for each Designated Officer, Brim Representative, or other employee or consultant provided by Brim, that such personnel are not employees of St. Francis or either Facility and will not be entitled to participate in or receive any benefit or right as an employee under any health, dental, or vision insurance or benefit plans, vacation benefits, sick pay, unemployment insurance, workers compensation, disability benefits, pension plans, or savings, security, or similar plans, or any other benefit or welfare plans maintained by St. Francis or either Facility from time to time, as a result of Brim entering into this Agreement, the services rendered by such personnel to St. Francis or either Facility, or otherwise. Brim hereby agrees to indemnify, defend (with counsel reasonably acceptable to St. Francis), and hold harmless St. Francis, the Facilities, and their respective agents, officers and employees from and against any and all expense (including but not limited to reasonable attorneys' fees and court costs), loss, liability, and claims of any kind whatsoever, directly or indirectly arising from or alleged to arise from or in any way connected with the salaries, wages, benefits, and other claims based upon a breach by Brim of its responsibilities to any such person made by any Designated Officer, Brim Representative, or other employee or consultant provided by Brim or any affiliate of Brim.

ARTICLE III
LICENSING, ACCREDITATION, PROVIDER RELATIONS

3.1 Licensing. Subject to the advice of and management by Brim, the Designated Officers, and the Brim Representatives as required by the terms of this Agreement, it shall be St. Francis' and each Facility's sole responsibility to keep and maintain that Facility's operating licenses under the laws of the state in which each Facility is located and to ensure that all Facility services comply in all material respects with all applicable provisions of federal, state, and local statutes, rules, and regulations.

3.2 Provider Relations. St. Francis and each Facility shall use commercially reasonable, good faith efforts to conduct all of their respective relationships with providers, including each Facility's medical staff, in full compliance with all applicable laws in all material respects.

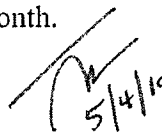
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ARTICLE IV
COMPENSATION

4.1 Base Fee. As compensation for all services rendered by Brim under this Agreement, St. Francis shall pay to Brim a base annual management fee equal to the greater of 0.5 percent of the Facilities' combined net patient revenue as calculated according to generally accepted accounting principles as promulgated by the Financial Accounting Standards Board and as implemented by St. Francis ("GAAP"), as a reflection of the quantity of management services and quality of patient care provided or Seven Hundred Eighty Thousand Dollars (\$780,000.00) annually (the "Base Annual Management Fee"). In the event that St. Francis or either of the Facilities is required or elects to adopt International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS"), then (a) all references in this Agreement to the defined term "GAAP" shall thereafter automatically be deemed to be references to the defined term "IFRS," and (b) Brim and the Board shall negotiate in good faith to make any adjustments to the compensation provisions of this Agreement occasioned by the adoption of IFRS which are necessary to ensure that the overall compensation to Brim remains unchanged as if GAAP standards had continued to apply to all financial calculations made hereunder. This Base Annual Management Fee is in addition to, and not in lieu of, all other payments and reimbursements to be made by St. Francis or a Facility to Brim under the terms of this Agreement. Both parties acknowledge that St. Francis and the Facilities exist for charitable purposes and to benefit the community. At no time during the Initial Term or any Renewal Term of this Agreement shall either party allow Facility revenue or profits to take precedence over St. Francis and the Facilities fulfilling such charitable purposes and community benefit.

4.2 Payment of Base Fee. The Base Annual Management Fee shall be paid as follows in monthly installments throughout the term of this Agreement commencing the month in which this Agreement becomes effective:

- (a) St. Francis Hospital-Liliha shall pay a monthly installment of Thirty-Five Thousand One Hundred Dollars (\$35,100). This monthly installment shall be paid in advance on or before the first day of each month.

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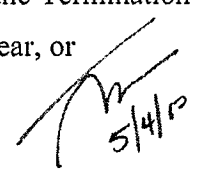
- (b) St. Francis Hospital-Ewa shall pay a monthly installment of Twenty-Nine Thousand Nine Hundred Dollars (\$29,900). This monthly installment shall be paid in advance on or before the first day of each month.

In the event that the Effective Date (as defined below in Section 6.1) is not the first day of the month, the base monthly management fee shall be pro-rated for the first and last months of the term and the first month's installment shall be payable on the Effective Date. Upon execution of this Agreement, St. Francis or each Facility, as applicable, shall take all necessary steps to initiate and authorize payment of the base monthly management fee beginning on the Effective Date through automatic withdrawal from the applicable bank account and wire transfer to Brim's bank account. Such automatic withdrawal and transfer shall occur on or before the first day of each month for services to be rendered during the upcoming month.

The parties acknowledge that the monthly installments are estimates based on each Facility's budgeted annual net patient revenue for the respective year and shall be adjusted prior to each year according to Board-approved budget estimates. At least forty-five (45) days after the end of each quarter in each Facility's fiscal year Brim shall reconcile each Facility's actual net patient revenue for that quarter compared to the estimates paid for that quarter and provide a billing or credit to each Facility as appropriate. Brim shall submit a final accounting for fees paid within forty-five (45) days of the close of each Facility's fiscal year.

4.3 Payment Upon For Cause Termination By Brim. In the event Brim terminates this Agreement for Cause (as defined below) pursuant to any of clauses (2), (3), or (5)(a) of Section 7.1.2 below at any time during the first three (3) years of the Initial Term, St. Francis agrees, in addition to all other amounts payable or reimbursable under this Agreement, to pay to Brim on the effective date of such termination (the "Termination Date") as liquidated damages, which the parties agree is not a penalty, an amount equal to:

- (a) the Base Annual Management Fee in effect on the Termination Date (i.e., as adjusted, as applicable, pursuant to Section 4.6 below) for one full year, or



(b) if there is less than one full year remaining between the Termination Date and the natural expiration of the Initial Term, then the liquidated damages shall be the product of:

(i) the Base Annual Management Fee in effect on the Termination Date (i.e., as adjusted pursuant to Section 4.6 below) divided by three hundred sixty-five (365),

(ii) multiplied by the number of days remaining after the Termination Date through and including the date of natural expiration of the Initial Term.

The provisions of this Section shall be deemed continuing and shall survive the termination or expiration of this Agreement.

4.4 Other Reimbursable Expenses.

4.4.1 Personnel Related Expenses. As specifically provided for in Article II herein, St. Francis shall be responsible for the reimbursement to Brim of the salaries, benefits and administrative mark-up, and other costs and expenses approved in writing by St. Francis as incurred by Brim relating to Brim's CEO, CFO, Facility COOs, Interim CEO, Interim CFO, Interim COOs, and VPO (together, the "Designated Officers") supplied by Brim to render services to St. Francis and the Facilities. Each month during the term of this Agreement, Brim shall provide St. Francis an invoice detailing such costs and expenses incurred for that month and St. Francis agrees to submit payment for such costs and expenses within thirty (30) days after receipt of each invoice.

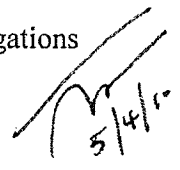
4.4.2 Out-of-Pocket Expenses. Additionally, St. Francis will be responsible for payment of reasonable travel, lodging, meals, local transportation and out-of-pocket costs and expenses of the Designated Officers and such other employees and/or consultants of Brim while such Designated Officers and approved employees and consultants are performing on-site services for St. Francis or a Facility, not to exceed the Travel Reimbursement Qualifiers. St. Francis shall use commercially reasonable efforts to provide Brim access for all such Designated Officers and approved employees and consultants to all negotiated travel-related rates generally available to St. Francis

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personnel. Brim shall bill such costs and expenses each month to St. Francis, with such bill being due and payable within thirty (30) days after such bill is received by St. Francis.

4.5 Incentive Program. For the time period from the Effective Date through and including the end of the first St. Francis fiscal year of the Initial Term, St. Francis shall, as approved by the Board, pay to Brim in addition to all other amounts required by this Agreement twenty-five percent (25%) of all One-Time Recoveries first identified by Brim during that time period. "One-Time Recoveries" means all additional amounts recovered based upon the operation of the Facilities by the predecessor in interest to St. Francis during the period prior to the Effective Date (a) on patient accounts which prior to identification by Brim had not been properly billed based upon the available medical record and applicable law, rules and regulations, which recovery is the result of specific knowledge possessed by Brim and not known to the personnel of St. Francis or either Facility and which is not the result of the correction of manifest errors, (b) as a result of any corrected cost report filed by a Facility, which correction is the result of specific knowledge possessed by Brim and not known to the personnel of St. Francis or either Facility or is not the result of the correction of a manifest error contained in a prior cost report, (c) for non-obvious disproportionate share hospital payments to which a Facility is entitled but for which an appropriate claim should have been filed in the period prior to the Effective Date but which had not previously been fully asserted in a timely manner or to the extent such claim was unable to be fully paid without the efforts of Brim, (d) on patient accounts previously written off but for which Brim is able appropriately to partially or fully collect on behalf of a Facility, or (e) for similar type recoveries as mutually agreed between the Board and Brim. For the second St. Francis fiscal year of the Initial Term and for each St. Francis fiscal year thereafter of the Initial Term and any Renewal Term (as defined below), St. Francis shall pay the following, in addition to all other amounts required by this Agreement:

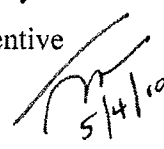
4.5.1 Brim Incentive. St. Francis agrees to pay Brim an incentive compensation payment for each such fiscal year in the amount of twenty-five percent (25%) of the Facilities' combined Excess EBIDA (as such term is defined below in this Section 4.5.1) for that St. Francis fiscal year ("Brim Incentive"), such Excess EBIDA to be calculated prior to accounting or deducting for any amounts relating specifically to obligations



undertaken by St. Francis pursuant to the St. Francis Plan (as such term is defined below in Section 6.1) with respect to the liabilities and obligations of Hawaii Medical Center LLC, Hawaii Medical Center East, LLC, or Hawaii Medical Center West, LLC incurred at any time prior to the Effective Date (the "Bankruptcy Obligations"), so that Excess EBIDA is determined on the basis of the normal hospital operations of the Facilities following the Effective Date as if the added burden of the Bankruptcy Obligations were not deducted in making EBIDA calculations. In no event shall the Brim Incentive exceed the Base Annual Management Fee and provided further that in no event shall the combined sum of (a) the Base Annual Management Fee and (b) the Brim Incentive exceed Two Million Dollars (\$2,000,000.00) ("Compensation Cap") in any one fiscal year during the term of this Agreement. The incentive compensation shall be computed annually at the end of St. Francis' fiscal year in accordance with GAAP. Any incentive compensation shall be due and payable on the later of (i) one hundred twenty (120) days after the end of each applicable fiscal year or (ii) thirty (30) days after the receipt by St. Francis of its final audit report for such fiscal year. As used in this Section 4.5.3, the term "Excess EBIDA" shall mean all EBIDA calculated in accordance with GAAP that exceeds the budget submitted by St. Francis with the St. Francis Plan, which budget is attached hereto as Exhibit A and incorporated herein by reference.

4.5.2 CEO's Incentive. St. Francis agrees to pay Brim for each such fiscal year an incentive compensation payment for the CEO ("CEO Incentive") pursuant to an incentive compensation plan to be agreed upon between the Board and Brim ("Incentive Compensation Plan"). The incentive compensation shall be computed annually at the end of St. Francis' fiscal year in accordance with GAAP. Any incentive compensation shall be due and payable on the later of (i) one hundred twenty (120) days after the end of each applicable fiscal year or (ii) thirty (30) days after the receipt by St. Francis of its final audit report for such fiscal year.

4.5.3 CFO's Incentive. St. Francis agrees to pay Brim for each such fiscal year an incentive compensation payment for the CFO ("CFO Incentive") pursuant to the Incentive Compensation Plan. The incentive compensation shall be computed annually at the end of St. Francis' fiscal year in accordance with GAAP. Any incentive

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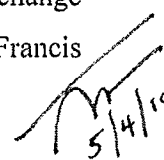
compensation shall be due and payable on the later of (i) one hundred twenty (120) days after the end of each applicable fiscal year or (ii) thirty (30) days after the receipt by St. Francis of its final audit report for the fiscal year.

4.5.4 Facility COOs' Incentive. St. Francis agrees to pay Brim for each such fiscal year an incentive compensation payment for each of the Facility COOs (each a "Facility COO Incentive") pursuant to the Incentive Compensation Plan. The incentive compensation shall be computed annually at the end of each Facility's fiscal year in accordance with GAAP. Any incentive compensation shall be due and payable on the later of (i) one hundred twenty (120) days after the end of each applicable fiscal year or (ii) thirty (30) days after the receipt by St. Francis of its final audit report for the fiscal year.

4.6 Renewal Term Annual Escalator. The Compensation Cap set forth in Section 4.5.1 and the Base Annual Management Fee minimum provided for in Section 4.1 each shall be adjusted annually, beginning on the first day of any Renewal Term and, thereafter, on each anniversary of the Effective Date by the greater of 5% or the percentage increase in the Medical Component of the Consumer Price Index for "All Cities" for the preceding twelve (12) months.

4.7 Amounts Due Bear Interest. Any sums not paid within thirty (30) days after receipt by St. Francis of an applicable invoice or bill from Brim shall bear interest at the lesser of (i) one percent (1%) per month or (ii) the highest interest rate allowable by law beginning from the date which is thirty (30) days after receipt by St. Francis of an applicable invoice or bill from Brim through the date paid.

4.8 Tax-Exempt Bonds. Article IV of this Agreement relies upon St. Francis' representations that during the Initial Term of this Agreement or any Renewal Term hereof (a) neither St. Francis nor either Facility has issued or been the beneficiary or recipient of any tax-exempt bond or funds and (b) neither St. Francis nor either Facility will issue such bonds or become such a beneficiary or recipient thereof without giving Brim at least sixty (60) days' prior written notice. Should this fact change or St. Francis reasonably expect that this fact will change at any time during the Initial Term of this Agreement or any Renewal Term hereof, St. Francis

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agrees immediately to notify Brim pursuant to the notice provisions of this Agreement. To the extent appropriate, the parties then will renegotiate the compensation and any other affected provisions of this Agreement and, failing to reach a satisfactory agreement on renegotiated compensation and other affected provisions of this Agreement, such provision(s) shall be deemed modified to the minimum extent necessary to render the use or benefit of such bonds or funds valid and enforceable while preserving to the fullest extent permitted the parties' intent.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS

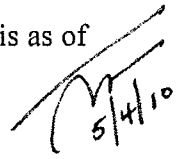
5.1 St. Francis Representations, Warranties, and Covenants. St. Francis, on behalf of itself and each Facility, makes the following representations, warranties and covenants to Brim:

(a) St. Francis and each Facility has presently and shall use its commercially reasonable, good faith efforts to maintain throughout the term of this Agreement all necessary and legally required licenses and permits relating to their respective ownership and operation of each Facility, without restriction or subject to any disciplinary or corrective action.

(b) Each Facility has and shall use its commercially reasonable, good faith efforts to maintain throughout the term of this Agreement all necessary narcotics and controlled substances numbers and licenses;

(c) Neither St. Francis nor either Facility is presently in breach of any contract, obligation, or covenant that would materially affect its ability to perform hereunder and, as a result of entering into this Agreement, will not breach any such contract, obligation, or covenant in a manner which will have a material adverse effect upon the Facilities taken as a whole;

(d) Each Facility is presently and shall use its commercially reasonable, good faith efforts to remain throughout the term of this Agreement a participating provider in the Medicare and Medicaid programs; and neither St. Francis nor either Facility is under any governmental investigation known to St. Francis as of

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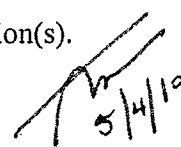
the date of this Agreement or subject to any action that has been filed and served upon St. Francis that currently is, or would reasonably in the future be, expected to result in the material sanction or restriction or the expulsion of St. Francis or either Facility from further participation in any state or federal healthcare reimbursement program material to the business of the Facilities;

(e) Throughout the term of the Agreement, the Board shall cooperate with Brim and take action with regard to any matter presented to it for approval by Brim in a timely fashion;

(f) Prior to admitting a new member to the medical staff of a Facility or entering into a new agreement with a contractor for the provision of similar medical services, St. Francis or the Facility, as applicable, will cause to be conducted, following any appropriate consultation with the Designated Officers pursuant to the terms of this Agreement, appropriate credentialing of those providers, including, but not limited to, taking reasonable steps to determine whether those providers have ever been included on the OIG's "exclusion list" of providers sanctioned or excluded from participation in a federal or state healthcare program;

(g) As of the date of this Agreement, neither St. Francis nor either Facility has issued or been the beneficiary or recipient of any tax-exempt bond or funds, and neither St. Francis nor either Facility will issue such bonds or become such a beneficiary or recipient thereof without giving Brim at least sixty (60) days' prior written notice; and

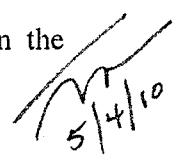
(h) St. Francis has consulted to the extent it deems necessary with its tax and legal advisors to ensure this Agreement does not jeopardize St. Francis' or, as applicable, either Facility's tax-exempt status or the tax-exempt status, if any, of St. Francis' or either Facility's financing and is in no way relying upon Brim or any representations of Brim to make such determination(s).

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5.2 St. Francis Responsibility for Costs. St. Francis or, as applicable, each Facility, shall be responsible for all costs and expenses incurred to operate each Facility. Such costs shall include, without limitation, the following: (a) all costs related to the employment by St. Francis or a Facility of St. Francis or Facility employees; (b) all costs related to the contracting of professional services from providers, including the medical director, practicing physicians, and nurse practitioners; (c) all supplies used at each Facility; (d) occupancy costs associated with the facilities used by each Facility; (e) taxes incurred by St. Francis or a Facility; (f) furniture, fixtures, leasehold improvements, signs and equipment used in facilities owned or operated by a Facility; (g) insurance purchased for St. Francis or a Facility; (h) attorney's fees incurred in the name and on behalf of St. Francis or a Facility; (i) costs of advertising St. Francis' or a Facility's services; (j) direct costs of marketing materials for St. Francis' or a Facility's services; (k) costs associated with information systems developed by or for St. Francis or a Facility; and (l) reimbursement to the extent required by this Agreement of costs associated with the CEO, CFO and Facility COOs. Costs which are the responsibility of St. Francis or a Facility shall be paid from the funds of St. Francis or that Facility, as applicable, in the applicable accounts and St. Francis shall use its commercially reasonable efforts to at all times maintain sufficient funds in such accounts or to have available lines of credit for such purposes. Nothing contained herein shall obligate Brim to make any payments from its own funds or resources (except for the payments to the Designated Officers and the Brim Representatives which, as applicable, are subject to the reimbursement provisions of this Agreement), incur any costs, or assume any liabilities either primarily or as guarantor on behalf of St. Francis or a Facility, or to advance any monies to St. Francis or a Facility.

5.3 Brim Representations and Warranties, and Covenants. Brim makes the following representations, warranties and covenants to St. Francis and the Facilities:

- (a) Brim is not in breach of any contract, obligation, or covenant that would affect its ability to perform hereunder and, as a result of entering into this Agreement, will not breach any such contract, obligation, or covenant.
- (b) Brim is not under any governmental investigation or subject to any action that currently or would reasonably in the future be expected to result in the

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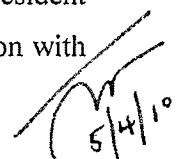
restriction or expulsion of Brim or its affiliates from further participation in any state or federal healthcare program.

(c) Brim possesses all licenses, permits, and authorizations necessary and appropriate to perform the management services required by this Agreement, and each of such licenses, permits, and authorizations is valid and in full force and effect without restriction or limitation. Brim has not received notice of termination, cancellation, restriction, or limitation, and there are no facts or circumstances that could have the effect of terminating, cancelling, restricting, or limiting the validity or effectiveness of, any of such licenses, permits, or authorizations.

(d) Throughout the term of the Agreement, Brim shall cooperate with St. Francis and the Facilities and take action in a timely fashion with regard to any matter presented to it by St. Francis and the Facilities pursuant to the terms of this Agreement.

(e) Brim hereby covenants and agrees that it will use commercially reasonable, good faith efforts to perform its obligations and duties hereunder in compliance with all applicable federal, state, local, and foreign laws, and all rules and regulations promulgated under each of such laws, and to maintain in full force and effect all licenses, permits, authorizations, and approvals required of Brim to perform the services hereunder.

(f) Brim will perform the services required hereunder, and will use commercially reasonable efforts to cause the Designated Officers to perform their respective services required hereunder, with the degree of skill, care, and diligence observed by nationally recognized firms performing the same or similar services. Brim shall oversee the professional quality, technical accuracy, and completeness of all Brim services, provided that St. Francis and each Facility as applicable shall promptly notify the applicable Brim Regional Vice President ("RVP") of any issues, concerns or complaints that may arise in connection with

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such services and provided further that if the RVP does not satisfactorily address such matters, St. Francis and each Facility as applicable shall promptly notify Brim's Chief Executive Officer. Brim's and the Designated Officers' respective performances shall reflect the professional knowledge, skill, and judgment of the Designated Officers and Brim's other personnel authorized pursuant to this Agreement to provide the management and administrative services set forth herein for the benefit of St. Francis and the Facilities. Brim, each of the Designated Officers, and the other personnel of Brim authorized pursuant to this Agreement to provide the management and administrative services shall exercise candor, good faith, due care, and appropriate loyalty to St. Francis and the Facilities in discharging their respective responsibilities, duties, and obligations under this Agreement.

(g) Brim shall be solely responsible for, and hereby covenants and agrees to pay, all federal, state, and local taxes resulting from payments and reimbursements made to Brim pursuant to this Agreement.

ARTICLE VI TERM OF AGREEMENT

6.1 Subject to prior termination under Article VII, the initial term of this Agreement shall be for five years ("Initial Term"), commencing on the Effective Date (as such term is defined in the Second Amended Joint Plan of Reorganization for Hawaii Medical Center LLC, Hawaii Medical Center West, LLC, and Hawaii Medical Center East, LLC proposed by St. Francis Healthcare System of Hawaii, St. Francis Medical Center, and St. Francis Medical Center-West dated March 12, 2010, as may be modified or amended by St. Francis Healthcare System of Hawaii (the "St. Francis Plan") filed in the United States Bankruptcy Court for the District of Hawaii in the case of CHA Hawaii, LLC et al., Case No. 08-01369) and terminating on the fifth (5th) anniversary of the Effective Date (the "Expiration Date"). This Agreement may be extended after the Expiration Date for successive three (3) year terms (each such three (3) year term a "Renewal Term") provided that the parties have mutually agreed to extend the term

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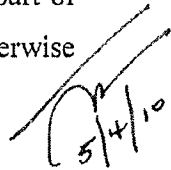
within ninety (90) days prior to the end of the Initial Term or within ninety (90) days prior to the end of any Renewal Term.

ARTICLE VII
TERMINATION

7.1 For Cause Termination. Either party may terminate this Agreement “for Cause” (as defined below) at any time by giving written notice to the other. Such notice shall state that the termination is for Cause and the nature of such Cause. If the Cause is such that the defaulting party has an opportunity to cure the default pursuant to Section 7.1.1 or 7.1.2 below, and the default is not cured within the applicable cure period, then the Agreement shall be terminated effective the first day after the expiration of the cure period:

7.1.1 For Cause Termination by St. Francis. St. Francis shall have Cause for termination of this Agreement:

- (1) if the St. Francis Plan is not confirmed by the United States Bankruptcy Court or does not otherwise become effective on or before August 31, 2010;
- (2) if Brim shall default in the performance of any material covenant, agreement, term, or provision of this Agreement to be kept, observed, or performed by Brim and such default shall not be cured for a period of ninety (90) days after written notice is given to Brim by the Board stating the specific default;
- (3) if Brim, a Designated Officer, or a Brim Representative engages in any activity that violates federal or state law or in other activities that St. Francis in good faith believes are improper or illegal, provided that such activity shall not be cured for a period of thirty (30) days after written notice is given to Brim by the Board stating the specific activity, or if St. Francis or its counsel reasonably believes that all or any material part of this Agreement has become illegal, void, voidable, or otherwise

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unenforceable (whether by court order, legislative enactment, promulgation of rule, judicial decision or otherwise) and the parties are not able through good faith negotiations to reach agreement on an appropriate amendment to this Agreement; or

- (4) if Brim shall apply for, or consent to, the appointment of a receiver, trustee, or liquidator of Brim or all or a substantial part of its assets, file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or taking advantage of any insolvency law, or if an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating Brim a bankrupt or insolvent or approving a petition seeking reorganization of Brim, or appointing a receiver, trustee, or liquidator of Brim, or of all or a substantial part of its assets.

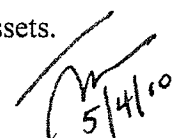
7.1.2 For Cause Termination By Brim. Brim shall have Cause for termination of this Agreement:

- (1) if the St. Francis Plan is not confirmed by the United States Bankruptcy Court or does not otherwise become effective on or before August 31, 2010;
- (2) if St. Francis or a Facility shall default in the performance of any material covenant, agreement, term, or provision of this Agreement to be kept, observed, or performed by the Board, St. Francis, or a Facility (excluding the payment of any sum due to Brim from St. Francis or a Facility), and such default shall not be cured for a period of ninety (90) days after written notice is given to St. Francis by Brim stating the specific default;
- (3) if St. Francis or a Facility shall default in the performance of its covenant to pay any fees or expenses due to Brim, and such default shall not be

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cured for a period of ten (10) days after written notice is given to St. Francis by Brim stating the specific default;

- (4) if a Facility's Medicare or Medicaid participation is terminated, or its license is suspended or revoked;
- (5) (a) if St. Francis or a Facility engages (a) in any activity that violates federal or state law in any material respect (provided that such activity shall not be cured for a period of thirty (30) days after written notice is given to St. Francis by Brim stating the specific activity) or in other activities that Brim in good faith believes are illegal in any material respect or (b) if Brim or its counsel reasonably believes that all or any material part of this Agreement has become illegal, void, voidable, or otherwise unenforceable (whether by court order, legislative enactment, promulgation of rule, judicial decision, or otherwise) and the parties are not able through good faith negotiations to reach agreement on an appropriate amendment to this Agreement; or
- (6) if St. Francis or a Facility shall apply for, or consent to, the appointment of a receiver, trustee, or liquidator of St. Francis or a Facility of all or a substantial part of its assets, file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or taking advantage of any insolvency law, or if an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating St. Francis or a Facility a bankrupt or insolvent or approving a petition seeking reorganization of St. Francis or a Facility, or appointing a receiver, trustee, or liquidator of St. Francis or a Facility, or of all or a substantial part of St. Francis' or a Facility's assets.


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ARTICLE VIII
INSURANCE

8.1 Liability Insurance. St. Francis shall maintain, for itself and each Facility, hospital professional and general liability insurance coverage with limits of liability of not less than \$5,000,000 per occurrence and \$5,000,000 annual aggregate with an insurance company reasonably approved by Brim with either an A.M. Best's rating of -A VIII or better or at least \$10,000,000 of umbrella coverage. Such policies shall be endorsed naming Brim and its employees as an additional insured. During the term of this Agreement, and extending not less than five (5) years following termination of this Agreement, St. Francis shall continue to provide liability insurance in these amounts covering Brim and its employees for claims incurred during the term of this Agreement but not reported until after termination of this Agreement. St. Francis may purchase an extended reporting endorsement (tail coverage) providing extended claim reporting for a minimum of five (5) years as part of its liability insurance policy covering Brim and its employees. This endorsement shall provide coverage for claims incurred during the term of this Agreement but not reported until after termination of this Agreement to satisfy the five (5) year requirement of liability coverage after termination of this Agreement.

8.2 Directors' and Officers' Liability Coverage. St. Francis shall maintain, for itself and each Facility, Directors' and Officers' Liability Coverage with limits of liability of not less than \$2,000,000 per occurrence and \$2,000,000 annual aggregate with an insurance company reasonably approved by Brim with an A.M. Best's rating of -A VIII or better. Such coverage shall include an endorsement to the policy providing entity and individual coverage for employment practices liability and will name Brim and its employees as additional insureds. During the term of this Agreement, and extending not less than five (5) years following termination of this Agreement, St. Francis shall continue to provide Directors' and Officers' liability coverage including employment practices liability in these amounts covering Brim and its employees for claims incurred during the term of this Agreement but not reported until after termination of this Agreement. St. Francis may purchase an extended reporting endorsement (tail coverage) providing extended claim reporting for a minimum of five (5) years as part of their Directors' and Officers' liability coverage. This endorsement shall provide coverage for claims incurred during the term of this Agreement but not reported until after termination of this

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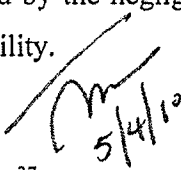
Agreement to satisfy the five (5) year requirement of liability coverage after termination of this Agreement.

8.3 Fidelity Bond. St. Francis shall maintain, for itself and each Facility, a Fidelity insurance bond with limits of liability of not less than \$200,000 per occurrence and \$200,000 annual aggregate with an insurance company reasonably approved by Brim with an A.M. Best's rating of -A VIII or better. Policies will be endorsed naming Brim and its employees as an additional insured. During the term of this Agreement, and extending not less than five (5) years following termination of this Agreement, St. Francis shall continue to provide a Fidelity insurance bond in these amounts covering Brim and its employees for claims incurred during the term of this Agreement but not reported until after termination of this Agreement.

8.4 All insurance policies and Fidelity bonds described in Paragraphs 8.1, 8.2, and 8.3 shall contain an endorsement to the policy or bond stating that the policy or bond is primary insurance regardless of any other valid and/or collectible insurance. Such policies or bond shall contain an affirmative notice provision for cancellation or non-renewal to Brim of not less than ninety (90) days.

ARTICLE IX INDEMNIFICATION

9.1 By Brim. Brim shall indemnify, defend and hold harmless St. Francis, the Facilities, and their respective agents, officers and employees from and against any and all expense (including but not limited to reasonable attorneys' fees and court costs), loss, liability, and claims of any kind whatsoever, directly or indirectly arising from or alleged to arise from or in any way connected with the performance by Brim, the Designated Officers, or the Brim Representatives of their respective obligations under this Agreement, where such expense, loss, liability or claim is incurred by St. Francis or a Facility as a result of the negligent acts or omissions of Brim, the Designated Officers, or the Brim Representatives or willful and wanton misconduct of Brim, the Designated Officers, or the Brim Representatives, except to the extent such expense, loss, liability or claim is caused by the negligent acts or omissions or the willful and wanton misconduct of St. Francis or a Facility.


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9.2 By St. Francis. St. Francis shall indemnify, defend and hold harmless Brim and its officers, employees and agents from and against any and all expense (including but not limited to reasonable attorneys' fees and court costs), loss, liability, and claims of any kind whatsoever, directly or indirectly arising from or alleged to arise from or in any way connected with the ownership or operation of St. Francis or a Facility or the performance by the Board, St. Francis and/or a Facility of their respective obligations under this Agreement (including but not limited to errors or omissions in a Facility's cost reports), where such expense, loss, liability or claim is incurred by Brim as a result of the negligent acts or omissions of St. Francis or a Facility or the willful and wanton misconduct of St. Francis or a Facility, except to the extent such expense, loss, liability or claim is caused by the negligent acts or omissions or the willful and wanton misconduct of Brim, any Designated Officer, or any Brim Representative.

9.3 Limitation on Brim's Liability. Brim's liability to St. Francis and the Facilities under this Agreement shall be limited to an amount equal to the lesser of (a) the Base Annual Management Fees, the Brim Incentive, and the One-Time Recoveries (together, the "Brim Fees") paid to Brim hereunder to the date of said determination or (b) the Brim Fees paid to Brim hereunder during the three (3) year period prior to the date of said determination. The limitation on Brim's liability provided for herein shall not apply in the event Brim is deemed to have engaged in willful and wanton misconduct or a knowing violation of law in performing its obligations hereunder.

ARTICLE X
MISCELLANEOUS

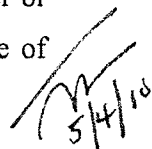
10.1 Compliance with Laws. In performing their respective duties hereunder, Brim, the Designated Officers, the Brim Representatives, St. Francis, and the Facilities shall conduct themselves in full accordance with all applicable state, federal, and local laws and regulations, including, but not limited to, the federal physician self-referral law (commonly known as the "Stark II Law", 42 U.S.C. § 1395nn et seq.) and the anti-fraud and abuse provisions of the Social Security Act (42 U.S.C. 1320a-7 et seq.). Nothing in this Agreement shall require either party to arrange for or to send patients to the other party or to the other party's affiliated hospitals or providers.

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10.2 Ownership of Information. Brim retains ownership and other rights in all proprietary systems, manuals, models, programs, methodologies, know-how, technology, software, and general knowledge possessed or owned by Brim in whatever form, relating to hospital management, data collection or data management ("Brim Technology"). Nothing contained in this Agreement shall be construed as a license or transfer of such Brim Technology either during the term of this Agreement or thereafter, and St. Francis and the Facilities agree to maintain the confidentiality of all such Brim Technology. Notwithstanding the foregoing, St. Francis and the Facilities will have ownership and other rights to all raw data, records, analyses, notes, studies, interpretations, reports and other information in whatever form, generated by Brim or any Brim Representative in the performance of their respective obligations hereunder ("Work Product"), or generated or produced by any employee of or consultant to St. Francis or either Facility. St. Francis, the Facilities, and their respective affiliates shall have the right to use all such Work Product as they deem appropriate in their sole and absolute discretion. Brim shall, and shall cause its employees and the Brim Representatives to, (a) keep records of final versions of Work Product generated, and (b) execute all documents and perform all acts reasonably necessary to evidence St. Francis' and the Facilities' ownership of the Work Product. Upon termination or expiration of this Agreement or at any time upon written request by a party, the requested party shall deliver to the requesting party all such Work Product or Brim Technology (as applicable) then in its possession or control, provided that Brim may maintain for its record-keeping purposes copies of Work Product that Brim generates for St. Francis or a Facility, subject to all other applicable provisions of this Agreement, specifically including, without limitation, the confidentiality provisions contained in Section 10.10.

10.3 Effect of Invalidity. Should any part of this Agreement, for any reason, be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated and shall be construed in such manner as may be reasonably necessary to ensure that the Agreement continues to substantially reflect the agreement of the parties.

10.4 Arbitration of Disputes. Any disputes, claims, or counterclaims arising under or relating to this Agreement may, at the mutual agreement of the parties reached at the time of

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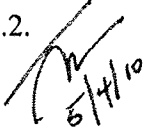
considering the relevant dispute, claim, or counterclaim, be submitted to binding arbitration under the rules of conciliation and arbitration of the American Arbitration Association.

10.5 Applicable Law. The laws of the State of Hawaii shall govern this Agreement and its enforcement and interpretation and any dispute, claim, or counterclaim arising out of or relating thereto, whether in contract or tort or otherwise, even if the State of Hawaii's or any other jurisdiction's choice of law rules would require that the laws of another forum apply. The parties agree that they shall submit themselves to the exclusive jurisdiction of the state and federal courts located in the State of Hawaii and will not object to such jurisdiction on the basis of lack of personal jurisdiction, improper venue, inconvenient forum (*forum nonconveniens*), or otherwise.

10.6 Attorneys' Fees. In any dispute arising under or relating to this Agreement or the relationship established by this Agreement, if awarded by a court of competent jurisdiction or other binding decision maker appointed by the parties, such as an arbitrator, the prevailing party may recover its reasonable legal expenses. Legal expenses may include but not be limited to reasonable attorneys' fees, expert witness fees, and costs.

10.7 Headings/Recitals. The headings to the various paragraphs of this Agreement and the recitals have been inserted for convenience of reference only and shall not modify, define, limit or expand the expressed provisions of this Agreement.

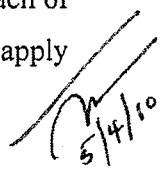
10.8 Legal Proceedings. If Brim is notified of a legal proceeding against St. Francis or a Facility, Brim shall timely notify St. Francis and shall coordinate legal matters and proceedings with St. Francis' counsel. With respect to actions relating to St. Francis brought against both St. Francis (or a Facility) and Brim, or Brim alone, St. Francis shall, at Brim's request, defend Brim except that Brim shall reimburse St. Francis' legal fees in defending Brim in those instances where Brim is required to indemnify St. Francis as provided in Article 9. In no event will St. Francis or the Facilities be responsible for the legal fees or defense costs incurred or paid in the defense of Brim or its officers, employees or agents (specifically including, without limitation, the Designated Officers or the Brim Representatives), brought by a third party unless St. Francis or the Facilities are separately required to indemnify Brim pursuant to the indemnification obligations contained in Section 9.2.

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10.9 AHA Membership. Brim believes that membership in the American Hospital Association (“AHA”) confers significant benefits on member hospitals. It is important to Brim that all its managed hospitals participate as member hospitals of AHA in order to ensure that Brim and its managed hospitals will benefit from certain group discounts, lobbying efforts, and other benefits provided by AHA. Accordingly, during the term of this Agreement, St. Francis agrees to use its commercially reasonable efforts to maintain membership for each Facility as a member hospital of the AHA.

10.10 St. Francis Proprietary Information. Because the work for which Brim, the Designated Officers, and Brim’s other personnel authorized pursuant to this Agreement to provide the management and administrative services set forth herein for the benefit of St. Francis and the Facilities (together, the “Brim Representatives”) are engaged may include access to information and knowledge of a proprietary or confidential nature to St. Francis, the Facilities, and their respective affiliates, Brim and the Brim Representatives shall receive such information and knowledge in confidence and shall not, except as required in the conduct of the valid business of St. Francis and the Facilities, or as authorized in writing by the Board, disclose publish, or use or authorize anyone else to disclose, publish, or make use of such information or knowledge unless and until such information or knowledge shall have ceased to be proprietary or confidential as evidenced by general public knowledge. This prohibition as to disclosure and publication shall not restrict Brim or the Brim Representatives in the exercise of their technical skill, provided that the exercise of such skill does not involve the disclosure to others of information considered sensitive, proprietary, or confidential to St. Francis, the Facilities, or their respective affiliates. Brim hereby agrees to be responsible for the breach by any of the Brim Representatives of the provisions of this Section 10.10. The provisions of this Section 10.10 shall survive the expiration or termination of this Agreement.

Brim acknowledges that any disclosure of any confidential or proprietary information or use of such information other than in the discharge of obligations hereunder for the benefit of St. Francis and the Facilities may cause irreparable injury to St. Francis and the Facilities and that money damages may not provide an adequate remedy to St. Francis and the Facilities. If Brim or any of the Brim Representatives commits a breach or threatens or attempts to commit a breach of any of the provisions of this Section 10.10, St. Francis and the Facilities shall be entitled to apply

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to any court having jurisdiction in the matter to obtain temporary restraining orders and preliminary and permanent injunctions to enjoin Brim and the Brim Representatives from any act or course of conduct, without the necessity or requirement of posting a bond or other security as a prerequisite to obtaining such relief, which requirements and obligations are hereby waived by Brim on behalf of itself and each of the Brim Representatives to the fullest extent permitted by law.

ARTICLE XI
CONFIDENTIALITY OF PROTECTED HEALTH INFORMATION

11.1 HIPAA. The parties acknowledge and agree that for purposes of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), St. Francis and each Facility is a "Covered Entity" and Brim is a "Business Associate" of St. Francis and each Facility. Accordingly, Brim and St. Francis agree to comply with the following:

(a) Certain Definitions. Capitalized terms used in this Article XI and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Privacy Rule or the Security Rule, as applicable. References herein to the "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR part 160 and part 164, subparts A and E. References herein to the "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 C.F.R., part 164, subpart C. Any reference in this Agreement to a defined term or specific section of the Privacy Rule or the Security Rule means that term or section as in effect or as amended, and for which compliance is required. Notwithstanding the generality of the foregoing, references herein to "PHI" shall be limited to Protected Health Information disclosed to Brim by St. Francis or a Facility and/or created, obtained or maintained by Brim on behalf of St. Francis or a Facility. All references to "Brim" in this Article XI shall include, as applicable, the Brim Representatives.

(b) Permitted Uses and Disclosures. Brim shall not use or disclose any Protected Health Information other than (i) as permitted by this Agreement in

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order to perform Brim's obligations hereunder, provided that Brim shall not use or disclose the PHI for such purpose in any way that would be prohibited if used or disclosed in such a way by St. Francis or a Facility (ii) as required by law, (iii) to provide Data Aggregation services relating to the health care operations of St. Francis or a Facility, and (iv) as otherwise approved in writing by St. Francis or a Facility. In addition to the foregoing, Brim may use or disclose PHI as required for Brim's proper management and administration of St. Francis and the Facilities, provided that if Brim discloses any PHI to a third party for such a purpose, Brim shall enter into a written agreement with such third party requiring that party (I) to hold the PHI confidentially and to use or further disclose the PHI only for the purpose for which it was disclosed to such person or as required by law, and (II) to notify Brim of any instances of which it becomes aware in which the confidentiality of the PHI is breached. Without limiting the foregoing, Brim will not sell PHI or use or disclose PHI without an authorization for purposes of marketing, as defined and prescribed in the Privacy Rule and the American Recovery and Reinvestment Act of 2009 ("ARRA"). Brim shall limit its uses and disclosures of, and requests for, PHI (A) when practical, to the information making up a Limited Data Set; and (B) in all other cases subject to the requirements of 45 CFR § 164.502(b), to the minimum amount of PHI necessary to accomplish the intended purpose of the use, disclosure or request.

(c) De-Identified Information. Nothing in this Article shall restrict Brim's ability to use or disclose de-identified PHI in accordance with the Privacy Rule.

(d) Reporting. If Brim becomes aware (i) of any use or disclosure of PHI in violation of this Agreement including but not limited to any breach of unsecured PHI in compliance with any reporting requirements specified in regulations applicable to Brim issued pursuant to ARRA, or (ii) of any Security Incident, Brim shall promptly report such occurrence to St. Francis. Brim shall cooperate with, and take any action required by, St. Francis to mitigate, to the extent practicable, any deleterious effect of such improper use, or disclosure or breach. The parties acknowledge and agree that this section constitutes notice by Brim to

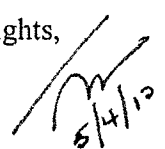
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St. Francis and each Facility of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to St. Francis or a Facility shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings, and other broadcast attacks on Brim's firewall, port scans, unsuccessful log-on attempts, denials of service and any combination of the above, so long as no such incident results in unauthorized access, use or disclosure of electronic PHI.

(e) Agents and Subcontractors. Brim shall require its employees, agents, and subcontractors to agree not to use or disclose PHI in any manner except as specifically allowed herein, and shall take appropriate disciplinary action against any employee or agent who uses or discloses PHI in violation of this Agreement. Brim shall require any agent or subcontractor that carries out any duties for Brim involving the use, custody, disclosure, creation of, or access to PHI to enter into a written contract with Brim containing provisions substantially identical to the restrictions and conditions set forth herein.

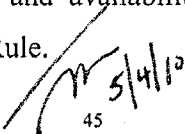
(f) St. Francis Policies, Privacy Practices, and Restrictions. St. Francis shall provide Brim with copies of any St. Francis or Facility notices, policies and procedures with which Brim is expected to comply. If St. Francis or a Facility makes any changes to such policies or notices, or if an Individual revokes or restricts St. Francis' right to use or disclose PHI and St. Francis expects Brim or its employees or agents to comply with such changes or restrictions, St. Francis shall immediately advise Brim and shall allow Brim a reasonable period in which to bring its own practices into compliance. Further, without limiting the uses and disclosures permitted by subsections (b) and (c) of this Section, neither St. Francis nor a Facility shall knowingly request or require Brim to use or disclose PHI pursuant to this Agreement in any manner that would not be permissible under the Privacy Rule if done by St. Francis or that Facility.

(g) Individual Rights. Brim acknowledges that the Privacy Rule requires St. Francis and/or the Facilities to provide Individuals with certain privacy rights,



including (a) the right to inspect and obtain copies of PHI within the possession or control of each Facility, its business associates, and their subcontractors, (b) the right to amend such PHI, and (c) the right to obtain an accounting of certain disclosures of their PHI to third parties. Brim shall establish and maintain adequate internal controls and procedures allowing it to readily assist St. Francis and the Facilities in complying with Individual requests to exercise any rights granted by the Privacy Rule. Brim shall record all disclosures by Brim of PHI required to be recorded by 45 CFR § 164.528 and, effective upon the compliance date applicable to St. Francis or a Facility, as applicable, by regulations issued pursuant to ARRA. If St. Francis or a Facility receives a request to exercise such rights, and St. Francis reasonably believes Brim is in possession or control of all or portions of such PHI that is not already in the possession or control of St. Francis or a Facility, St. Francis shall notify Brim in writing of the request. Brim shall promptly comply with all St. Francis requests to amend, provide access to, or create an accounting of disclosures of the PHI in the possession of Brim or its agents and subcontractors. If Brim receives a request directly from an Individual to exercise any rights granted by the Privacy Rule, Brim shall immediately forward the request to St. Francis; provided, however, that if forwarding the Individual's request to St. Francis would cause St. Francis, a Facility, or Brim to violate the Privacy Rule or other applicable law, Brim shall instead respond to the Individual's request as required by such law and notify St. Francis of such response as soon as practicable.

(h) Safeguards. Brim shall use appropriate physical, technical, and administrative safeguards to prevent the use or disclosure of an Individual's PHI other than as provided for by this Agreement and, as applicable, by St. Francis' and each Facility's privacy and security policies. Upon request, Brim shall allow St. Francis to review such safeguards. If Brim uses electronic media to obtain, transmit, or store PHI, Brim shall implement appropriate administrative, physical, and technical safeguards to reasonably and appropriately protect the confidentiality, integrity, and availability of such PHI in electronic media as required by the Security Rule.

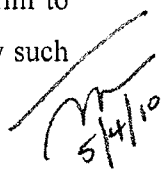
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(i) Disclosure to DHHS. Brim shall make its internal practices, books, and services relating to the use and disclosure of PHI available to the Secretary of Health and Human Services (“DHHS”) to the extent required for determining St. Francis’ or a Facility’s compliance with the Privacy Rule. Notwithstanding the above, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by St. Francis, a Facility, or Brim by virtue of this provision.

11.2 Additional Provisions.

(a) Termination. Notwithstanding anything to the contrary in this Agreement, either party may terminate this Agreement (a) upon ninety (90) days prior written notice if the other party materially breaches Section 11.1 and fails to cure the breach within such ninety (90) day period, or (b) immediately upon written notice if the other party materially breaches Section 11.1 and it is not feasible for the breaching party to cure such breach. If neither termination nor cure is feasible, the non-breaching party shall report the other party’s breach to the Secretary of DHHS.

(b) Effect of Termination. Upon the termination of this Agreement for any reason, including expiration, except as otherwise stated in this Section 11.2(b), Brim shall return or destroy all PHI that Brim still maintains (or that is maintained by any subcontractor or agent of Brim) in any form, and shall retain no copies of such PHI. If Brim determines that neither return nor destruction is feasible with respect to some or all such PHI, Brim shall inform St. Francis of the reason such actions are not feasible and shall continue to extend the protections of this Article to such information and limit further use and disclosure of such PHI to those purposes that make the return or destruction of such PHI infeasible for so long as Brim maintains such PHI in any form. If both return and destruction are feasible alternatives, Brim shall abide by St. Francis’ election of return or destruction (or a combination as to different subsets of the PHI). If St. Francis requires Brim to destroy any or all PHI, Brim (or Brim’s agent for this purpose) shall certify such

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destruction to St. Francis in writing. Brim's obligations under this Section 11.2(b) shall survive the termination of this Agreement.

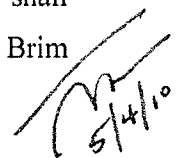
(c) Amendment. To the extent that any relevant provision of state or federal law relating to the privacy, security, and confidentiality of PHI is amended in a manner that materially changes the obligations of Business Associates or Covered Entities, the parties agree to negotiate in good faith such amendment(s) to this Agreement as are required to give effect to such revised obligations, and to continue such negotiations as long as necessary to reach agreement.

(d) No Third Party Beneficiaries. Nothing express or implied in this Article XI is intended or shall be deemed to confer upon any person other than St. Francis, the Facilities, Brim, and their respective successors and assigns, any rights, obligations, remedies or liabilities. For the avoidance of doubt, the parties intend that no Individual shall be a third party beneficiary of this Article.

(e) Interpretation. The parties agree that any ambiguity in this Article XI, and any conflict between this Article and the other terms of this Agreement, shall be resolved in favor of a meaning that permits St. Francis and each Facility to comply with the Privacy Rule and the Security Rule.

ARTICLE XII SUCCESSORS AND ASSIGNS

12.1 Assignment. Neither party hereto may assign its interest in or delegate the performance of its obligations under this Agreement to any other person without obtaining the prior written consent of the other party, except that Brim may assign its interest or delegate the performance of its obligations to an Affiliated Entity or to a successor corporation to Brim approved in writing by St. Francis that is qualified to manage St. Francis and the Facilities in the state in which St. Francis and the Facilities are licensed and operated, which approval shall not be withheld unreasonably. St. Francis and each Facility may assign its respective interest to a duly authorized successor in interest or any affiliate provided that any such assignee shall expressly assume in writing the obligations of St. Francis or such Facility, as applicable, to Brim

Handwritten signature and date: 5/4/10

as set forth herein. For purposes of this paragraph, an "Affiliated Entity" to Brim shall include any entity wholly owned by Brim or under common ownership with Brim.

12.2 Successors and Assigns. The terms, provisions, covenants, obligations, and conditions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and the successors in interest and the assigns of the parties hereto, provided that no assignment, transfer, pledge, or mortgage by or through either party, as the case may be, in violation of the provisions of this Agreement, shall vest any rights in the assignee, transferee, pledgee, or mortgagee.

12.3 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute but one and the same instrument. Facsimile and electronically transmitted signatures shall be deemed to be, and shall be legally effective as, original signatures for all purposes of this Agreement.

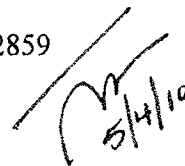
12.4 Authority. Each of the parties to this Agreement represents and warrants to the other that it has full power and authority to enter into this Agreement and to carry out the terms hereof.

ARTICLE XIII
NOTICES

13.1 Notices. Any notice by either party to the other shall be in writing and shall be deemed to have been given the earlier of: (a) the date on which it is delivered personally or by facsimile transmission or overnight delivery, or (b) four (4) days after it is deposited in the United States mail, postage pre-paid and certified with return receipt requested.

To Brim:

Brim Healthcare, Inc.
105 Westwood Place, Suite 300
Brentwood, TN 37027
ATTN: President
Facsimile No.: (615) 370-2859

Handwritten signature and date: 5/4/10

With a copy to:
Brim Healthcare, Inc.
105 Westwood Place, Suite 300
Brentwood, TN 37027
ATTN: Legal Counsel
Facsimile No.: (615) 370-2859

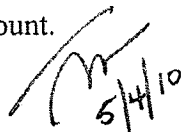
To St. Francis:

St. Francis Hospitals
2226 Liliha Street, Suite 227
Honolulu, HI 96817
ATTN: Sister Agnelle Ching
Facsimile No.: (808) 547-6616

With a copy (which shall not constitute notice) to:
McCorriston Miller Mukai MacKinnon LLP
Five Waterfront Plaza, 4th Floor
500 Ala Moana Boulevard
Honolulu, HI 96813
ATTN: Stewart Pressman
Facsimile No.: (808) 524-8093

ARTICLE XIV
ACCESS TO BOOKS AND RECORDS OF BRIM

14.1 Upon written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, or the officials occupying similar positions in the corollary governmental agencies of the State of Hawaii or any of their duly authorized representatives, Brim or any other related organization providing services with a value or cost of ten thousand dollars (\$10,000.00) or more over a twelve (12) month period, shall make available to the Secretary (or other authorized requesting governmental official) the contracts, books, documents and records that are necessary to certify the nature and extent of the costs of providing such services. Such inspection shall be available up to four (4) years after the rendering of such services. This paragraph is not intended to prohibit or impede any state audits pursuant to state law or to waive any attorney-client or physician-patient privilege. In the event the statutory amount reflected herein is revised during the term of this Agreement, this paragraph shall be deemed to be amended, without further action required by the parties hereto, to reflect said revised statutory amount.


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ARTICLE XV
NO DISCRIMINATION

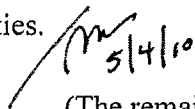
15.1 Neither party shall discriminate against any person on the grounds of race, color, national origin, handicap, disability, religion or sex in the discharge of its duties and obligations herein.

ARTICLE XVI
ENTIRE AGREEMENT

16.1 This Agreement constitutes the sole and only agreement of the parties hereto with respect to the management of St. Francis and the Facilities and correctly sets forth all the rights, duties and obligations of each to the other as of its date. Upon the occurrence of the Effective Date any and all prior agreements, promises, proposals, negotiations or representations, specifically including, without limitation, the Transition Services Agreement dated April 1, 2010 by and between Brim and St. Francis Healthcare System of Hawaii, whether written or oral, which are not expressly set forth in this Agreement are hereby superseded and such agreements shall be of no further force or effect, provided, however, that those obligations set forth in the Transition Services Agreement that were explicitly specified to survive the termination of the Transition Services Agreement, as well as any unpaid compensation and indemnification obligations of the parties set forth in the Transition Services Agreement, whether or not such compensation or indemnification obligations were explicitly specified to survive, shall survive such termination in full force and effect.

ARTICLE XVII
AMENDMENTS

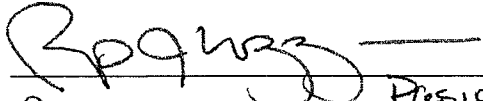
17.1 This Agreement may not be amended, modified, or terminated orally, and no amendment, modification, termination, or attempted waiver shall be valid unless in writing and signed by both parties.

A handwritten signature in black ink, followed by the date "5/4/10" written in black ink.

(The remainder of this page was intentionally left blank)

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed by their authorized representatives on the dates shown beneath their respective signatures below, provided that this Agreement is effective as of the Effective Date set forth in Section 6.1.

BRIM HEALTHCARE, INC.

By: 
Phillip J. MAZZUCA PRESIDENT AND CEO
(printed name and title)
5/4/10
(date)

ST. FRANCIS HOSPITALS, for itself and St. Francis Hospital-Liliha and St. Francis Hospital-Ewa

By: _____

(printed name and title)

(date)

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed by their authorized representatives on the dates shown beneath their respective signatures below, provided that this Agreement is effective as of the Effective Date set forth in Section 6.1.

BRIM HEALTHCARE, INC.

By: _____

(printed name and title)

(date)

ST. FRANCIS HOSPITALS, for itself and St. Francis Hospital-Liliha and St. Francis Hospital-Ewa

By: Sister Agnelle Ching

Sister Agnelle Ching, President
(printed name and title)

5/5/10
(date)

EXHIBIT A

St. Francis Plan Budget

See attached.

Financial Forecast
Fiscal years 2011 through 2020

772973.1

U.S. Bankruptcy Court - Hawaii #08-01369 Dkt # 1125 Filed 03/16/10 Page 7 of 22

Combined Statement of Operations

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues:										
Gross patient charges	376,889	381,381	392,131	403,563	415,669	428,139	440,984	454,213	467,840	481,875
Deductions from revenue	226,966	226,671	230,882	236,020	243,101	250,394	257,906	265,643	273,612	281,821
Net patient revenue	149,923	154,710	161,249	167,542	172,568	177,745	183,078	188,570	194,227	200,054
Other revenue	3,000	3,809	4,623	4,719	4,861	5,007	5,157	5,312	5,471	5,635
Total Revenues	152,923	158,519	165,872	172,262	177,429	182,752	188,235	193,882	199,698	205,689
Expenses:										
Salaries & Wages	56,482	59,307	62,569	65,072	67,024	69,034	71,106	73,239	75,436	77,699
Employee benefits	12,765	14,234	15,017	15,617	16,086	16,568	17,065	17,577	18,105	18,648
Professional fees	6,318	6,373	6,539	6,729	6,931	7,139	7,353	7,574	7,801	8,035
Management fee	900	928	967	1,005	1,035	1,066	1,098	1,131	1,165	1,200
Drugs	6,200	6,510	6,901	7,246	7,465	7,687	7,917	8,155	8,400	8,652
Purchased services	24,900	25,398	26,160	26,945	27,753	28,586	29,443	30,327	31,236	32,173
Maintenance	5,000	5,075	5,278	5,489	5,654	5,823	5,998	6,178	6,363	6,554
Supplies	18,870	19,530	20,312	21,124	21,758	22,411	23,083	23,775	24,489	25,223
Utilities	3,400	3,502	3,642	3,788	3,901	4,018	4,139	4,263	4,391	4,523
Depreciation	6,485	6,600	6,600	6,600	6,798	7,002	7,212	7,428	7,651	7,881
Interest	5,557	5,533	5,505	5,495	5,484	5,479	5,409	5,312	5,205	5,068
Other	6,360	6,089	6,272	6,460	6,654	6,854	7,059	7,271	7,489	7,714
Total expenses	153,237	159,080	165,761	171,570	176,541	180,868	185,884	191,014	196,031	201,370
Net Income	(314)	(561)	111	692	888	1,884	2,351	2,868	3,667	4,319
EBIDA	11,728	11,572	12,216	12,787	13,170	13,565	13,972	14,391	14,823	15,268
EBIDA margin	7.67%	7.30%	7.36%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%

EXHIBIT 10

List of Initial Officers and Directors

The Directors of the Reorganized Debtors shall consist of the following:

1. Sister Agnelle Ching.
2. Mr. Jerry J. Correa, Jr.
3. Mr. Richard Dahl.
4. Such additional directors as may be identified prior to the Confirmation Hearing.

The Officers of the Reorganized Debtors shall consist of the following:

1. Mr. Neil Todhunter – Vice President of Operations and Chief Executive Officer.
2. Mr. Michael Jenness – Chief Financial Officer.
3. Mr. Gene Wright – Chief Operations Officer.
4. Mr. Kevin Hawk – Chief Operations Officer

Kevin R. Hawk
307.371.6860 (cell)
kevinrhawk@gmail.com

EXPERIENCE

2009 - present

**Chief Executive Officer – Summit Healthcare Regional Medical Center
Show Low, Arizona**

Summit is an 89 bed, CMS accredited, full-service community hospital serving the White Mountain region of Northeast Arizona. With a busy cardiac catheterization lab, a growing vascular program and a full-service radiation and medical oncology program Summit serves as a regional referral center for many outlying facilities. Summit has over \$255,000,000.00 in gross revenue, \$110,000,000.00 net revenue 24,000 ED visits, 1,100 births and nearly 5,000 surgical encounters annually with an active medical staff exceeding 75.

Accomplishments

- Realized a net income exceeding \$16,000,000.00 with an operating margin of 15% for 2009.
- Recruited physicians across multiple specialties including: vascular surgery, cardiology and OB/GYN.
- Enjoyed improvement in quality and core measure scores along with positive gains with customer satisfaction scores.
- Uncovered multiple compliance issues and contractual challenges and implemented a plan to correct them. Immediately informed the board and legal counsel of issues when identified.
- Implemented various employee communication tools which included an annual Town Hall meeting that returned a 96% rating of either a 4 or 5 on a scale of 1-5 on value of the time spent. In addition, conducted annual staff meetings with each hospital department.
- Introduced quarterly lunch meetings with the hospital auxiliary and volunteer groups which included an open Q&A format to discuss current events with the hospital.
- Initiated a comprehensive review and evaluation of the surgical services department which resulted in improved efficiencies, higher surgeon and staff satisfaction and reduced costs.
- Directed multiple construction projects (in excess of \$16,000,000.00) designed to enhance outpatient services.

2005 – 2008

**Chief Executive Officer – Memorial Hospital of Sweetwater County (MHSC)
Rock Springs, Wyoming**

MHSC is a 99 bed, JCAHO accredited, full-service community hospital serving the residents of Sweetwater and surrounding county residents. It serves as the only acute care facility for 100 miles in any direction. MHSC has over \$62,000,000 in gross revenue, \$40,000,000 net revenue, 23,000 ED visits and 625 births with a medical staff exceeding 60 physicians.

Accomplishments

- Restored board, medical staff and community confidence in the hospital following a series of terminations of the senior leadership team related to a management embezzlement exceeding \$1,600,000. This was accomplished through rebuilding the leadership team, interacting with the medical staff, initiating an aggressive employee communication plan and becoming actively involved with various aspects of the local communities.
- Commissioned a campus master plan, hired an architectural firm, developed a board approved construction project and secured financing within the first 180 days of my tenure. The project includes: a new 18,000 square foot ED, 8 bed private suite Women's Center, surgical expansion, laboratory expansion, new pharmacy, new main entrance and many other remodeled patient care areas.
- Implemented a public relations campaign and speaking tour that resulted in the community voting to provide \$22,000,000 of sales tax proceeds toward the \$56,000,000 hospital expansion and renovation project.
- Improved hospital finances from an inherited junk bond rating to triple B+ within the first year of the our tenure. This improvement allowed the hospital to forgo HUD financing and replace it with revenue bonds carrying an interest rate of 3.5% saving millions of dollars for the project.
- Increased the hospital's net income by \$7,000,000 in 3 years after inheriting a loss of \$3,000,000 for the previous five years of operations.
- Received the "**Cornerstone Award**" for outstanding community service by an organization in Sweetwater County. This was a result of our efforts with local parades, providing monthly meals to the senior center, Rock Springs cleanup day, free care clinics, high school athletic physicals, football rivalry meals, hospital hosted trick-or-treat which saw in excess of 600 children attending and many other related events.
- Directed the reorganization of the hospital's self-funded health insurance plan which led to a savings in excess of \$2,000,000.
- Recruited physicians in multiple specialties including: General Surgery, Internal Medicine, Family Practice, OB/GYN, Radiology, Pathology and a new Emergency Physician group within 90 days after the previous group served notice of their inability to fulfill the staffing requirements of the contract.

- Implemented a hospitalist program. This program has had many benefits including: better consistency of inpatient care, improved communication between the medical staff and clinical staff and a better quality of life for the primary care physicians due to not having to take call.
- Created the position of Vice President Operations / Quality for the purposes of focusing the hospital and medical staffs on the importance of performance improvement and quality.

**2002 – 2004 Administrator – Portage Hospital Campus
Porter Health System, Valparaiso, Indiana**

Porter Health System is comprised of two acute care hospitals (licensed for 400 beds) and multiple satellite facilities providing over \$375 million of healthcare to the residents of Porter County, Indiana. Porter is the largest county hospital system in the state of Indiana.

Porter Hospital Valparaiso Campus is a 350 bed acute care facility with gross revenue exceeding \$325,000,000, net revenue of \$160,000,000, 32,000 ED visits, 900 births and an active medical staff of 350 physicians. Portage Hospital Campus is a full-service community hospital affiliated with Porter Health System. It has gross revenue exceeding \$65,000,000, net revenue of \$40,000,000, 27,000 annual emergency visits, 450 births and an active medical staff of 125 physicians.

Accountable for daily operations, medical staff and board relations at the Portage Hospital Campus. In addition, held system responsibilities encompassing over \$ 120,000,000 of revenue at five satellite facilities along with the service lines of imaging, laboratory, respiratory, rehabilitation and neurophysiology at the Valparaiso Hospital campus.

Accomplishments

- Increased gross patient revenue at the Portage hospital campus from \$23,000,000 in 2001 to \$65,000,000 in 2004.
- Decreased the annual loss with Porter Health Services (hospital owned physician group) from \$2,000,000 in 2001 to \$400,000 in 2003.
- Implemented a 24-hour surgical program, recruited surgeons and expanded surgical services, which resulted in additional 1400 cases for PHC in 2004.
- Enjoyed national recognition from Gantz-Wiley research for a 50% increase in employee satisfaction as part of the health system senior leadership team (comparing survey data from 2001-2003).

**1993 – 2002 Vice President Operations
Greene Memorial Hospital / Med-Health System, Xenia Ohio**

Held responsibility for all clinical services (imaging, lab, pharmacy, cardiology, emergency room, mental health, occupational medicine, urgent care, respiratory

therapy, home health) along with human resources, physician practice management and the support service departments (materials management, engineering, environmental services, nutritional services) at this 230 bed acute care community hospital.

- 1990 – 1993** **Vice President for Clinical Services**
The McDowell Hospital, Marion, North Carolina
Responsible for all clinical services, including: surgical services, ED, pharmacy, lab, imaging, respiratory therapy, cardiology, physical therapy and medical staff.
- 1985 – 1990** **Administrative Assistant for Support Services**
Holzer Medical Center, Gallipolis, Ohio
Responsible for all support services, including: nutritional services, materials management, security and environmental services.
- 1984 – 1985** **Assistant to the Vice President for Planning Services**
Administrative Resident
Lee Memorial Hospital, Fort Myers, Florida
Completed a one-year residency to fulfill master's degree and worked for the Vice President of planning following residency.
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EDUCATION

- Xavier University, Cincinnati, Ohio**
Masters of Hospital/Healthcare Administration, 1984
- Mount Vernon Nazarene College, Mount Vernon, Ohio**
Bachelor of Arts/Business Management, 1982
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AFFILIATIONS

- | | |
|--|-------------------|
| Wyoming Hospital Association | Board Member |
| Arizona Hospital Association | Committee Member |
| United Way Allocations Committee | Member |
| Chamber of Commerce | Board Member |
| Ivy Tech College Project | Task Force Member |
| Youth League Athletic Association | Coach |
| American College of Healthcare Executives | Member |
| American Cancer Society Fund Raising Committee | Member |

MICHAEL JENNESSE, CPA

511 Rutile Drive ✧ Ponte Vedra Beach, Florida 32082
Res 904.280.2511 Cell 904.891.9109 ✧ majennesse@gmail.com

EXECUTIVE – HEALTHCARE FINANCE AND OPERATIONS *Strategic Planning/Accounting/Finance/Productivity Management /Operations*

Combine astute financial, strategic, and operational management skills with a 25-year track record involving all aspects of hospital and related healthcare entity management with an emphasis on financial and productivity in hospitals ranging from critical access through tertiary care facilities.. Exceptional communication and networking talents joined with honesty, integrity, and passion for meaningful work result in a successful executive with credibility among professional colleagues and stakeholders alike. Enjoys working with complex structures or situations and balancing the objectives of diverse parties.

CORE COMPETENCIES

- ◆ Financial Management
- ◆ Strategic Planning
- ◆ Team Development
- ◆ Customer Service
- ◆ Process Improvement
- ◆ Budgeting and Forecasting
- ◆ Physician Relations
- ◆ Systems Development
- ◆ System Implementation
- ◆ Due Diligence
- ◆ Business Office
- ◆ Business Intelligence
- ◆ Contracting
- ◆ Certificate of Need
- ◆ Accounts Receivable Management
- ◆ MOB Construction and Operations

PROFESSIONAL EXPERIENCE

Brim Healthcare

2009 - Current

INTERIM CHIEF FINANCIAL OFFICER – Corporate – Nashville, TN

- ◆ Member of multi-disciplinary Strategic Team to review and identify operational and financial opportunities at managed facilities.
- ◆ Assisted with preparation and review of the 2010 operations budgets.
- ◆ Implemented new procedures to improve divisional financial reporting creating a consistent and timely method of reporting information.
- ◆ Managed the year end fiscal Audits for all operations.

INTERIM CHIEF FINANCIAL OFFICER – Pikes Peak Regional Hospital – Woodland Park, CO

- ◆ Directed the implementation of a Centralized Business Office.
- ◆ Managed the reorganization of the Central Business Office to improve operations from pre-registration to collection.
- ◆ Significantly reduced the Discharged Not Final Billed Accounts Receivable.
- ◆ Introduced Product Line Business Intelligence software allowing for the proper evaluation of product lines and margins.

INTERIM CHIEF FINANCIAL OFFICER – Wadley Regional Medical Center – Texarkana, TX

- ◆ Orchestrated and managed all financial activities post purchase of facility through bankruptcy.
- ◆ Developed and introduced proprietary policies and practices to this former “Not for Profit” facility.
- ◆ Managed first year operations generating \$100M in Net Revenue and in excess of \$9M in EBDITA.
- ◆ Developed standardized accounting practices resulting in consistent, timely and accurate reporting.
- ◆ Implemented strict labor productivity standards.
- ◆ Utilized Product Line Business Intelligence software to assist in management of lines of business and contribution margins.
- ◆ Renegotiated all hospital based physician agreements.
- ◆ Interviewed and hired permanent Chief Financial Officer.

PREVIOUS PROFESSIONAL EXPERIENCE

Jenness Investments, LLLP

2004 – 2009

GENERAL MANAGER – Ponte Vedra Beach, FL

- ◆ Organized and created Jenness Investments, LLLP and Jenness Manager, LLC for the purpose of acquiring, holding, managing and leasing real estate assets.
- ◆ Acquired nine parcels of land (approx. 1,100 acres).
- ◆ Initiated, developed and executed ten leases for agricultural purposes.
- ◆ Managed all farming activities.
- ◆ Directly responsible for all legal, accounting, governmental and financial reporting.

CERTIFIED GENERAL CONTRACTOR – Ponte Vedra Beach, FL

- ◆ Managed custom home building operation to include design development, value engineering, subcontractor management, financing and warranty service.
- ◆ Managed renovation projects.

Iasis Healthcare

2001 – 2003

DIVISION CHIEF FINANCIAL OFFICER – Franklin, TN

- ◆ Provided financial and operational oversight for a division consisting of seven acute care hospitals in five distinct markets: Total Net Revenue of \$400M and EBDITA of \$92M.
- ◆ Responsible for strategic planning and operational and capital budgeting for the division.
- ◆ Participated in the development of corporate operational policies and procedures relating to accounting, operations, accounts receivable management, reimbursement, labor management and case management.
- ◆ Managed daily financial performance, including earnings, cash flow, accounts receivable management, labor utilization and case management.
- ◆ Directly involved with a team in the development and implementation of Product Line Business Intelligence software.
- ◆ Implemented a daily labor management system with strict unit level labor accountability.
- ◆ Presented at and attended hospital board meetings on a regular basis and Iasis Corporate board meetings as needed.

Jenness Consulting

1999 – 2001

OPERATIONAL AND FINANCIAL CONSULTANT – Chapel Hill, NC

- ◆ Managed hospital during interim period while permanent CEO position was vacant.
- ◆ Provided CFO services for a market consisting of five hospitals and various ancillary services including outpatient surgery and diagnostic centers.
- ◆ Provided financial support for organizations seeking new capital.
- ◆ Provided financial and operations support related to the real estate industry.

Hospital Corporation of America

1988 – 1998

CHIEF FINANCIAL OFFICER – University Hospital – Tamarac, FL

1993 - 1998

- ◆ Provided operational and financial direction, guidance and oversight for the following facilities: acute-care, psychiatric, skilled nursing, home health, ambulatory surgery, physician practices and medical office buildings.
- ◆ Directly responsible for fiscal services, business office, health information management, patient care management, materials management, information systems, budget and reimbursement and ethics and compliance.
- ◆ Served as an integral member of the senior leadership team, medical executive committee and Board of Trustees. Represented the Chief Executive Officer on key hospital committees and participated in all medical staff committee meetings.
- ◆ Served as the Ethics and Compliance Officer for the facilities.
- ◆ Participated in performance improvement initiatives throughout the facilities and monitored the organizational goals and objectives.

CHIEF FINANCIAL OFFICER – Deering Hospital – Miami, FL

1993 – 1993

CHIEF FINANCIAL OFFICER – Northwest Regional Hospital – Margate, FL

1988 – 1993

Universal Health Services

1987 – 1988

CHIEF FINANCIAL OFFICER – Doctors Hospital, Hollywood, FL

Hospital Corporation of America

1984 – 1987

CONTROLLER – Northwest Regional Hospital, Margate, FL

Peat, Marwick, Mitchell

1982 – 1984

SENIOR ACCOUNTANT – Fort Lauderdale, FL

Client work in Healthcare, Real Estate, Financial Institutions and Public Sector industries.

EDUCATION AND LICENSES

Masters in Business Administration, Nova Southeastern University, Fort Lauderdale, FL

Bachelor of Science, Accounting, Florida State University, Tallahassee, Florida

Certified Public Accountant, State of Florida

Certified General Contractor, State of Florida

Continuing education courses and seminars relative to career and license

NEIL E. TODHUNTER

With a healthcare career spanning 35 years, 30 of which were spent as President and CEO of 200-300 bed hospitals with services ranging from acute, behavioral health, home care, skilled care, cancer and physician practice management, Neil Todhunter has seen it all.

On his watch an \$80+ million replacement rural hospital was efficiently designed, fabricated and completed on schedule and \$3 million under budget. During his tenure, he has overseen the successful completion of two hospital mergers, one involving the unification of two separate communities. Neil has also demonstrated fantastic leadership during times of crisis, successfully leading the due diligence, acquisition and financial turnaround of a County-owned 200 bed long-term care facility and providing management for the financial turnaround and service consolidation of a hospital undergoing a transition period following the departure of its CEO.

In recent years, Neil's hospitals have received a stream of accolades: 5 "Top 100 Hospital" awards, 4 "Cleverly Community Value Index" awards, 3 "Health Grades" (Patient Safety) awards, U.S News and World Report Stroke recognition, and other national and state quality awards. His "team approach" leadership style and excellent staff relations have clearly played a significant role in the recognized achievement of exceptional performance in quality, patient satisfaction and finance.

Well acquainted with strategic planning, healthcare construction, financial and operational turnaround situations, and development of improved physician / board relationships, Neil has served as President of Oil City Area Health System, Northwest Medical Center, and UPMC Northwest and is a founding member and Board leader in the very successful shared service organization, Vantage Health System of Western Pennsylvania.

Neil currently provides independent contractor services for Brim Healthcare as Interim CEO to hospitals in transition.

Qualifications:

BS degree in Business Administration graduating with high honors from Tri-State University,

Masters degree in Hospital and Health Administration from Cornell University.

A Fellow in the American College of HealthCare Executives

Licensed Pennsylvania Nursing Home Administrator.

Honorary Doctorate Public Service, Clarion University, Clarion, PA

CEO

CEO of 214 bed rural community facility created by merger of two local facilities. Consolidated facility with \$78,000,000 Net Revenue, and obtained 14.2% margin in first full fiscal year. Facilities had operated at ten plus million (-\$10,000,000) loss year prior to consolidation. Major accomplishments include recruitment of six physicians, recruitment of new radiology group (not in above number), design to opening of radiology department, remodeling of Emergency Department and negotiation of physician service management contract, negotiated Blue Cross per diem increase of 21.8%, patient satisfaction scores as surveyed by Press Ganey increased from first percentile to the eleventh percentile. Hospital has won Press Ganey Compass award for most improved patient satisfaction raw score in size category for 2002. Hospital was reviewed by JCAHO three times during consolidation period, plus completed tri-annual in September with one Type 1 citation.

HealthMont, Inc., Franklin, Tennessee

September 2000-December 2001

President/COO

As **Co-founder** of HealthMont, Inc., participated in developing and implementing our business plan, and participated in raising equity. As COO, responsible for defining strategies and operations of company's five hospitals. HealthMont owned five hospitals with a combined net revenue of \$87,000,000. We were unable to acquire additional capital, we sold two of the hospitals in Portland, OR at which time I exited.

New American Healthcare, Brentwood, Tennessee

May 1998-August 2000

Regional Vice President

While serving in this role, was responsible for operations of seven of the company's hospitals. Joined NAHC (New American Healthcare) as Director of Acquisitions and Development. Promoted to RVP in December 1998 when company was reorganized.

I worked with various hospitals in the HealthTrust-Columbia HCA-HCA system from 1992-1998

Columbia/HCA

April 1996-April 1998

President/CEO, Trident Health System, Charleston, South Carolina

The system is a two-hospital system, (296 beds and 94 beds) with gross revenue of approximately \$257 million. Improved operating margin by five (5)% points over the two years, most of which was in first year as system is a Columbia owned system and suffered with rest of company during 1997-1998. Breadth of system includes two home health agencies, owned physician practices, senior health service, seven off-campus community based diagnostic/screening centers, occupational health service, PHO, managed IPA (non-equity), capitated contract with HealthSource, managing partner of surgery center joint venture with physicians, and tertiary product lines including CV and neurosurgery. Development activities included a joint venture proposal with local franchise of HealthSouth, contracting agreement with large primary care physician group, movement of Medical University of South Carolina Family Medicine Residency Program to Trident campus, (three-year phase in of 36 residents), renovation expansion project priced at \$43 million. Lead system through a project we named "Impact 2000" which re-engineered case management reducing prospective pay LOS by over 1.5 days while reducing operating cost of system by \$12 million.

System named to HCIA Top 100 Hospitals and Health Systems for first-time based on 1997 Medicare Cost report.

February 1993-April 1996

CEO, Montgomery Regional Hospital, Blacksburg, Virginia

MRH is a 146-bed acute care hospital serving a primary service area of 75,000 and secondary service area of 45,000. Physician recruiting was priority and 14 new physicians were recruited to the hospital active staff while I served in this role. All product lines grew in volume including inpatient admissions. Length of stay decreased from 7.8 to 4.6, and operating margin grew from 18.2% to 30+%. We formed a PHO and participated in the formation of and became President to a regional Preferred Provider Association of PHOs.

May 1992 – February 1993

Chief Operating Officer, Crestwood Hospital, Huntsville, Alabama

While serving in this role, I assisted in the reorganization of the support and ancillary departments, organized and lead JCAHO focus survey response which resulted in all recommendations removed with scores of 1. Started implementation program for Cardiac Cath, Radiation Oncology, and MRI. Left to accept promotion to CEO, Montgomery Regional Hospital (two months as interim at MRH).

I worked within the Humana system from 1981 -1992

Humana, Inc.

1981-1992

Executive Director, Shoals, Alabama

Chief Executive Officer of 128 bed acute care medical surgical hospital. Responsible for community affairs, political affairs, Medical Staff, employee and customer relations. Responsible for planning and development activities for maximum utilization of and acquisition of resources required to meet the hospital's business and ethical objectives. Successful physician recruiting program, two building programs, with over fifty percent increase in average daily census. Operating Income grew from \$4,200,000 to \$8,000,000 during my stay.

Associate Executive Director/Chief Operating Officer, Huntsville, Alabama

A 323 bed hospital, was responsible for planning development and implementation of the following new services to this tertiary level medical surgical hospital: Occupational Medicine-Outpatient Program, Open Heart Surgery, Renal Lithotripsy, the area's first Hyperbaric Oxygen Medicine Service, Sleep Disorders Laboratory, and Cochlear Ear Implant Program. Served as project manager for construction of 60,000 sq. ft. attached medical office building.

Assistant Executive Director-Audubon, Louisville, Kentucky

A 484-bed hospital, held line responsibility for operation of assigned departments. Served as Administrative liaison and participated in formation of **Humana Heart Institute International**. Was responsible for preparation of hospital resources to perform human heart transplant and total artificial hearts' implant. Member of transition team which moved TAH program from Salt Lake City, Utah to Louisville, Kentucky.

SCM-Durkee Foods

1980-1981

Regional Labor Relations Manager

Staff position reporting to Corporate Director of Employee Relations. Responsible for labor negotiations and employee relations at three SCM-Durkee plants where employees were represented by AFL-CIO affiliates. Total bargaining unit of 875 employees.

Hardin Memorial Hospital
1975-1980

Associate Executive Director

A 160-bed community hospital reporting to Chief Executive Officer. Served on standing and adhoc committees with Board of Trustees and Medical Staff. Staff responsibilities included Joint Commission, licensure, OSHA preparedness, public speaking, construction coordinator, and completion of required certificate of need applications. Implemented Radiology special procedures, cardiac stress testing, and was concept to occupancy construction team member of 10 million dollar expansion and renovation project.

Morton F. Plant Hospital
1973-1975

Personnel Manager

Responsible for personnel function of employee tertiary care hospital. Originally employed at Morton Plant as assistant to Personnel Manager with major objective being to establish recruiting program for 240 bed addition to the hospital

State of Kentucky
1971-1973

State Department of Mental Health, Commonwealth of Kentucky

Employed as a **Hospital Administration Trainee** and assigned to the Department of Mental Retardation with responsibilities related to the opening of Oakwood Hospital. Oakwood was a replacement facility for mentally retarded children and adults, providing occupational and rehabilitation services on a residential and outpatient basis.

EDUCATION

Bachelor of Science Business Administration
Murray State University

PROFESSIONAL/COMMUNITY ACTIVITIES

Charleston Metro Chamber of Commerce Board of Directors,
Charleston Southern University Board of Advisors, 1997-1998

Berkley County Chamber Board member, 1996-1998
Chairman, Southwest Virginia Health Alliance, 1994-1995
Chairmen Lowcountry Junior Diabetes Walk 1997, Honorary chair `98
Chairman, VHA Roanoke Regional Council Policy, 1995
Advisory Board, First National Bank, Christianburg, VA, 1993-1998
Board of Directors, Alabama Organ Procurement Agency, 1991-1992
Emergency Medical Services Task Force, AlaHA 1990-1992
Board of Directors, United Way, Shoals District, AL. 1989-1992
Board of Directors, Shoals Area Chamber of Commerce, 1990-1992
American College of Health Care Executive
Blacksburg Rotary Club, inducted as Paul Harris Fellow 1995
Inductee to Humana Club 1989 and 1990