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**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

In re:

VERITY HEALTH SYSTEM OF,  
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

Possession.

- ☒ Affects All Debtors  
☐ Affects Verity Health System of  
California, Inc.  
☐ Affects O'Connor Hospital  
☐ Affects Saint Louise Regional Hospital  
☒ Affects St. Francis Medical Center  
☐ Affects St. Vincent Medical Center  
☐ Affects Seton Medical Center  
☐ Affects O'Connor Hospital Foundation  
☐ Affects Saint Louise Regional Hospital  
Foundation  
☐ Affects St. Francis Medical Center of  
Lynwood Foundation  
☐ Affects St. Vincent Foundation  
☐ Affects St. Vincent Dialysis Center, Inc.  
☐ Affects Seton Medical Center  
Foundation  
☐ Affects Verity Business Services  
☐ Affects Verity Medical Foundation  
☐ Affects Verity Holdings, LLC  
☐ Affects De Paul Ventures, LLC

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

Case No. 2:18-bk-20162-ER  
Case No. 2:18-bk-20163-ER  
Case No. 2:18-bk-20164-ER  
Case No. 2:18-bk-20165-ER  
Case No. 2:18-bk-20167-ER  
Case No. 2:18-bk-20168-ER  
Case No. 2:18-bk-20169-ER  
Case No. 2:18-bk-20171-ER  
Case No. 2:18-bk-20172-ER  
Case No. 2:18-bk-20173-ER  
Case No. 2:18-bk-20175-ER  
Case No. 2:18-bk-20176-ER  
Case No. 2:18-bk-20178-ER  
Case No. 2:18-bk-20179-ER  
Case No. 2:18-bk-20180-ER  
Case No. 2:18-bk-20181-ER

Hon. Ernest M. Robles

**PRIME HEALTHCARE SERVICES, INC.'S  
REPLY TO POST-EFFECTIVE DATE  
DEBTORS AND LIQUIDATING  
TRUSTEE'S MEMORANDUM IN  
OPPOSITION TO PRIME HEALTHCARE  
SERVICES, INC.'S MOTION TO ENFORCE  
PROVISIONS OF THE ASSET PURCHASE  
AGREEMENT PERTAINING TO  
ACCOUNTS RECEIVABLE  
ADJUSTMENT; SUPPLEMENTAL**



☐ Affects De Paul Ventures - San Jose  
Dialysis, LLC

Debtors and Debtors In  
Possession.

**DECLARATION OF A. JOEL RICHLIN IN  
SUPPORT THEREOF; DECLARATION OF  
ANA GOFF IN SUPPORT THEREOF;  
SUPPLEMENTAL DECLARATION OF  
STEVE ALEMAN IN SUPPORT THEREOF**

**Relates to Docket Nos. 6645 and 6662**

**Hearing Date and Time:**

**Date: October 6, 2021**

**Time: 10:00 a.m.**

**Location: 255 E. Temple St.,  
Courtroom 1568  
Los Angeles, CA 90012**

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1           1.       Prime Healthcare Services, Inc. (“Prime”) replies (this “Reply”) to the *Post-Effective*  
2     *Date Debtors and Liquidating Trustee’s Memorandum in Opposition to Prime Healthcare Services,*  
3     *Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts*  
4     *Receivable Adjustment; Declaration of Peter Chadwick* [Docket No. 6662] (the “Objection” filed by  
5     the “Debtors”) filed in response to *Prime Healthcare Services, Inc.’s Motion to Enforce Provisions*  
6     *of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment; Declaration of A.*  
7     *Joel Richlin in Support Thereof; Declaration of Ken Wheeler in Support Thereof; Declaration of*  
8     *Steve Aleman in Support Thereof* [Docket No. 6645] (the “Motion”)<sup>1</sup>, and in support thereof  
9     represents as follows:

10                               **MEMORANDUM OF POINTS AND AUTHORITIES**

11                               **I.       PRELIMINARY STATEMENT**

12           2.       The APA is crystal clear that trauma payments are excluded from the definition of  
13     Accounts Receivable, as trauma payments are specifically defined as Other Receivables. As only  
14     Accounts Receivable are subject to the Reconciliation Process in section 1.12(a) of the APA, Other  
15     Receivables (and thus trauma payments) cannot be included in the calculation of Final A/R Collected.  
16     The Debtors do not seriously dispute that this is what the APA provides, nor can they, since the  
17     language is clear.

18           3.       Instead, the Debtors urge the Court to essentially write the term Other Receivables  
19     out of the APA altogether (or have it consumed by the term Accounts Receivable) by arguing that  
20     the exclusion of trauma payments from the defined term Accounts Receivable would create some  
21     unintended gift or windfall to Prime based solely on parol evidence of the outdated derivation of the  
22     A/R Target Amount from the Parties’ due diligence review prior to executing the APA.<sup>2</sup> Even  
23     considering parol evidence, however, this Court will find (as described herein) that the exclusion of  
24     trauma payments from Accounts Receivable was heavily negotiated and expressly agreed to by the  
25     Debtors. Shockingly, the Debtors failed to inform the Court about this intense negotiation and

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<sup>1</sup> Capitalized terms used but not defined in this Reply shall have the meanings given to such terms  
27     in the Motion.

28     <sup>2</sup> Debtors concede that the \$11,974,080 collected pursuant to the Trauma Center Services  
Agreement constitute “trauma payments” under the APA. *See* Objection at p. 5, lines 9-22.

1 subsequent agreement, all of which is clearly memorialized in emails and redlined drafts. Far from  
2 being a “nullity,” the addition of Other Receivables to the APA created an essential exclusion from  
3 Accounts Receivable by carving out specified items from the definition of Accounts Receivable and,  
4 therefore, the calculation of Final A/R Collected.

5 4. To eliminate a heavily negotiated concept from the APA more than a year after the  
6 closing of the SFMC Sale, a concept relied upon by Prime as an inducement to finalize the sale which  
7 resulted in \$200 million going to the Debtors’ estates, would be a “harsh and unjust result.” Prime  
8 is before this Court simply asking that it enforce the clear terms of the business deal reached by the  
9 Parties and clearly reflected in the APA.

10 5. In addition, the standard governing Prime’s collection efforts in section 1.12(e) of the  
11 APA is also explicitly clear. This Court has ample evidence before it (including the Wheeler  
12 Declaration, the Aleman Declaration, the Supplemental Aleman Declaration, and the Goff  
13 Declaration) establishing that Prime used good faith, commercially reasonable best efforts during the  
14 Reconciliation Period and that those efforts were at least consistent with, if not better than, the efforts  
15 Prime used to collect its other receivables. The Debtors have failed to submit any competent evidence  
16 to the contrary and instead rely upon speculation about potential challenges with collection efforts as  
17 a basis to accuse Prime of bad faith. *See* Objection p. 17, lines 7-18. But nothing contained in the  
18 single declaration submitted by the Debtors establishes a lack of good faith or entitles Sellers to pay  
19 less than they agreed to in the APA. For example, the Debtors’ focus on historical collection rates is  
20 irrelevant to the determination of whether Prime’s collection efforts during the Reconciliation Period  
21 were made in good faith and commercially reasonable—which, again, is the governing standard.  
22 Moreover, and as discussed herein, the Debtors’ analysis of collection rates is misleading and  
23 unreliable.

24 6. Finally, Prime is not holding any of the Sellers’ QAF V Seller Net Payments or  
25 Sellers’ share of disproportionate share payments and the Debtors acknowledge such fact in footnote  
26 one of their Objection. Section 1.12(d)(ii) of the APA provides that Prime may offset the Sellers’  
27 QAF VI Seller Net Payments under certain circumstances. Thus, as there is an ongoing dispute  
28 between the Parties regarding an amount greater than the \$24.1 million in QAF VI Seller Net

1 Payments, it is appropriate under the APA for Prime to withhold such amount until this Court resolves  
2 the dispute now before it.

3 7. For all the foregoing reasons and as set forth in more detail below, the Objection  
4 should be overruled and the Motion should be granted.

## 5 II. STATEMENT OF FACTS SUPPLEMENTING THE MOTION

6 8. Pursuant to the Bid Procedures Order entered by this Court, Prime and Sellers  
7 negotiated the APA throughout March and early April of 2020, which coincided with the beginning  
8 of the COVID-19 pandemic in the United States. *See Supplemental Declaration of A. Joel Richlin*  
9 (the “Supplemental Richlin Declaration”) at ¶ 4. The pandemic created significant uncertainty as to  
10 the operations of St. Francis Medical Center (“SFMC”) and the valuations on which Prime had relied  
11 in pursuing the SFMC Sale. *See id.* In fact, the uncertainty created by the pandemic was so significant  
12 and cast such doubt on Sellers’ valuation that Prime seriously considered withdrawing from the bid  
13 process and/or lowering the purchase price in its bid. *See id.* Ultimately, no other bidder sought to  
14 acquire the Assets. *See* Objection ¶ 6 (“The Debtors did not receive any other ‘Qualified Bids’ for  
15 SFMC under the terms of the Bidding Procedures Order.”).

16 9. To address the uncertainty caused by COVID-19, Prime and Sellers engaged in  
17 extensive negotiations to allocate risk between the Parties and to adjust to the new economic  
18 environment. *See id.* at ¶ 5. In particular, Prime sought various items from Sellers in the final week  
19 of negotiations that would assuage Prime’s concerns and provide it the comfort necessary to close  
20 the SFMC Sale. *See id.* Prime sought these modifications to the APA in exchange for Prime’s  
21 agreement not to decrease the agreed upon \$200 million purchase price, thereby rendering a benefit  
22 to the Debtors and their estates. *See id.* The negotiated modifications to the APA included the  
23 creation of the Accounts Receivable Reconciliation in section 1.12 of the APA and the exclusion of  
24 certain items from the definition of the term “Accounts Receivable” in section 1.7(p). *See id.*

25 10. The negotiations to address the allocation of risk occurred after the creation of the  
26 schedule from which the A/R Target Amount was derived. *See id.* at ¶ 6. Indeed, this schedule was  
27 exchanged during the Parties’ due diligence review prior to executing the APA. *See id.* In allocating  
28 the risk in a way to entice Prime to consummate the SFMC Sale, Sellers agreed to a definition of

1 Accounts Receivable disconnected from the line items included in this schedule. *See id.* Thus, the  
2 derivation of the A/R Target Amount is an irrelevant reference point when interpreting the APA's  
3 definition of Accounts Receivable. *See id.*

4 11. The intense negotiation as to what items constituted, and what should be excluded  
5 from, "Accounts Receivable" is clearly demonstrated by contemporaneous emails and redline drafts  
6 of the APA exchanged between Prime and Sellers leading up to the Closing Date.<sup>3</sup> The relevant  
7 period of negotiation of the APA began on March 26, 2020, when Sellers' counsel provided a draft  
8 of the APA to Prime (the "3/26/2020 Redline"), attached hereto as Exhibit 8. *See* Supplemental  
9 Richlin Declaration ¶ 7. In the 3/26/2020 Redline, the term Accounts Receivable did not include any  
10 carve outs or exclusions. *See* 3/26/2020 Redline § 1.7(p). Section 1.7(p) also did not include the  
11 term "Other Receivables." Indeed, the term Accounts Receivable in the 3/26/2020 Redline included,  
12 among other things, trauma payments and disproportionate share payments. *Id.* If the APA had not  
13 been further negotiated and modified, this version of the APA would have been consistent with the  
14 Debtors' interpretation of the APA.

15 12. However, Prime was unwilling to accept the language in the 3/26/2020 Redline in  
16 light of the financial risk posed by the pandemic and the recent announcements that the Federal  
17 Government would be providing significant financial support to hospitals to address the pandemic.  
18 *See* Supplemental Richlin Declaration at ¶ 8. The amounts and rules related to these government  
19 payments were unknown at the time, which created additional uncertainty in the ability of both sides  
20 to negotiate over which collections should qualify as Accounts Receivable and be included in the  
21 A/R Target Amount. *See id.* Therefore, Prime rejected the language contained in 3/26/2020 Redline  
22 and raised its concerns with Sellers on a phone call on March 31, 2020. *See id.* Mr. Richlin, Vice  
23 President and General Counsel for Prime, memorialized the discussion in a follow-up email (the  
24 "COVID-19 Grant Email"), attached hereto as Exhibit 9, to Jim Moloney of Cain Brothers, the  
25 investment banking firm representing Sellers. *See id.* In the COVID-19 Grant Email, Mr. Richlin  
26 states that "we need to clarify some of the definitions related to AR and government payments going  
27

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28 <sup>3</sup> Such negotiations are described in detail in the Supplemental Richlin Declaration.

1 different ways. This is the point I discussed with Elspeth<sup>4</sup> where Verity excluded additional  
2 government payments related to COVID in their last turn and we think those are essential to the value  
3 of the asset since those payments will not even make the hospital whole. So we are revising that  
4 language to make it as clear as possible because the passage of new laws creating these payments  
5 needs to be addressed.” *See* COVID-19 Grant Email.

6 13. On April 1, 2020, Prime provided a revised draft APA (the “4/1/2020 Redline”),  
7 attached hereto as Exhibit 10, to Sellers by email (the “Revised APA Email”), attached hereto as  
8 Exhibit 11. Mr. Richlin expressly notes that the revised APA includes a “revised AR formula to  
9 address expected COVID losses and supplemental payments (as discussed on our call).” *See* Revised  
10 APA Email. In fact, the 4/1/2020 Redline now introduces the concept of Other Receivables as  
11 separate and apart from Accounts Receivable. *See* 4/1/2020 Redline § 1.7(p). In particular, the  
12 definition of Other Receivables specifically included, among other things, trauma payments, grants  
13 related to COVID-19, and disproportionate share payments. *See id.* Section 1.12 of the 4/1/2020  
14 Redline remained largely unchanged, reflecting the Parties’ understanding that Other Receivables  
15 would not be credited towards the Final A/R Collected. *See id.* at §1.12.

16 14. Later on April 1, 2020, Mr. Richlin had a phone call with Ms. Paul to discuss the  
17 4/1/2020 Redline and the changes to the definition of “Accounts Receivable.” *See* Supplemental  
18 Richlin Declaration at ¶ 10. During the call, both Mr. Richlin and Ms. Paul agreed to speak with  
19 their respective management teams about these issues and reconvene in an effort to negotiate a  
20 compromise. *See id.* Mr. Richlin later sent an email on April 1, 2020 (the “APA Conference Email”),  
21 attached hereto as Exhibit 12. As reflected in the email chain, Mr. Richlin and Ms. Paul subsequently  
22 arranged a group phone to discuss these issues on April 2, 2020.

23 15. Following the group phone call on April 2, 2020, Ms. Paul sent Mr. Richlin an email  
24 (the “Accounts Receivable Email”), attached hereto as Exhibit 13, expressly agreeing to Prime’s new  
25 definition of “Accounts Receivable” which excluded “trauma payments,” in exchange for Prime’s  
26 agreement to move government payments related to COVID-19 out of the definition of “Other  
27

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28 <sup>4</sup> “Elspeth” refers to Elspeth Paul, the General Counsel for VHS at the time.

Receivables” and into the definition of “Accounts Receivable”. See Supplemental Richlin Declaration at ¶ 11.

**From:** Paul, Elspeth <ElspethPaul@verity.org>  
**Sent:** Thursday, April 2, 2020 3:29 PM  
**To:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Subject:** EXTERNAL:COVID \$

**WARNING:** This email originated outside the Prime Healthcare email system! Do Not Click links if this user is unknown.

Joel: With your new definition of accounts receivable and receivables, I'm thinking the edit is simply to move where the COVID \$ is referenced:

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, , in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source and all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19 (collectively, “Accounts Receivable”); and (ii) all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19, trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the “Other Receivables” and together with the Accounts Receivable, the “Receivables”);

See Supplemental Richlin Declaration at ¶ 11; Accounts Receivable Email.

16. On April 2, 2020, Mr. Richlin emailed Sellers and their counsel (the “APA Negotiations Email”), attached hereto as Exhibit 14, asking when Sellers would be circulating an updated redline of the APA based on Mr. Richlin’s agreement with Ms. Paul. See APA Negotiations Email. Sellers’ counsel responded later in the chain acknowledging that they were incorporating the language Mr. Richlin and Ms. Paul agreed to into the APA. See *id.*

17. Finally, on April 3, 2020, Sellers’ counsel provided Prime with a revised redline of the APA (the “4/3/2020 Redline”), attached hereto as Exhibit 15, by email (the “Final APA Email”), attached hereto as Exhibit 16, which reflected the agreement between Mr. Richlin and Ms. Paul. See Final APA Email. The 4/3/2020 Redline reflects that some items, such as COVID-19 grants, were moved back into the definition of Accounts Receivable. See 4/3/2020 Redline § 1.7(p). Other items, including trauma payments, remained as “Other Receivables” and are thereby specifically excluded from the definition of Accounts Receivable. Thus, the numerous calls and correspondence regarding the items to be included in the definition of Accounts Receivable resulted in the express agreement to exclude trauma payments from the definition of Accounts Receivable. See Supplemental Richlin Declaration ¶ 15.



18. The thoroughly negotiated definition of Accounts Receivable and the Accounts Receivable true-up procedures were critical in inducing Prime to complete the SFMC Sale. *See id.*

### III. REPLY

#### A. PRIME'S CALCULATION OF THE FINAL A/R COLLECTED IS ACCURATE AND CONSISTENT WITH THE CLEAR TERMS OF THE APA.

19. Prime's calculation of the Final A/R Collected complies with the unambiguous terms of the APA. Trauma payments are clearly excluded from the definition of Accounts Receivable, as trauma payments are specifically defined as Other Receivables. *See* APA § 1.7(p)(i)-(ii). Only Accounts Receivable are subject to the Reconciliation Process. *See* APA §1.12(a). Thus, Other Receivables, such as trauma payments, cannot be included in the Final A/R Collected. *Id.*

20. The APA is clear that trauma payments, as part of Other Receivables, are separate and distinct from Accounts Receivables. *See* APA § 1.7(p)(i)-(ii). There is no ambiguity. *See* Cal. Civ. Code § 1639 ("When a contract is reduced to writing, the intention of the parties is to be ascertained from the writing alone, if possible. . ."); *see also* Cal. Civ. Code § 1638 ("The language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity.").

21. In addition to defying the plain language of the APA and ignoring the specific limitation of the term Accounts Receivable created by the term Other Receivables, including trauma payments as Accounts Receivable violates California's rules of contract interpretation. Focusing on the fact that the undefined term "other receivables" is included in the definition of Accounts Receivable, the Debtors argue that Accounts Receivable should essentially consume the term Other Receivables and any items (such as trauma payments) included in such definition. *See* Objection p. 13, lines 3-6. The more specific term "trauma payments," however, is included as part of the carve out from Accounts Receivable. Where a specific list of "Other Receivables" is provided and includes trauma payments, an abstract reference to "other receivables" as a form of Accounts Receivable cannot create ambiguity as to whether trauma payments are also Accounts Receivable. *See AMC Tech., LLC v. Cisco Sys., Inc.*, No. 11-CV-3403 PSG, 2013 WL 3559807, at \*7 (N.D. Cal. July 11, 2013) (citing *Scudder v. Perce*, 159 Cal. 429, 433, 114 P. 571, 573 (1911) ("the familiar rule [is] that

1 when general and specific provisions of a contract deal with the same subject-matter, the specific  
2 provisions, if inconsistent with the general provisions, are of controlling force”)).

3 22. Ultimately, what the Debtors seek to do is rewrite an unambiguous contract more than  
4 a year after the Closing Date because they do not like the outcome of the agreement they reached.  
5 Adopting the Debtors’ interpretation of the APA requires this Court to violate well-settled principles  
6 of contract interpretation. Simply put, trauma payments are excluded from the definition of Accounts  
7 Receivable because they are not Accounts Receivable and the ordinary interpretation of this language  
8 necessitates that conclusion. *See In re Hawkeye Ent., LLC*, 625 B.R. 745, 752 (Bankr. C.D. Cal.  
9 2021) (“We interpret the intent and scope of the agreement by focusing on the usual and ordinary  
10 meaning of the language used. . .” (quoting *Lloyd’s Underwriters v. Craig & Rush, Inc.*, 26 Cal. App.  
11 4th 1194, 1198 (1994))). The Debtors’ interpretation, by their own concession, requires reading  
12 “Other Receivables” out of the APA. *See* Objection p. 14, lines 21-22. To the contrary, however,  
13 agreements should be interpreted to give meaning to each of their provisions. *See Brinderson-*  
14 *Newberg Joint Venture v. Pac. Erectors, Inc.*, 971 F.2d 272, 279 (9th Cir. 1992) (“It is well settled  
15 that a contract should be interpreted so as to give meaning to each of its provisions. . .”); *see also*  
16 Cal. Civ. Code § 1641 (“The whole of a contract is to be taken together, so as to give effect to every  
17 part, if reasonably practicable, each clause helping to interpret the other.”). As a result, the term Other  
18 Receivables cannot simply be ignored and must be attributed its reasonable meaning.

19 23. Although the Debtors appeal to the alleged unfairness of the transaction,<sup>5</sup> there is  
20 nothing unfair about enforcing the clear terms of a heavily negotiated contract between sophisticated  
21 Parties. Indeed, section 12.14 of the APA asserts that the APA contains the entire understanding  
22 between the Parties with respect to the contemplated transaction and supersedes any other  
23 agreements, understandings or statements to the contrary. In fact, true unfairness would arise if the  
24 Debtors were allowed to now rewrite the provisions of the APA that were critical in inducing Prime  
25 to complete the SFMC Sale and provide \$200 million to the Debtors’ estates. Such an outcome  
26 would deprive Prime of the benefit of the bargain it reached and undermine the reliability of sale  
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28 <sup>5</sup> *See* Objection p. 14, lines 9-11.



orders in bankruptcy courts. *In re Motors Liquidation Co.*, 529 B.R. 510, 565 (Bankr. S.D.N.Y. 2015) (“But in bankruptcy, the interests inherent in the enforceability of 363 orders (on which the buyers of assets should justifiably be able to rely, and the interests of creditors depending on the maximization of estate value likewise rest) are hugely important. And to the extent that courts can respect and enforce sale orders as written unless there is genuine prejudice, they should do so.”).

**B. THE EVIDENCE DEMONSTRATES THAT THE PARTIES EXPRESSLY AGREED TO EXCLUDE TRAUMA PAYMENTS FROM ACCOUNTS RECEIVABLE.**

24. The evidence before this Court clearly corroborates the plain language of the APA and supports the conclusion that the intention of the Parties was to exclude trauma payments from Accounts Receivable, and as a result, exclude trauma payments from the calculation of Final A/R Collected. Parol evidence should not be used to contradict the plain meaning of the APA.

25. What constituted Accounts Receivable, such that it would be considered as part of the Accounts Receivable Reconciliation process, was heavily negotiated during the week preceding the execution of the APA. The term was continuously revised, with certain items being added and removed from the definition, right up until the date of execution of the APA. The Parties had calls regarding the items contained in the definition. *See* Supplemental Richlin Declaration ¶ 15, COVID-19 Grant Email; Revised APA Email. They negotiated the term by email. *See, e.g.*, Revised APA Email; Accounts Receivable Email. They traded definitions in revised drafts of the APA. *See, e.g.*, 3/26/2020 Redline; 4/1/2020 Redline; 4/3/2020 Redline. These revisions were critical as each party worked to resolve and address various considerations and concerns, including: (a) the proper allocation of risk between the Parties; (b) the uncertainty created by COVID-19 and the governmental response thereto; and (c) the need to induce Prime to close the SFMC Sale after other parties declined to participate in the bidding process. *See* Supplemental Richlin Declaration ¶ 15.

26. Despite the Debtors’ claims of “ambiguity,” the repeated revision of and discussion regarding the definitions of Accounts Receivable and Other Receivables provides comfort that the APA’s language states exactly what the Parties intended: that trauma payments would not be included in the definition of the Accounts Receivable and, therefore, would not be included in the Final A/R

1 Collected.<sup>6</sup> In each instance, the Parties sought to provide documentation for a transaction they could  
2 close. It defies logic that a concept as heavily negotiated as the definition of “Other Receivables”  
3 should be ignored or “written out” of the APA, or be considered a “nullity,” as urged by the Debtors.  
4 *See* Objection p. 14, lines 9-11.

5 27. Far from being a nullity, the evidence demonstrates that the term “Other Receivables”  
6 provided an essential exclusion from the term “Accounts Receivable” and was heavily negotiated by  
7 Prime and Sellers. In stark contrast to a “gift”,<sup>7</sup> the exclusion of trauma payments from Accounts  
8 Receivable was a critical business point that materially impacted Prime’s willingness to complete a  
9 purchase of a hospital in the midst of a global pandemic that caused the indefinite pause of certain  
10 services offered by that hospital and the decline in its financial performance. *See* Supplemental  
11 Richlin Declaration at ¶ 16. The initial draft of the APA was drafted prior to the COVID-19 pandemic  
12 in the United States. *See id.* As the gravity of the pandemic became obvious, the economic  
13 environment in which the Parties initially drafted the APA was drastically different than the one in  
14 which the Parties ultimately closed the transaction. *See id.*

15 28. Completely ignoring the back-and-forth negotiations concerning section 1.7(p) of the  
16 APA to discern the Parties’ intent, the Debtors rely solely on a schedule exchanged during the Parties’  
17 due diligence review prior to executing the APA. According to Sellers, “[t]he derivation of the \$61  
18 million A/R Target Amount was a subject of the Parties’ due diligence review, and the schedule  
19 exchanged during that review” includes a line item for “S-9 COUNTY TRAMA.” Declaration of  
20 Peter Chadwick (the “Chadwick Declaration”) at ¶ 11. However, the scrupulously documented  
21 evidence of negotiations over the definition of Accounts Receivable shows that Sellers expressly  
22 agreed to a definition of Accounts Receivable disconnected from the line items included in this  
23 schedule. *See* Supplemental Richlin Declaration at ¶ 6. Indeed, this schedule was drafted during and  
24

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25 <sup>6</sup> Shockingly, despite the Debtors’ insistence that extrinsic evidence is necessary to interpret the  
26 APA, the Debtors completely failed to alert the Court to the numerous calls and emails regarding  
27 the negotiation of the APA in which the Debtors and their counsel took part. Likewise, the Debtors  
28 failed to mention the various APA redlines reflecting changes to the definition of Accounts  
Receivable, some of which were actually provided by Debtors’ counsel.

<sup>7</sup> *See* Objection p. 16, lines 3-5.

1 reflects a drastically different economic environment than the one in which the Parties ultimately  
2 closed the transaction. *See id.* As a result, the derivation of the A/R Target Amount is an irrelevant  
3 reference point when interpreting the APA's definition of "Accounts Receivable." *See id.* Debtors'  
4 reliance on this schedule is nothing more than a blatant attempt to somehow wind back several  
5 iterations of the APA to enforce a deal to which the Parties never agreed. *See id.* at ¶¶ 6-8.

6 29. As the APA is unambiguous, both by its language and the evidence submitted to this  
7 Court, parol evidence may not now be used to vary the terms of the contract, as the Debtors attempt.  
8 *See Airborne Freight Corp. v. McPherson*, 427 F.2d 1283, 1286 (9th Cir. 1970). Indeed, the parol  
9 evidence only confirms the fact that the heavily negotiated removal of trauma payments from the  
10 definition of Accounts Receivable was carefully considered and not a mistake, but valuable  
11 consideration that ultimately allowed the Sale to close and \$200 million to benefit the Debtors'  
12 estates.

13 **C. PRIME USED GOOD FAITH COMMERCIALY REASONABLE EFFORTS TO**  
14 **COLLECT THE ACCOUNTS RECEIVABLE.**

15 30. The evidence before the Court conclusively demonstrates that Prime complied with  
16 its collection obligations under the APA. As set out in the APA, the applicable standard regarding  
17 collections is that Prime use "good faith, commercially reasonable best efforts to collect the Accounts  
18 Receivable (*including at least the efforts used by Purchaser to collect its other receivables*)."

19 §1.12(e) (emphasis added). The evidence makes clear that Prime's collection efforts during the  
20 Reconciliation Period were consistent with industry standards and Prime's general practices for  
21 collecting receivables. *See* Wheeler Declaration ¶¶ 6, 8; *see also* Aleman Declaration at ¶ 4; *see also*  
22 *Declaration of Ana Goff* (the "Goff Declaration") ¶ 4. Extensive evidence has been submitted  
23 detailing the extent of Prime's collection efforts. *See generally* Wheeler Declaration. On this basis,  
24 the Court should find that Prime complied with its collection requirements under the APA. There is  
25 no competent evidence to the contrary.

26 31. Indeed, the Debtors have submitted a single declaration from their Chief Financial  
27 Officer, Peter Chadwick, speculating about Prime's collection efforts and making unsubstantiated  
28 allegations of bad faith based solely on unreliable data reports and a single communication that Mr.

1 Chadwick had no role in. *See* Chadwick Declaration at ¶¶ 15-22. Mr. Chadwick’s declaration fails to  
2 adequately address much of the evidence put forth to support Prime’s collection efforts.

3 32. For example, the Debtors rely on the Chadwick Declaration to allege that “Prime did  
4 not devote significant effort to following up with payors on individual claims as had been historically  
5 done.” Objection, p. 17, lines 7-8. However, Mr. Chadwick does not even claim to have personal  
6 knowledge of the follow-up efforts of Prime’s collectors and instead relies solely on summary data  
7 from the TRAC system. *See* Chadwick Declaration at ¶ 16. But Prime previously submitted evidence  
8 that “Prime did not need to use the TRAC system and ultimately stopped using the TRAC system  
9 altogether after the first 90 days of the Reconciliation Period. [Instead], Prime collectors entered  
10 notes directly into Sellers’ legacy EMR system, MS4.” *See* Wheeler Declaration at ¶ 5. Debtors  
11 simply fail to address the fact that the TRAC data is incomplete and, therefore, unreliable.

12 33. Moreover, Debtors also ignore the Wheeler Declaration, which states that “Prime’s  
13 collectors noted 2,893 follow ups on individual accounts in August; 3,335 individual follow ups in  
14 September; and 2,316 individual follow ups in October. These individual follow ups do not include  
15 Prime’s efforts to work groups of claims at once, which cannot be logged for tracking purposes.” *See*  
16 Wheeler Declaration at ¶ 7. The Debtors do not dispute these figures nor do they dispute that these  
17 efforts are consistent with Prime’s collection efforts for other receivables, which, again, is the  
18 applicable standard for determining whether Prime’s collection efforts were appropriate.

19 34. The Debtors similarly rely on the Chadwick Declaration to allege that Debtors had  
20 previously “complained to Prime that, as of December 2020, Prime was holding over \$1.6 million in  
21 unbilled claims and had failed to submit adequate documentation to support an additional \$16 million  
22 in claims.” Objection, p. 15, lines 5-7. However, once again, Mr. Chadwick does not even claim to  
23 have personal knowledge of Prime’s billing of claims or submission of documentation and instead  
24 relies solely on summary data from the legacy EMR, MS4. *See* Chadwick Declaration at ¶ 18. But  
25 Prime previously submitted evidence that “Prime implemented an EMR system conversion from  
26 MS4 to Epic upon the Closing Date” and therefore any claims billed out of Epic would not show up  
27 in data pulled from MS4. *See* Wheeler Declaration at ¶ 10. Prime also previously explained that the  
28 allegedly unbilled claims appeared to be cross-over claims, which “are those claims that arise from

1 patients that underwent treatment in the hospital prior to midnight on the evening of the Closing Date  
2 and were discharged from the hospital after the Closing Date.” *See id.* Because of the system  
3 conversion, “all cross-over claims were billed out of Epic, not MS4” and therefore “they appear in  
4 MS4 as having never been billed.” *See id.* Prime even provided a data file of these cross-over claims  
5 to Sellers for validation. *See id.* Inexplicably, Debtors fail to address this evidence and do not even  
6 claim to have performed additional analysis or review of this issue since they first “complained to  
7 Prime” back in December of 2020. *See Chadwick Declaration at ¶ 18.*

8 35. Moreover, even assuming that the Debtors had submitted competent evidence of  
9 unbilled claims, which they have not, this still would not mean that Prime failed to exercise good  
10 faith, commercially reasonable best efforts. This is because Prime previously submitted undisputed  
11 evidence that “Prime diligently tracked any claim that was not yet billed and made commercially  
12 reasonable efforts to promptly bill such claims to avoid any timely filing denial. Specifically, the  
13 Hospital Billing Supervisor, Yadi Castillo, regularly tracked and circulated information to the  
14 business office staff regarding unbilled claims that needed to be billed. Ms. Castillo followed up to  
15 ensure that these claims were promptly billed.” *See Wheeler Declaration at ¶ 11.* Prime’s collectors  
16 also “did follow up with ancillary departments to obtain payment on the Accounts Receivable” and  
17 “regularly sought support from Prime’s clinical, coding, and case management teams to assist with  
18 collection efforts.” *See id.* at ¶ 12. The Debtors fail to address this detailed evidence.

19 36. Instead, the Debtors rely on the Chadwick Declaration to speculate and accuse Prime  
20 of bad faith. However, such accusations are wholly unfounded and should not be relied upon by this  
21 Court. Indeed, Mr. Chadwick does not appear to have any direct knowledge of Prime’s collection  
22 efforts and instead seems to be relying on second- and third-hand accounts. For example, despite  
23 Mr. Chadwick’s descriptions of comments attributed to Ana Goff, Ms. Goff does not even know who  
24 Mr. Chadwick is and has never met or spoken with him. *See Goff Declaration at ¶ 5.* As a result,  
25 Mr. Chadwick has no personal knowledge of any comments attributed to Ms. Goff.

26 37. Nonetheless, Mr. Chadwick in paragraph 17 of his declaration asserts that  
27 conversations with Ms. Goff “affirmed the deliberate reduction in collection efforts” and that “there  
28 were system issues preventing her team’s ordinary-course follow up.” This is inaccurate and appears

1 to mischaracterize a communication Ms. Goff had with Regina Hernandez, Interim Vice President  
2 of Revenue Cycle for Verity Health System, on November 19, 2020, not Mr. Chadwick. *See id.* at ¶  
3 6.

4 38. In particular, Ms. Hernandez, on November 19, 2020, inquired as to why cash postings  
5 were not appearing in MS4 for the last few days. *See id.* Ms. Goff explained that her team was  
6 unable to update the cash postings in MS4 for a few days because of a printer connectivity issue. *See*  
7 *id.* The problem was that there was no direct electronic interface between the electronic remittance  
8 advice payment records the hospital was receiving and Sellers' legacy EMR system, MS4. *See id.*  
9 Therefore, Ms. Goff's team was required to print out all the payment records and manually scan them  
10 into MS4 to reflect the payments. *See id.* The printers in the hospital business office were  
11 temporarily offline for a few days and therefore cash postings were delayed in MS4 for a few days.  
12 *See id.* The delay in updating MS4 with cash postings, however, in no way impacted actual  
13 collections, which were timely pursued. *See id.* Thus, the alleged "systems issues" did not prevent  
14 Prime from ordinary-course follow-up on collection of the Accounts Receivable. *See id.*

15 39. Mr. Chadwick also asserts that Ms. Goff "indicated that collections people had been  
16 pulled away from Verity A/R to focus on a Prime audit" and that she "stated that the impact was  
17 effectively two collectors working five days a week." *See* Chadwick Declaration at ¶ 17. Once  
18 again, Mr. Chadwick mischaracterizes a communication Ms. Goff had with Ms. Hernandez on  
19 November 19, 2020, not Mr. Chadwick. *See* Goff Declaration at ¶ 7. In particular, Ms. Goff  
20 explained to Ms. Hernandez that two of the collectors on site at the St. Francis Medical Center  
21 business office had been redirected for a limited period of five working days to assist with an audit.  
22 *See id.* However, this temporary shifting of onsite resources did not impact actual collections because  
23 Mr. Wheeler added additional resources from his corporate team located in Ontario, California to  
24 maintain staffing levels and prevent any delay in following up on collection of the Accounts  
25 Receivable. *See id.* The Wheeler Declaration previously addressed this point and confirmed that  
26 "when the hospital needed additional staff, [Mr. Wheeler] reassigned other business staff from the  
27 Prime corporate team to assist." *See* Wheeler Declaration at ¶ 8.



1           40. Finally, Mr. Chadwick alleges that Ms. Goff “also stated that she had staffing issues  
2 and had insufficient staff to assist her with the legacy accounts.” *See* Chadwick Declaration at ¶ 17.  
3 Such assertion is simply false. *See* Goff Declaration at ¶ 8. Ms. Goff never made such a statement,  
4 or any statement at all, to Mr. Chadwick, and she has no recollection of making such a statement to  
5 Ms. Hernandez or anyone else. *See id.* As it is true that certain staff became ill or needed to  
6 quarantine due to potential exposure to COVID-19 at various times, which created operational  
7 challenges with maintaining staffing levels, it is possible that Ms. Goff discussed the challenges of  
8 managing a business office at the height of the COVID-19 pandemic in the fall of 2020. *See id.*  
9 These challenges, however, are no different than those that Ms. Goff has routinely addressed related  
10 to managing teams of collectors for the past 30 years. *See id.* Moreover, when Ms. Goff requested  
11 additional staffing resources at SFMC, she received support from Mr. Wheeler’s corporate  
12 collections team located in Ontario, California. *See id.*

13           41. Indeed, Ms. Goff was provided ample support in the form of additional staffing from  
14 the Prime corporate team to assist with collection of the Accounts Receivable. *See id.* at ¶ 9. Such  
15 additional resources included staff who assisted with drafting clinical and coding appeals throughout  
16 the Reconciliation Period. *See id.* Indeed, the staffing devoted to collecting the Accounts Receivable  
17 was more than sufficient and at least consistent with industry and Prime’s standards. *See id.*

18           42. Thus, Mr. Chadwick’s assertion that Ms. Goff affirmed Prime’s “deliberate reduction  
19 in collection efforts” is categorically false. *See id.* at ¶ 10. To the contrary, the entire Prime team  
20 including Ms. Goff, the local onsite team at SFMC, and the corporate team in Ontario, California, all  
21 worked tirelessly to collect as much as possible from the Accounts Receivable. *See id.* Indeed, the  
22 Prime team put in long hours, including overtime, late nights, and weekends throughout the  
23 Reconciliation Period (which efforts continue today), to collect as many dollars as possible for  
24 SFMC. *See id.* Prime worked just as hard, if not harder, to collect the Accounts Receivable as they  
25 continue to work on current collections for the hospital. *See id.*

26           43. Rather than providing evidence that Prime did not comply with the collection standard  
27 set forth in the APA, the Debtors instead seek to alter the standard applicable under the APA to  
28 require that Prime’s collection rate be consistent with, or exceed, Sellers’ historical collection rates.

1 This is an arbitrary benchmark that should not be adopted as it is not consistent with the clear terms  
2 of the APA. Instead, the APA is clear that Prime was required to use good faith, commercially  
3 reasonable best efforts, including at least the efforts used by Prime to collect its other receivables.  
4 *See* APA §1.12(e). The Debtors fail to present any argument or evidence that Sellers’ historic  
5 collection rates somehow set the standard for commercial reasonableness or Prime’s own collection  
6 efforts for other receivables. Indeed, the evidence before this Court demonstrates that Prime “utilized  
7 commercially reasonable best efforts to collect the Accounts Receivable and greater efforts than  
8 Prime has used to collect its other receivables.” *See* Aleman Declaration at ¶ 4; *see also* Wheeler  
9 Declaration at ¶ 8; Goff Declaration at ¶ 10.

10 44. Furthermore, the Debtors’ calculation of Prime’s collection rate on the Accounts  
11 Receivable as being only 78.1% lacks sufficient support or explanation. *See* Objection, Ex. F.  
12 According to Mr. Chadwick’s Declaration, this calculation is based on “Debtor financials that show  
13 accounts receivable outstanding as of the Closing of \$41,915,599 . . . compared to Prime’s contention  
14 of having collected \$32,736,688.” *See* Chadwick Declaration at ¶ 19. But Mr. Chadwick’s  
15 Declaration fails to provide any explanation for the denominator value of \$41,915,599 and instead  
16 simply attaches Exhibit F, which is described as a “copy of SFMC’s historical vs. Prime’s actual A/R  
17 collections.” *See id.* Exhibit F to the Objection merely asserts that the “Net A/R at 8/13, excluding  
18 Trauma” is \$41,915,599, without explanation or any supporting calculation that ties to this figure.  
19 *See* Objection, Ex. F; Supplemental Aleman Declaration at ¶ 4. By contrast, Prime provided a  
20 detailed calculation with supporting charts and explanation to show that it actually increased the  
21 average collection rate for accounts it collected over Sellers.<sup>8</sup> *See* Aleman Declaration at ¶¶ 7-8.

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24 <sup>8</sup> Debtors do not dispute Prime’s calculation showing that it increased average collection rates, but  
25 instead contend that the calculation should be discounted because “Prime does not explain why a  
26 comparison of the first four months of 2020 to the next four months has any relevance.” *See*  
27 Objection at p. 20, lines 10-11. However, Prime previously explained that “[t]his is significant  
28 because collections in these later months are payments for claims Prime was responsible for  
following up on and collecting during the Reconciliation Period” and “[e]ven after only a few  
months of collection efforts by Prime, the average collection rate for August 1 through 13, 2020 is  
higher than the average collection rate for January of 2020.” *See* Aleman Declaration at ¶ 8.



1           45.     Regardless, Debtors' calculation of Sellers' historical collection rate as 90.3% is based  
2     on a 39-month period ranging from July 2016 to September 2019, which is not directly applicable to  
3     the collectability of the Accounts Receivable during the Reconciliation Period in the fall of 2020.  
4     *See* Objection, Ex. E; Supplemental Aleman Declaration at ¶ 5. In fact, the collection rates during  
5     the 39-month period relied upon by Debtors ranged from 70% to 98%, demonstrating that a broad  
6     range of collection rates existed and are commercially reasonable based on historical experience. *See*  
7     Objection, Ex. E; Supplemental Aleman Declaration at ¶ 5. Thus, even if the Debtors' calculation  
8     of Prime's collection rate on the Accounts Receivable was correct, which it is not, this still would  
9     not show that Prime's collection efforts fell below the standard required in the APA.

10     **D.     IF THE COURT FINDS THAT PRIME DID NOT DEVOTE SUFFICIENT EFFORTS**  
11     **TO COLLECT THE ACCOUNTS RECEIVABLE, THEN AN EVIDENTIARY**  
12     **HEARING WOULD BE REQUIRED TO DETERMINE DAMAGES.**

13           46.     As explained above, the Debtors' calculation of historic collection rates is inaccurate  
14     and their reliance on this benchmark is inappropriate. As such, the Debtors' conclusion that "if Prime  
15     had merely collected the Accounts Receivable at SFMC's historical rates, an additional \$5.1 million  
16     would have been collected" is also unreliable and not the appropriate measure of damages, if any.  
17     *See* Objection p. 20, lines 12-14. If this Court were to determine that Prime's collection efforts did  
18     not comply with section 1.12(e) of the APA, Prime would request an additional hearing to properly  
19     assess and determine any alleged damages and allow the Court an opportunity to address and validate  
20     the data provided by each side. Without such a hearing, any damages calculation would be  
21     speculative and unsupported by sufficient evidence.

22     **E.     PRIME HAS TURNED OVER THE FUNDS TO WHICH SELLERS ARE ENTITLED.**

23           47.     Finally, Debtors complain about Prime's withholding of certain QAF funds which  
24     were Excluded Assets. *See* Objection p. 18, lines 1-4. But Debtors concede that Prime had already  
25     transferred all of the QAF V funds which were Excluded Assets.<sup>9</sup> *See* Objection p. 2, fn 1; *id.* p. 9,  
26     fn 28; *see also* Supplemental Aleman Declaration at ¶ 6. With regard to QAF VI funds, Debtors  
27     acknowledge that "[t]he APA provides Prime with a limited offset right against Seller's QAF VI

28     

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<sup>9</sup> Debtors also acknowledge that Prime transferred an additional \$1,277,821.50 in disproportionate  
share payments. *See* Objection at p. 12, fn 38; *see also* Supplemental Aleman Declaration at ¶ 6.

1 Seller Net Payments to the extent the Final A/R Collected is less than the A/R Target Amount.”  
2 Objection at p.17, lines 19-20; *see also* APA § 1.12(d)(ii). As of today, Prime is withholding  
3 approximately \$24.1 million in QAF VI Seller Net Payments pursuant to its offset rights under the  
4 APA because the Final A/R Collect is less than the A/R Target Amount by \$28,263,312. *See*  
5 Supplemental Aleman Declaration at ¶ 7. Given that there is an ongoing dispute between the Parties  
6 regarding the amount owed to Prime in which Debtors concede that Prime is entitled to at least \$11.3  
7 million while Prime has presented evidence of entitlement to nearly \$28.3 million, Prime is entitled  
8 to withhold the \$24.1 million in QAF VI Seller Net Payments. *See* Objection at p. 3, lines 5-15.  
9 Therefore, Prime has already turned over the funds to which Sellers are entitled. *See* Supplemental  
10 Aleman Declaration at ¶¶ 6-7.

1           **WHEREFORE**, Prime respectfully requests that the Bankruptcy Court enter an order (i)  
2 determining that the Final A/R Collected Amount was \$32,736,688; (ii) requiring Sellers to pay the  
3 \$28,263,312 difference between what Prime paid for the Accounts Receivable and the Final A/R  
4 Collected within 10 business days from the entry of such order; (iii) authorizing Prime to offset the  
5 Offset Amount against Sellers QAF VI Seller Net Payments in the event that Sellers fail to pay such  
6 amount within 10 business days from the entry of such order; and (iv) declaring Prime the prevailing  
7 party entitled to recover its court costs and reasonable attorneys' fees under Section 12.12 of the  
8 APA.

9           Dated: September 28, 2021  
10           Los Angeles, California

11           **McDermott Will & Emery, LLP**

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27  
28

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
Jason D. Strabo, McDermott Will & Emery LLP

2049 Century Park East, Suite 3200  
Los Angeles, California 90067-3206

A true and correct copy of the foregoing document entitled (*specify*): Prime Healthcare Services, Inc.'s Reply to Post-Effective Date Debtors and Liquidating Trustee's Memorandum in Opposition to Prime Healthcare Services, Inc.'s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment; Supplemental Declaration of A. Joel Richlin in Support Thereof; Declaration of Ana Goff in Support Thereof; Supplemental Declaration of Steve Aleman in Support Thereof

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 9/28/2021, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) \_\_\_\_\_, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) 9/28/2021, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

The Honorable Ernest M. Robles (overnight delivery)  
United States Bankruptcy Court, Edward R. Roybal Federal Building  
255 E. Temple Street, Suite 1560  
Los Angeles, California 90012

Samuel R. Maizel (via e-mail)  
Tania M. Moyron (via e-mail)  
Roger K. Heidenreich (via e-mail)  
Stephen J. O'Brien (via e-mail)  
DENTONS US LLP  
601 South Figueroa Street, Suite 2500  
Los Angeles, California 90017-5704

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

9/28/2021

*Date*

Jason Strabo

*Printed Name*

/s/ Jason Strabo

*Signature*

## Mailing Information for Case 2:18-bk-20151-ER

### Electronic Mail Notice List

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**SUPPLEMENTAL DECLARATION OF A. JOEL RICHLIN**

I, A. Joel Richlin, declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am the Vice President and General Counsel for Prime Healthcare Services, Inc. (“Prime”). I am licensed to practice law in the State of California and before this Court. I have served as in-house counsel for Prime since April of 2017 and previously served as Deputy General Counsel and Chief Litigation Counsel. I have led all legal aspects of Prime’s acquisition of St. Francis Medical Center since Prime’s initial bid in the fall of 2018, which was rejected in favor of a different buyer. I was deeply involved in the negotiation of the APA.

3. I submit this declaration (the “Declaration”) in support of *Prime Healthcare Services, Inc.’s Reply to Post-Effective Date Debtors and Liquidating Trustee’s Memorandum in Opposition to Prime Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment* filed contemporaneously herewith (the “Reply”). Unless otherwise indicated, all capitalized but undefined terms herein shall have the same meanings ascribed to them in the Reply.

4. Pursuant to the Bid Procedures Order entered by this Court, Prime and Sellers negotiated the APA throughout March and early April of 2020, which coincided with the beginning of the COVID-19 pandemic in the United States. The pandemic created significant uncertainty as to the operations of SFMC and the valuations on which Prime had relied in pursuing the SFMC Sale. In fact, the uncertainty created by the pandemic was so significant and cast such doubt on Sellers’ valuation that Prime seriously considered withdrawing from the bid process and/or lowering the purchase price in its bid. Ultimately, no other bidder sought to acquire the Assets, likely because of this uncertainty.

5. To address the uncertainty caused by the pandemic, Prime and Sellers engaged in extensive negotiations to allocate risk between the parties and to adjust to the new economic

1 environment. In particular, Prime sought various items from Sellers in the final week of negotiations  
2 that would assuage Prime's concerns and provide it the comfort necessary to close the SFMC Sale.  
3 Prime sought these modifications to the APA in exchange for Prime's agreement not to decrease the  
4 agreed upon \$200 million purchase price, thereby rendering a benefit to the Debtors and their estates.  
5 These negotiated modifications to the APA included the creation of the Accounts Receivable  
6 Reconciliation in section 1.12 of the APA and the exclusion of certain items from the definition of  
7 the term "Accounts Receivable" in section 1.7(p).

8 6. The negotiations to address the allocation of risk occurred after the creation of the  
9 schedule from which the A/R Target Amount was derived. Indeed, this schedule was exchanged  
10 during the Parties' due diligence review prior to executing the APA. In allocating the risk in a way  
11 to entice Prime to consummate the SFMC Sale, Sellers agreed to a definition of Accounts Receivable  
12 disconnected from the line items included in this schedule. This schedule was drafted during and  
13 reflects a drastically different economic environment than the one in which the Parties ultimately  
14 closed the transaction. Thus, the derivation of the A/R Target Amount is an irrelevant reference point  
15 when interpreting the APA's definition of "Accounts Receivable."

16 7. I believe the intense negotiation as to what items constituted, and what should be  
17 excluded from, "Accounts Receivable" is clearly documented by contemporaneous emails and  
18 redline drafts of the APA exchanged between Prime and Sellers, which were either sent by me or on  
19 which I was copied. The relevant period of negotiation begins on March 26, 2020, when Sellers'  
20 counsel sent Prime a redline draft of the APA (the "3/26/2020 Redline"), which added the Accounts  
21 Receivable Reconciliation process in Section 1.12 for the first time. A true and correct copy of the  
22 3/26/2020 Redline is attached to the Reply as Exhibit 8. This version of the APA was favorable to  
23 Sellers because section 1.7(p) broadly defined all collections as "Accounts Receivable" and credited  
24 all these amounts toward the A/R Target Amount:  
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(p) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, quality assurance fee payments, trauma payments, disproportionate share payments,

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cost report, claim, EHR or other similar appeals and Seller Cost Report settlements, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, “**Accounts Receivable**”);

8. Prime was unwilling to accept this language in light of the financial risk posed by the pandemic and recent announcements that the Federal Government would be providing significant financial support to hospitals to address the pandemic. The amounts and rules related to these government payments were unknown at the time, which created additional uncertainty in the ability of both sides to negotiate over which collections should qualify as Accounts Receivable and be included in the A/R Target Amount. Therefore, Prime rejected the language contained in the 3/26/2020 Redline and I personally raised Prime’s concerns with Sellers on a phone call on March 31, 2020. I memorialized the discussion in a follow-up email to Jim Moloney of Cain Brothers, the investment banking firm representing Sellers. A true and correct copy of my March 31, 2020 email to Mr. Maloney (the “COVID-19 Grant Email”) is attached to the Reply as Exhibit 9. In the COVID-19 Grant Email with the subject line “Call to Discuss COVID 19 between Prime and Verity,” I stated to Mr. Maloney as follows: “As discussed on the call, we need to clarify some of the definitions related to AR and government payments going different ways. This is the point I discussed with

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SUPPLEMENTAL DECLARATION OF A. JOEL RICHLIN IN SUPPORT OF PRIME  
HEALTHCARE SERVICES, INC.’S REPLY TO POST-EFFECTIVE DATE DEBTORS AND  
LIQUIDATING TRUSTEE’S MEMORANDUM IN OPPOSITION TO PRIME HEALTHCARE  
SERVICES, INC.’S MOTION TO ENFORCE PROVISIONS OF THE ASSET PURCHASE  
AGREEMENT PERTAINING TO ACCOUNTS RECEIVABLE ADJUSTMENT



1 Elspeth where Verity excluded additional government payments related to COVID in their last turn  
2 and we think those are essential to the value of the asset since those payments will not even make the  
3 hospital whole. So we are revising that language to make it as clear as possible because the passage  
4 of new laws creating these payments needs to be addressed.”

5 9. Following the March 31, 2020 call, I sent Sellers a revised redline of the APA on  
6 April 1, 2020 (the “4/1/2020 Redline”) with a cover email (the “Revised APA Email”) specifically  
7 calling their attention to changes to the definition of Accounts Receivable. True and correct copies  
8 of the 4/1/2020 Redline and the Revised APA Email are attached to the Reply as Exhibit 10 and  
9 Exhibit 11, respectively. Indeed, I stated in my email to Sellers, “The key changes I will call to your  
10 attention are: (1) no longer pre-paying for QAF (Seller still gets to keep QAF so no change in net  
11 value to Seller, but reduced cash consideration at close); (2) *revised AR formula to address expected*  
12 *COVID losses and supplemental payments (as discussed on our call)*; (3) compromise language on  
13 Material Adverse Effect; and (4) certain bid protections such as minimum overbid and bid  
14 increments.” (emphasis added). This version of the APA removed “trauma payments” from the  
15 definition of “Accounts Receivable” in section 1.7(p) and created a new category of collections called  
16 “Other Receivables” which included both trauma payments and government payments related to  
17 COVID-19, and would not count toward meeting the A/R Target Amount:

18 (p) (i) all accounts and interest thereupon, notes and interest thereupon and  
19 other receivables of Sellers, including, without limitation, accounts, notes or other amounts  
20 receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and  
21 other receivables, ~~quality assurance fee payments, trauma payments, disproportionate share~~  
22 ~~payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements,~~  
23 in each case arising from the rendering of services or provision of goods, products or supplies to  
24 inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including  
25 any such amounts that were written-off by Sellers for any reason), for services, goods, products  
26 and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare,  
27 Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care  
provider or network (such as a health maintenance organization, preferred provider organization or  
any other managed care program) or any fiscal intermediary of the foregoing, private pay patients,  
private insurance or by any other source (collectively, “Accounts Receivable”); and (ii) all claims,  
rights, interests and proceeds relating to any grant or governmental awards directly or indirectly  
related to COVID-19, trauma payments, disproportionate share payments, cost report, claim, EHR  
or other similar appeals and Seller Cost Report settlements in each case arising from the rendering  
of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital  
(the “Other Receivables” and together with the Accounts Receivable, the “Receivables”);

10. Later in the day on April 1, 2020, I had a phone call with Sellers' General Counsel, Elspeth Paul, to discuss the 4/1/2020 Redline and the changes to the definition of "Accounts Receivable" in Section 1.7(p). During the call, both Ms. Paul and myself agreed to speak with our respective management teams about these issues and reconvene in an effort to negotiate a compromise. I later sent an email in the evening of April 1, 2020 (the "APA Conference Email") to Ms. Paul stating as follows: "Elspeth, I spoke to management and have feedback on our discussion. Let me know once you have feedback on your end and can talk. I think we need to have a discussion about AR where I need Steve to join and we probably need BRG on your end, or whoever you deem best." A true and correct copy of 4/1/2020 Email is attached to the Reply as Exhibit 12. As reflected later in the email chain, Ms. Paul and I subsequently arranged a group phone call to discuss these issues on April 2, 2020.

11. Following the group phone call on April 2, 2020, Ms. Paul sent me an email (the "Accounts Receivable Email") expressly agreeing to Prime's new definition of "Accounts Receivable" in section 1.7(p) of the APA which excluded "trauma payments," in exchange for Prime's agreement to move government payments related to COVID-19 out of the definition of "Other Receivables" and into the definition of "Accounts Receivable." A true and correct copy of the Accounts Receivable Email is attached to the Reply as Exhibit 12. Ms. Paul included in her email a snipped image of the language proposed by Sellers for clarity:

**From:** Paul, Elspeth <ElspethPaul@verity.org>

**Sent:** Thursday, April 2, 2020 3:29 PM

**To:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>

**Subject:** EXTERNAL:COVID \$

**WARNING:** This email originated outside the Prime Healthcare email system! Do Not Click links if this user is unknown.

Joel: With your new definition of accounts receivable and receivables, I'm thinking the edit is simply to move where the COVID \$ is referenced:

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source and all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19 (collectively, "Accounts Receivable"); and (ii) all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19, trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the "Other Receivables" and together with the Accounts Receivable, the "Receivables");

1 As shown in the image provided by Ms. Paul, “trauma payments” remain excluded from the  
2 definition of “Accounts Receivable,” while “governmental awards directly or indirectly related to  
3 COVID-19” were moved out of the definition of “Other Receivables” and into the definition of  
4 “Accounts Receivable.” In the same email chain, which is encompassed within the email attached  
5 to the Reply as Exhibit 12, I replied to Ms. Paul’s proposed language for section 1.7(p) of the APA  
6 stating that Prime would agree if Sellers would also agree to a slight modification of Section  
7 1.12(d)(i) to protect Prime from owing Sellers a refund if the A/R Target Amount were met and  
8 exceeded based purely on government payments related to COVID-19. Specifically, the language I  
9 proposed to add to section 1.12(d)(i) meant that Sellers would get credit for any government  
10 payments related to COVID-19 for purposes of meeting the A/R Target Amount, but Prime would  
11 be able to remove any such government payments from the calculation of amounts that Prime might  
12 owe back to Sellers if the A/R Target Amount were exceeded. Ms. Paul agreed to my proposal later  
13 that day, stating, “Looks good. Adding it to the APA.”

14 12. On April 2, 2020, I emailed Sellers and their counsel (the “APA Negotiations Email”)  
15 asking when they would be circulating an updated redline of the APA based on my agreement with  
16 Ms. Paul. A true and correct copy of the APA Negotiations Email is attached to the Reply as Exhibit  
17 14.

18 13. Specifically, I stated, “My understanding is that Dentons is working on a redline that  
19 reflects the parties’ negotiations and agreements today. *I reviewed the AR language with Elspeth and*  
20 *that should be good to go.*” (emphasis added). I did not receive a response to my email that same  
21 day, so on the morning of April 3, 2020, I replied to my prior email asking for an update from Sellers  
22 based on concern that we would miss the deadline set forth in the Bid Procedure Order. Counsel for  
23 Sellers, Tania M. Moyron, promptly replied to my April 3, 2020 inquiry stating “Thanks, Joel.  
24 *Dentons has been brought up to speed on the discussions that occurred with you and others through*  
25 *late yesterday. We are working with our team and Elspeth to incorporate those points into the APA.*”  
26 (emphasis added).



14. Shortly thereafter on April 3, 2020, counsel for Sellers, R. Matthew Garms, circulated a revised redline of the APA (the “4/3/2020 Redline”) by email (the “Final APA Email”), in an email on which I was copied, which reflected the agreement between Ms. Paul and myself on the definition of Accounts Receivable in section 1.7(p) and the protection for Prime in section 1.12(d)(i) against including governmental payments related to COVID-19 toward any amount that Prime might have to refund to Sellers if the A/R Target Amount were exceeded:

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, , in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (~~collectively, “Accounts Receivable”~~); ~~and (ii) and~~ all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19, ~~collectively, “Accounts Receivable”~~; ~~and (ii)~~ trauma payments, disproportionate share payments (subject to Section 1.8(c)), California Health Foundation & Trust payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the “Other Receivables” and together with the Accounts Receivable, the “Receivables”;

True and correct copies of the 4/3/2020 Redline and the Final APA Email are attached to the Reply as Exhibit 15 and Exhibit 16, respectively. As shown in the 4/3/2020 Redline, “trauma payments” are excluded from the definition of “Accounts Receivable” and instead are defined as “Other Receivables” which do not count toward the Final A/R Collected. However, government payments related to COVID-19 are included in the definition of “Accounts Receivable” and count toward the Final A/R Collected. This is the final version of sections 1.7(p) and 1.12(d)(i) that the parties ultimately agreed to and signed.

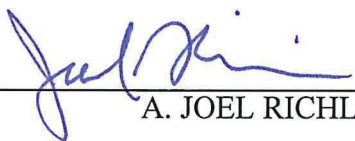
15. As set forth above and memorialized in the emails between the parties, this thoroughly negotiated definition of Accounts Receivable and the Accounts Receivable Reconciliation



1 procedures were critical in inducing Prime to complete the SFMC Sale. The parties had calls  
2 regarding the items contained in the definition of Accounts Receivable and expressly agreed to  
3 exclude trauma payments. These revisions were critical as each party worked to resolve and address  
4 various considerations and concerns, including: (a) the proper allocation of risk between the parties;  
5 (b) the uncertainty created by COVID-19 and the governmental response thereto; and (c) the need to  
6 induce Prime to close the SFMC Sale with a \$200 million purchase price after other parties declined  
7 to participate in the bidding process.

8 16. The exclusion of trauma payments from Accounts Receivable was a critical business  
9 point that materially impacted Prime's willingness to complete a \$200 million purchase of a hospital  
10 in the midst of an unprecedented global pandemic that caused the indefinite pause of certain services  
11 offered by that hospital and the decline in its financial performance. The initial draft of the APA was  
12 drafted prior to the COVID-19 pandemic in the United States. As the gravity of the pandemic became  
13 obvious, the economic environment in which the parties initially drafted the APA was drastically  
14 different than the one in which the parties ultimately closed the transaction.

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16 I declare under penalty of perjury under the laws of the United States of America that the  
17 foregoing is true and correct. Executed September 28, 2021, at Ontario, California.

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21 A. JOEL RICHLIN  
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**DECLARATION OF ANA GOFF**

I, Ana Goff, declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am the Director of Patient Financial Services for St. Francis Medical Center and have served in this role since September 15, 2020. Prior to joining St. Francis Medical Center, I held several other hospital business office leadership positions at leading health systems for over 30 years. Specifically, I worked at Tenet Healthcare in various business office roles for approximately 25 years. My final position with Tenet Healthcare was as Director of Patient Financial Services for Chapman Medical Center in Orange County, California. In that role, I was responsible for leading the business office and was in charge of all billing and collection for the hospital. After leaving Tenet Healthcare, I went to work for AHMC Healthcare as Director of Patient Financial Services for Anaheim Regional Medical Center for approximately 7 years. In that role, I was responsible for leading the business office and was in charge of all billing and collection for the hospital. After leaving AHMC Healthcare, I went to work for Riverside University Health System as Executive Director for Revenue Cycle for approximately 2 years. In that role, I was responsible for leading the business office and was in charge of all billing and collection for all of the health system's hospitals and clinics. I also had a leadership role in revenue cycle processes for the health system. I have substantial experience collecting accounts receivable and leading hospital business offices.

3. I submit this declaration (the "Declaration") in support of *Prime Healthcare Services, Inc.'s Reply in Support of Motion To Enforce Provisions Of The Asset Purchase Agreement Pertaining To Accounts Receivable Adjustment* filed contemporaneously herewith (the "Reply"). Unless otherwise indicated, all capitalized but undefined terms herein shall have the same meanings ascribed to them in the Reply.

4. In my role as Director of Patient Financial Services for St. Francis Medical Center, I am responsible for leading the business office at St. Francis Medical Center with the goal of collecting on accounts receivable for the hospital. Since joining St. Francis Medical Center, I worked on the transition of business office services from Sellers to Prime as part of the acquisition of St. Francis Medical Center. I also helped lead Prime's collection efforts for the Accounts Receivable. My direct supervisor is Prime's Regional Vice President of Patient Financial Services, Ken Wheeler, and I worked under his direction with regard to the transition of business office services and the collection of the Accounts Receivable. I have first-hand knowledge of Prime's efforts to collect on the Accounts Receivable. Based on my experience in the industry, I am also knowledgeable about standard industry practices regarding the collection of accounts receivable, including commonly used software programs and electronic medical record ("EMR") systems. Based on my knowledge of Prime's efforts to collect the Accounts Receivable and prior experience in the industry, I can state with confidence that since my first day at St. Francis Medical Center and continuing to today, Prime has utilized commercially reasonable best efforts to collect the Accounts Receivable and greater efforts than I have seen at other health systems. These efforts are described in detail below and are commercially reasonable based on the number of full-time employees and managers consistently dedicated to the collection of the Accounts Receivable, as well as the additional support provided by Prime's clinical, coding, and case management teams.

5. I reviewed the Declaration of Peter Chadwick filed in support of Sellers' Objection alleging that Prime did not fulfill its obligations under the APA with respect to collecting the Accounts Receivable. In paragraph 17 of his declaration, Mr. Chadwick claims that I made specific statements about Prime's efforts to collect the Accounts Receivable. As an initial matter, I do not know who Mr. Chadwick is and to the best of my knowledge have never met or spoken with him. I did have regular communication with Regina Hernandez, Interim Vice President of Revenue Cycle for VHS, from the time I started working at St. Francis Medical Center and continuing through the end of November 2020. I also interacted during this period with Sellers'

1 Senior Director of IT Application Services, Brenda Buchas, when I needed assistance with various  
2 systems or software platforms maintained by Sellers.

3 6. In paragraph 17 of his declaration, Mr. Chadwick states that “conversations with  
4 Prime’s head of collections affirmed the deliberate reduction in collection efforts.” Specifically,  
5 Mr. Chadwick claims that I “stated on November 17, 2020 that there were systems issues  
6 preventing [my] team’s ordinary-course follow up, without explaining what type of issues.” This  
7 is not accurate and mischaracterizes a communication I had with Ms. Hernandez on November 19,  
8 2020, not Mr. Chadwick. On November 19, 2020, Ms. Hernandez reached out to me to ask why  
9 cash postings were not appearing in MS4 for the last few days. I responded to explain that my  
10 team was unable to update the cash postings in MS4 for a few days because of a printer  
11 connectivity issue. There was no direct electronic interface between the electronic remittance  
12 advice payment records the hospital was receiving and Sellers’ legacy EMR system, MS4.  
13 Therefore, my team was required to print out all of these payment records and manually scan them  
14 into MS4 to reflect the payments. The printers in the hospital business office were temporarily  
15 offline for a few days and therefore cash postings were delayed in MS4 for a few days. However,  
16 this delay in updating MS4 with cash postings in no way impacted actual collections, which were  
17 timely pursued. Therefore, the alleged “systems issues” that I discussed with Ms. Hernandez on  
18 November 19, 2020 did not prevent my team’s ordinary-course follow up on collection of the  
19 Accounts Receivable.

20 7. Mr. Chadwick next states in paragraph 17 that I “indicated that collections people  
21 had been pulled away from Verity A/R to focus on a Prime audit” and that I “stated that the impact  
22 was effectively two collectors working five days a week.” Once again, this appears to be a  
23 mischaracterization of a communication I had with Ms. Hernandez on November 19, 2020, not  
24 Mr. Chadwick. On November 19, 2020, I explained to Ms. Hernandez that 2 of the collectors on  
25 site at the St. Francis Medical Center business office had been redirected for a limited period of 5  
26 working days to assist with an audit. However, this temporary shifting of onsite resources did not

1 impact the actual collections because Mr. Wheeler added additional resources from his corporate  
2 team located in Ontario, California to maintain staffing levels and prevent any delay in following  
3 up on collection of the Accounts Receivable.

4 8. Finally, Mr. Chadwick states in paragraph 17 that I “also stated that [I] had staffing  
5 issues and had insufficient staff to assist [myself] with the legacy accounts.” This assertion by Mr.  
6 Chadwick is simply false. I never said this, or anything, to Mr. Chadwick, and I have no  
7 recollection of making such a statement to Ms. Hernandez or anyone else. The only statement  
8 remotely similar to that contained in Mr. Chadwick’s declaration that I might have made is that I  
9 may have talked about the challenges of managing a business office at the height of the COVID-  
10 19 pandemic in the fall of 2020. It is true that certain staff in the business office became ill or  
11 needed to quarantine due to potential exposure to COVID-19 at various times and this created  
12 operational challenges with maintaining staffing levels. However, these challenges are no  
13 different than I have routinely addressed related to managing teams of collectors for the past 30  
14 years and I was grateful that when I needed additional staffing resources at St. Francis Medical  
15 Center, I was able to get support from Mr. Wheeler’s corporate collections team located in Ontario,  
16 California.

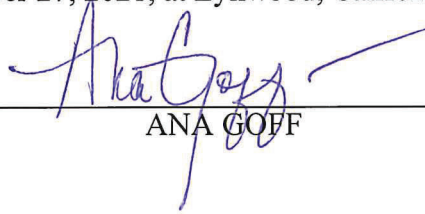
17 9. Overall, I was provided ample support in the form of additional staffing from the  
18 Prime corporate team to assist with collection of the Accounts Receivable. This includes staff who  
19 assisted with drafting clinical and coding appeals throughout the Reconciliation Period. Based on  
20 30 years of experience in the industry, I believe the staffing devoted to collecting the Accounts  
21 Receivable was more than sufficient and at least consistent with industry standards.

22 10. Accordingly, Mr. Chadwick’s assertion in paragraph 17 that I made statements  
23 which “affirmed” Prime’s “deliberate reduction in collection efforts” is categorically false.  
24 Neither myself, nor anyone at Prime ever deliberately delayed or impaired in any way the  
25 collection of the Accounts Receivable. To the contrary, the entire Prime team including myself,  
26 the local onsite team at St. Francis Medical Center, and the corporate team in Ontario, California,



1 all worked tirelessly to collect as much as possible from the Accounts Receivable. We put in long  
2 hours including overtime, late nights, and weekends throughout the Reconciliation Period and  
3 continuing today to bring in as many dollars as possible for St. Francis Medical Center. The Prime  
4 team worked just as hard if not harder on the Accounts Receivable as they continue to work on  
5 current collections for the hospital.

6 I declare under penalty of perjury under the laws of the United States of America that the  
7 foregoing is true and correct. Executed September 27, 2021, at Lynwood, California.

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10 ANA GOFF  
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**SUPPLEMENTAL DECLARATION OF STEVE ALEMAN**

I, Steve Aleman, declare as follows:

1. I am over 18 years of age. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am the Chief Financial Officer for Prime Healthcare Services, Inc. ("Prime"). I joined Prime in the Winter of 2019 and previously served as Vice President of Acquisitions. I have led all financial aspects of Prime's acquisition of St. Francis Medical Center since early 2020 and was deeply involved in the negotiation of the APA. I led the financial diligence process for the acquisition that occurred in 2020 and subsequently led all financial reporting and analysis for the acquisition.

3. I submit this declaration (the "Declaration") in support of *Prime Healthcare Services, Inc.'s Reply to Post-Effective Date Debtors and Liquidating Trustee's Memorandum in Opposition to Prime Healthcare Services, Inc.'s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment* filed contemporaneously herewith (the "Reply"). Unless otherwise indicated, all capitalized but undefined terms herein shall have the same meanings ascribed to them in the Reply.

4. I have reviewed Debtors' Objection as well as the attached exhibits and declaration of Peter Chadwick. Based on my review of these documents, and Exhibit F in particular, there is no explanation or supporting calculation for the \$41,915,599 figure described merely as "Net A/R at 8/13, excluding Trauma." I have spent several hours trying to back into this figure, but have not found any calculation or explanation contained in Debtors' Objection which would explain the derivation of this amount.

5. Regardless, Debtors' calculation of Sellers' historical collection rate as 90.3% is based on a 39-month period ranging from July 2016 to September 2019, which is not directly applicable to the collectability of the Accounts Receivable during the Reconciliation Period in the fall of 2020. In fact, the collection rates during the 39-month period relied upon by Debtors ranged from 70% to

SUPPLEMENTAL DECLARATION OF STEVE ALEMAN IN SUPPORT OF PRIME  
HEALTHCARE SERVICES, INC.'S REPLY TO POST-EFFECTIVE DATE DEBTORS AND  
LIQUIDATING TRUSTEE'S MEMORANDUM IN OPPOSITION TO PRIME HEALTHCARE  
SERVICES, INC.'S MOTION TO ENFORCE PROVISIONS OF THE ASSET PURCHASE  
AGREEMENT PERTAINING TO ACCOUNTS RECEIVABLE ADJUSTMENT



1 98%, demonstrating that a broad range of collection rates existed and are commercially reasonable  
2 based on historical experience.

3 6. Prime is not withholding any disproportionate share payments or QAF V payments to  
4 which Sellers are entitled. In fact, on September 21, 2021, Prime wired to Sellers \$6,987,948.56 on  
5 account of received QAF V Seller Net Payments and \$1,277,821.50 on account of received  
6 disproportionate share payments relating to dates of service prior to the Effective Time. Based on  
7 my review of Prime's financial records, I have determined that these are the complete amounts  
8 currently owed to Sellers.

9 7. Prime is currently holding \$24,100,380 in QAF VI Seller Net Payments as an offset  
10 because the Final A/R Collect is less than the A/R Target Amount by \$28,263,312.

11  
12 I declare under penalty of perjury under the laws of the United States of America that the  
13 foregoing is true and correct. Executed September 28, 2021, at Ontario, California.

14  
15   
16 STEVE ALEMAN

## ASSET PURCHASE AGREEMENT

By and Among

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,  
and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

(as “Sellers”)

and

**PRIME HEALTHCARE SERVICES, INC.**

(as “Purchaser”)

Dated \_\_\_\_\_, 2020

*~~The Sellers will consider all proposals, bids and submissions. This form of Asset Purchase Agreement, including all exhibits, is merely provided as an example of the structure of a transaction as an aid to potential bidders. Bidders should consider their own structures, needs and best offers as part of their proposals. This Asset Purchase Agreement is not an offer capable of acceptance.~~*

## INDEX OF SCHEDULES & EXHIBITS

### Schedules

Schedule <del>1.4.3</del> 1.4(c)	Owned Real Property
Schedule 1.7(b)	Licenses
Schedule 1.7(c)(ii)	Leased Real Property
Schedule 1.7(c)(iii)	Tenant Leases
Schedule 1.7(d)	Assigned Contracts and Assigned Leases
<u>Schedule 1.8(cc)</u>	<u>Certain Other Excluded Assets</u>
Schedule 1.9(i)	Other Obligations
Schedule 2.4	Seller's Knowledge of Breach or Default
Schedule 2.5	Brokers and Finders (Sellers)
Schedule 2.6	Compliance (Sellers)
Schedule 2.7	Required Consents (Sellers)
Schedule 2.8	Legal Proceedings (Sellers)
Schedule 2.9(b)	Environmental Matters (Sellers)
Schedule 2.11	Missing Material Licenses (Sellers)
Schedule 2.13	Non-Bankruptcy Court Legal Proceedings (Sellers)
Schedule 2.19	List of Excluded Individuals (Seller)
Schedule 3.4	No Violation (Purchaser)
Schedule 3.7	Legal Proceedings (Purchaser)
Schedule 5.3	"Hospital Employees"
Schedule 11.3(b)	Tax Allocation Schedule

### Exhibits

<i>No.</i>	<i>Description</i>	<i>Status</i>
Exhibit 1.2	Escrow Agreement	to come
Exhibit 1.3(a)	Leaseback Agreement	Attached
Exhibit 1.3(b)	Interim Management Agreement	Attached
Exhibit <del>1.4.1</del> 1.4(a)	Bill of Sale	to come
Exhibit <del>1.4.2</del> 1.4(b)	Real Estate Assignment Agreements	to come
Exhibit <del>1.4.3</del> 1.4(c)	Quitclaim Deeds	to come
Exhibit <del>1.4.4</del> 1.4(d)	Transfer Agreement	to come
Exhibit <del>1.4.6</del> 1.4(f)	Transition Services Agreement	Attached
Exhibit <del>5.9.3</del> 5.9(c)	Accepted Conditions (Attorney General Conditions)	to come



## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”) by and among St. Francis Medical Center, a California nonprofit public benefit corporation (“**SFMC**”), Verity Holdings, LLC (“**Verity Holdings**”), a California limited liability company and Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**VHS**” and, together with SFMC and Verity Holdings, the “**Sellers**” and each individually a “**Sellers Seller**”) and Prime Healthcare Services, Inc., a Delaware corporation (“**Purchaser**” and, together with the Sellers, the “Parties” and each individually a “Party”).

### RECITALS

A. SFMC engages in the business of operating a hospital known as St. Francis Medical Center (“**St. Francis**”) in the City of Lynwood, California, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by SFMC (with St. Francis, collectively referred to herein, as the “**Hospital**”).

B. VHS is the sole member of SFMC and Verity Holdings. Verity Holdings owns and rents certain properties on or near the Hospital campus.

C. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below for the consideration and upon the terms and conditions contained in this Agreement.

D. On August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) within the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the “**Bankruptcy Court**”), which is are jointly administered with its their affiliates under Case ~~No. Case~~ No. 18-20151 (the “**Bankruptcy Cases**”).

E. On February 10, 2020, Sellers filed the *Debtors’ Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum Of Points And Authorities In Support Thereof* [Docket No. \_\_\_\_] (the “**Bidding Procedures**”) Motion) which was approved by an order of the Bankruptcy Court (the “Bidding Procedures Order”) [Docket No. 4165] and pursuant thereto the ~~parties~~ Parties have entered into this Agreement.

F. The ~~parties~~ Parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets pursuant to the Bidding Procedures and as approved by the Bankruptcy Court pursuant to ~~Section~~ Sections 363 and 365 of the Bankruptcy Code.

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the ~~parties~~Parties hereto agree as follows:

### ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

#### 1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the aggregate consideration shall be as follows:

(i) Cash payment to Sellers of Two Hundred Million Dollars (\$200,000,000) (“**Base Price**”);

(ii) Cash payment of ~~One Hundred Fourteen Million Dollars (\$114,000,000)~~ (the “the Closing QAF Payment Amount” (defined below in Section 1.1(c)));

(iii) Cash payment of Fifty-Two Million Dollars (\$52,000,000)<sup>+</sup> (the “**A/R Target Amount**”) as consideration for the Accounts Receivable transferred at Closing (subject to adjustment in Section 1.12);

(iv) Cash payment for Sellers’ payroll liabilities at Closing (the “**Payroll Amount**”) (which as of October 31, 2019, had an aggregate value of approximately Seven Million Dollars (\$7,000,000));

(v) Cash payment for accrued vacation and other paid time-off of Sellers’ employees at Closing (the “**PTO Amount**”) (which as of October 31, 2019, had an aggregate value of approximately Eleven Million Dollars (\$11,000,000));

~~(vi) — Purchaser’s commitment to invest Thirty Five Million Dollars (\$35,000,000) in estimated deferred capital expenditures for St. Francis over the five (5) year period immediately after the Closing Date; (vii) — Purchaser’s commitment to remediate Sellers’ estimated NPC 3 seismic liability (which is estimated to cost approximately Twelve Million Dollars (\$12,000,000)); and~~

(vi) ~~(viii)~~—An amount equal to the Cure Costs (defined below) associated with outstanding liabilities of Sellers under any Assigned Leases and/or Assigned Contracts; and

<sup>+</sup> ~~Note to Sellers: The fixed A/R Amount is subject to mutual agreement between Sellers and Purchaser. Purchaser is also willing to consider alternative A/R valuation approaches, including a post Closing reconciliation mechanism.~~



(vii) ~~(ix)~~ An amount determined in accordance with Section 1.6.

(b) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Base Price, *plus* the Closing QAF Payment Amount, *plus* the A/R Target Amount, *plus* the Cure Cost Amount, *plus* the PTO Amount, *plus* the Payroll Amount (collectively, the **“Purchase Price”**), *minus* the Deposit (defined below).

(c) For purposes of this Agreement, the **“QAF Program”** means the California Department of Health Care Services (**“DHCS”**) Hospital Quality Assurance Fee Programs V (**“QAF V”**) and VI (**“QAF VI”**). During the period prior to the Closing, Sellers shall pay or permit DHCS to offset from amounts owed to St. Francis any fees due and owing prior to the Closing under QAF V and QAF VI (such payments or offsets shall be included in the formula described in Section 1.8(b)), and Sellers shall be entitled to retain all payments received under QAF V and QAF VI. At Closing, ~~to the extent not yet received by Sellers,~~ Purchaser shall pay Sellers an aggregate amount in respect of QAF V and QAF VI (the “Closing QAF Payment Amount equal to One Hundred Fourteen Million Dollars (\$114,000,000). The QAF Payment Amount is comprised of (i) Forty Six Million Dollars (\$46,000,000) as consideration for the QAF V payments due to Sellers on or around March 2020, (ii) Twenty Seven Million Dollars (\$27,000,000)” equal to: (i) (A) Twenty-Eight Million Dollars (\$28,000,000) as consideration for the QAF V payments due to Sellers on or around November 2020, and (iii) Forty One Million Dollars (\$41,000,000) (scheduled by DHCS to be paid to Sellers in November 2020 and May 2021, plus (B) any fees paid by Sellers or offset by DHCS in respect of QAF V relating to St. Francis between the Signing Date and the Closing; plus (ii) an amount equal to (A) the QAF VI Seller Net Payments (defined below), multiplied by (B) fifty percent (50%), minus (C) the dollar value of all payments actually received by Sellers in respect of QAF VI relating to St. Francis prior to the Closing, plus (D) the dollar value of all fees paid by Sellers or offset by DHCS in respect of QAF VI relating to St. Francis prior to the Closing (the amount determined pursuant to this clause (ii), the “QAF VI Partial Payment”) as a partial up-front payment for the QAF VI payments that otherwise will be payable to Sellers as described in Section 1.8(b) hereof Seller Net Payments. After the Closing, Purchaser shall pay to Sellers, promptly following receipt thereof (but in any event within ten (10) business days of such receipt), all QAF VI payments received relating to St. Francis until Purchaser has paid to Sellers an amount, when added to the QAF VI Partial Payment, equal to the QAF VI Seller Net Payments.

(d) Separate from, and in addition to, the Purchase Price, Purchaser commits to:

(i) invest Thirty-Five Million Dollars (\$35,000,000) in estimated deferred capital expenditures for St. Francis over the five (5) year period immediately after the Closing Date; and

(ii) remediate Sellers’ estimated NPC-3 seismic compliance responsibilities (which is estimated to cost approximately Twelve Million Dollars (\$12,000,000)).



1.2 Deposit. Purchaser has deposited an amount equal to ten percent (10%) of the Purchase Price (the “**Initial Deposit**”) by wire transfer to Chicago Title Insurance Company (“**Escrow Agent**”) pursuant to that certain Escrow Agreement attached hereto as Exhibit 1.2. Within two (2) business day after the date of the conclusion of the auction for the Assets, if any, if Purchaser is the Prevailing Bidder (as defined below) and as a result of such auction has opted to increase the Purchase Price (the “**Auction Purchase Price**”), Purchaser shall deposit an additional amount with the Escrow Agent such that the total amount deposited with the Escrow Agent is equal to ten percent (10%) of the Auction Purchase Price (the Initial Deposit and any additional amount deposited with the Escrow Agent (if any) referred to collectively as the “**Deposit**”) by wire transfer to the Escrow Agent. All fees of the Escrow Agent shall be paid by Purchaser. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser’s termination of the Agreement pursuant to Sections 9.1 (a), (c), (d), (f), (g), (h) or (i) hereof. Upon Closing, the Deposit will be credited against the Purchase Price.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually occurs, the “**Closing Date**”) within three (3) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, and other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The Closing shall be deemed to occur and to be effective as of 12:00 a.m. pacific time on the day immediately after the Closing Date (the “**Effective Time**”). Purchaser and Sellers agree that because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the Assets (less any Assets constituting drugs or pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (as such terms are defined below)) will be sold to Purchaser and immediately leased back to Sellers (substantially in the form of the Leaseback Agreement attached hereto as Exhibit 1.3(a), the “**Leaseback Agreement**”), with a concurrent management arrangement (substantially in the form of the Interim Management Agreement attached hereto as Exhibit 1.3(b), the “**IMA**”). On the effective date that Purchaser obtains a general acute care hospital license from the California Department of Public Health (“**CDPH**”) and a hospital pharmacy permit from the California State Board of Pharmacy (“**BOP**”) (i) the Leaseback Agreement and IMA will terminate and (ii) the drugs and pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements will be transferred to Purchaser (without payment of any additional Purchase Price) (the “**Licensure Date**”). For the avoidance of any doubt, the Licensure Date shall be the date the Purchaser’s hospital license and pharmacy permit are effective, even if they are not actually issued until ~~some time~~a later date. The Licensure Date may be determined based on oral assurances from CDPH and the BOP.

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

(a) ~~1.4.1~~ a Bill of Sale substantially in the form of Exhibit 1.4.1~~1.4(a)~~ attached hereto (the “**Bill of Sale**”), duly executed by each Seller;

(b) ~~1.4.2~~—Real Estate Assignment Agreements (the “**Real Estate Assignments**”) in the form of ~~Exhibit 1.4.2~~1.4(b) attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by the applicable Sellers;

(c) ~~1.4.3~~—Quitclaim Deeds in the form of ~~Exhibit 1.4.3~~1.4(c) attached hereto with respect to the real property listed in ~~Schedule 1.4.3~~1.4(c), together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (the “**Owned Real Property**”) duly executed by SFMC and Verity Holdings as applicable;

(d) ~~1.4.4~~—an Assigned Contract Transfer Agreement (the “**Transfer Agreement**”) in the form of ~~Exhibit 1.4.4~~1.4(d) attached hereto, duly executed by the applicable Sellers;

(e) ~~1.4.5~~—evidence of payment of all Cure Costs;

(f) ~~1.4.6~~—the Transition Services Agreement (the “**Transition Services Agreement**”) in form attached hereto as ~~Exhibit 1.4.6~~1.4(f), duly executed by the applicable Sellers;

(g) ~~1.4.7~~—the Leaseback Agreement and IMA, duly executed by SFMC;

(h) ~~1.4.8~~—favorable certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(i) ~~1.4.9~~—a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing (I) the transfer of the Assets and transfer of the Transferred Obligations by such Seller to Purchaser and (II) the due execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(j) ~~1.4.10~~—a certified copy of the Sale Order (as defined below);

(k) ~~1.4.11~~—non-foreign affidavits of SFMC and Verity Holdings, as applicable, dated as of the Closing Date, in the form of ~~Exhibit 1.4.11~~1.4(k); and

(l) ~~1.4.12~~—Any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

(a) ~~1.5.1~~ payment of the Purchase Price, minus the Deposit;

(b) ~~1.5.2~~ a duly executed certificate of the Secretary of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(c) ~~1.5.3~~ favorable certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(d) ~~1.5.4~~ the Transition Services Agreement, duly executed by Purchaser;

(e) ~~1.5.5~~ the Leaseback Agreement and IMA, duly executed by Purchaser;

(f) ~~1.5.6~~ the Bill of Sale, duly executed by Purchaser;

(g) ~~1.5.7~~ the Real Estate Assignment(s), duly executed by Purchaser;

(h) ~~1.5.8~~ the Transfer Agreement, duly executed by Purchaser;

(i) Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Owned Real Property, duly executed by Purchaser; and

(j) ~~1.5.9~~ any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

(a) ~~1.6.1~~ All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

(b) ~~1.6.2~~ Other than the Utility Deposits (defined below), which are governed by Section 1.8(n), and other than with respect to Cure Costs, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: (i) all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments and other similar charges against real estate, (ii) power and utility charges, (iii) payments made by Sellers for information technology software or services for periods after the Effective Time, (iv) payments made by Sellers in association with Licenses or dues paid to government and non-governmental agencies for calendar year 2020, and

(v) other similar costs for items or services which continue past the Effective Time (collectively, the “**Prorated Charges**”). Sellers shall pay at or prior to the Closing (or Purchaser shall receive credit for) any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for or, to the extent previously paid by Sellers, pay to Sellers at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The ~~parties~~Parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, “final readings” as of the Closing Date shall be ordered from the utilities; the cost of obtaining such “final readings,” if any, shall be paid by Purchaser.

(c) ~~1.6.3~~ Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time (“**Pre Effective Time Lease Amounts**”), and Purchaser shall be entitled to all rents and other payments under tenant leases accruing for the period after the Effective Time (“**Post Effective Time Lease Amounts**” and together with the Pre Effective Time Lease Amounts, the “**Lease Amounts**”). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance with the immediately preceding sentence. All Lease Amounts that are accrued but unpaid as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the “**Unpaid Amounts**”) shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall promptly remit any of such amounts to Sellers within ten (10) days after Purchaser’s receipt of same.

(d) ~~1.6.4~~ If Purchaser requests that Sellers transfer electronic medical records in a specific electronic format due to the Sellers’ electronic medical record (“**EMR**”) system and Purchaser’s EMR system not being interoperable, then Purchaser shall reimburse, on the Closing Date, all amounts paid or to be paid by Sellers to transfer electronic medical records to Purchaser in such different electronic format.<sup>2</sup>

(e) ~~1.6.5~~ All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the ~~parties~~Parties; *provided, however*, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either Sellers or Purchaser shall be entitled to an adjustment to correct the same, provided that said ~~party~~Party makes written demand on the ~~party~~Party from whom it is entitled to such adjustment within fifteen (15) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration.

(f) ~~1.6.6~~ This Section 1.6 shall survive Closing.

<sup>2</sup> ~~NTD: While we have left this provision in the document, we believe it will be inapplicable to this transaction. Purchaser proposes to assume the EMR at Closing.~~

1.7 Transfer of Sellers Assets. On the Closing Date, subject to the terms and conditions of this Agreement and except as otherwise contemplated in Section 1.3, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all interests, including but not limited to all liens, privileges, pledges, security interests, rights of first refusal, options, defects in title and encumbrances other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of Sellers' right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time (the "**Assets**");

(a) all of the tangible personal property owned by Sellers, or to the extent assignable ~~to or~~ transferable by Sellers, and used by Sellers in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the "**Personal Property**");

(b) subject to Section 1.7(e), all of Sellers' rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Sellers for use in the operation of the Hospital (the "**Licenses**"), including, without limitation, the Licenses set forth on Schedule 1.7(b), except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of Sellers' interest in and to the Owned Real Property and all of Sellers' interest, to the extent assignable or transferable and that have been designated by Purchaser, in and to all of the following (the "**Assigned Leases**"): (i) the real property leases for all real property leased by Sellers and set forth on Schedule 1.7(c)(i) (the "**Leased Real Property**"), and (ii) the real property leased or subleased by Sellers to a third party and set forth on Schedule 1.7(c)(ii) (the "**Tenant Leases**");

(d) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(d);

(e) ~~so long as the conditions of Section 8.8 are satisfied prior to the Closing Date,~~ all of Sellers' interest in, from and after the Licensure Date, to the extent assignable or transferable, the Hospital's Medicare Provider Agreement (and provider number) and the Hospital's Medi-Cal Provider Agreement (and provider number) (collectively, the "**Medicare/Medi-Cal Agreements**");

(f) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's managed care, pre-paid, capitated or other full-risk health plan agreements (collectively, the "**Managed Care Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Managed Care Agreements**");



(g) subject to Section 4.6, all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's services, participation or provider agreements with private health plans, insurers or other third party payors (collectively, the "**Private Payor Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Private Payor Agreements**"), *provided that*, Private Payor Agreements shall not include any "risk-sharing" agreements with independent physician associations;

(h) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital or (ii) used in the operation of the Hospital (the "**Inventory**") except as set forth in Sections 1.3 and 1.8(i);

(i) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepays**");

(j) to the extent assignable or transferable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; *provided, however*, that any electronic medical records may be transferred in paper or "pdf" if Sellers' EMR system and Purchaser's EMR system are not interoperable;

(k) to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property;

(l) all right, title and interest in and to the name "St. Francis Medical Center," including any associated Hospital trademarks, service marks, trade names, logos and domain names but excluding the domain <https://stfrancis.verity.org> and content therein;

(m) all goodwill of the Hospital evidenced by the Assets;

(n) to the extent transferable or assignable, Sellers' right or interest in the telephone and facsimile numbers used with respect to the operation of the Hospital;

(o) to the extent assignable or transferable, Sellers' lock box account(s) associated with Medicare or Medi-Cal fee-for-service receivables (the "**Lockboxes**") on or after the Licensure Date;

(p) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, quality assurance fee payments, trauma payments, disproportionate share payments,

cost report, claim, EHR or other similar appeals and Seller Cost Report settlements, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, “**Accounts Receivable**”);

(q) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the Accounts Receivable;

(r) all QAF payments due to the Hospital from the State of California or any of its administrative entities or other entities, including without limitations, Medi-Cal managed care plans, received on and after the Licensure Date and attributable to QAF V, QAF VI and any subsequent QAF Program, regardless of the state fiscal year for which the payments are made in reference to and regardless of the state fiscal year for which the data was derived to calculate eligibility for such payments, other than the QAF payments received prior to Closing or specifically excluded pursuant to Section 1.8(b) as QAF VI Seller Net Payments;

(s) except as set forth in Section 1.8(l) (i.e., certain causes of action), all claims, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment of Sellers against third parties related to or associated with the physical condition of any of the Assets; and

(t) to the extent assignable or transferable, any other assets owned by Sellers (which are not otherwise specifically described above in this Section 1.7) that are used primarily in the operation of the Hospital.

As used herein, the term “**Permitted Exceptions**” means (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable; (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (iv) imperfections of title or encumbrances identified in the Title Commitments (defined below) other than those specifically identified in Schedule 1.7(I); and (iv) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets owned directly or indirectly by it (or any of Sellers’ affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of Sellers (collectively, the “**Excluded Assets**”):

(a) cash, cash equivalents and short-term investments;

(b) all QAF payments received prior to Closing under any QAF program and, in addition, with respect to the QAF VI Program, the Excluded Assets shall include the “**QAF VI**



**Seller Net Payments**” which shall be, with respect to the Hospital, an amount equal to the product of: (A) all payments received or to be received by the Hospital under the QAF VI Program minus all payments already made, required to be made in the future or to be offset by the government with respect to the QAF VI Program, including payments to the California Health Foundation & Trust, multiplied by (B) the Closing Date Percentage. The “**Closing Date Percentage**” shall mean the percentage derived by dividing the total number of days between July 1, 2019 and the Effective Time, by ~~915. For avoidance of doubt, the QAF VI Seller Net Payments to be remitted to Sellers once received will be reduced by the QAF VI Partial Payment;~~915;

(c) all Disproportionate Share Hospital Payments (“**DSH**”) received on or after the Effective Time but calculated based on data from periods prior to the Effective Time (whether received before or after the Effective Time and whether paid to Sellers or Purchaser);

(d) all Sellers Plans (defined below) and the assets of all Sellers Plans and any asset that would revert to the employer upon the termination of any Sellers Plan, including, without limitation, any assets representing a surplus or overfunding of any Sellers Plan;

(e) all contracts that are not Assigned Contracts and all risk sharing agreements with independent physician associations (“**IPAs**”);

(f) any Private Payor Agreement that is not a Transferred Private Payor Agreement and any Managed Care Agreement that is not a Transferred Managed Care Agreement;

(g) all collective bargaining agreements or other arrangements with unions representing Sellers’ employees;

(h) all leases that have not been designated as Assigned Leases, and all Contracts that have not been designated as Assigned Contracts and all rents, deposits, prepayments, and similar amounts relating thereto;

(i) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by Sellers after the Signing Date and prior to the Effective Time in the ordinary course of business;

(j) assets owned by vendors of services or goods to the Hospital;

(k) all of Sellers’ organizational or corporate record books, minute books and tax records;

(l) Except as set forth in Section 1.7(jk) or 1.7(s) hereof (*i.e.*, rights under warranties and physical condition claims), all claims, counterclaims and causes of action of Sellers or Sellers’ bankruptcy estate (including parties acting for or on behalf of Sellers’ bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Case), including, without limitation, (A) causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code (“**Avoidance**”);

Claims”), (B) any claims, counterclaims and causes of action under applicable non-bankruptcy law (including claims, counterclaims and causes of action against any health plan or other third party payors related to services provided prior to the Effective Time), and (C) any rights to challenge liens asserted against property of the Sellers’ bankruptcy estate (including, but not limited to, liens attaching to the Purchase Price paid to the Sellers), and the proceeds from any of the foregoing; *provided, however*, that Purchaser shall acquire and be deemed to release and waive as of the Effective Time ~~avoidance claims~~ all Avoidance Claims against counterparties to Assigned Contracts and Assigned Leases solely to the extent such avoidance claims arise from, or are in connection with, executory contracts and unexpired leases assigned by the Sellers to Purchaser pursuant to Section 1.11 hereof;

(m) Except as set forth in Section 1.7(s), all insurance policies and contracts and coverages obtained by Sellers or listing Sellers as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to (i) Assets prior to the Licensure Date and/or (ii) Excluded Assets whether prior to or after the Licensure Date;

(n) all deposits made with any entity that provides utilities to the Hospital (the “**Utility Deposits**”);

(o) all unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(p) all bank accounts of Sellers, other than the Lockboxes as set forth in Section 1.7(o);

(q) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(r) the rights of Sellers to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(s) all tax refunds and tax assets of Sellers;

(t) all documents, records, operating manuals and film pertaining to the Hospital that the ~~parties~~ Parties agree that Sellers is required by law to retain;

(u) all patient records and medical records which are not part of any electronic medical record software transferred to Purchaser and are not required by law (including Section 351 of the Bankruptcy Code) to be maintained by Purchaser as of the Effective Time;

(v) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(w) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets and/or Excluded Liabilities;

(x) any rights or remedies provided to Sellers under this Agreement and each other document executed in connection with the Closing and the actions necessary to complete the sale of the Hospital pursuant to this Agreement;

(y) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers' termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(z) any (i) personnel files for employees of Sellers who are not hired by Purchaser; (ii) all documents, records, correspondence (including with respect to any employees), work papers, patient records or other books and records that Sellers is required by Law to retain; *provided, however*, that except as prohibited by Law and subject to ARTICLE 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which Sellers is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and Sellers shall be entitled to retain or request a copy of such documents;

(aa) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC ("**Premier GP**"), Premier Healthcare Alliance, L.P. ("**Premier LP**"), Premier Healthcare Solutions, Inc. ("**PHSI**") and each of Premier, Inc.'s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, "**Premier**"), and on the other hand, ~~Verity Health System of California, Inc., formerly known as Daughters of Charity Health System ("**VHS**")~~ VHS, as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS);

(bb) any grant or governmental awards received, or allocable to patient services performed, prior to the Effective Time; and

(cc) ~~(bb)~~ any assets identified in Schedule 1.8 ~~(bb)~~ (cc).

For the avoidance of doubt, Purchaser is not acquiring any asset owned by any affiliate of Sellers.

1.9 Transferred Obligations. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations (collectively, the "**Transferred Obligations**"):

(a) the Assigned Contracts, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(b) the Assigned Leases, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) all liabilities and obligations related to the Hired Employees arising on or following the Effective Time (which for avoidance of doubt, does not include any duties, obligations or liabilities arising from or related to employment-related documentation required to be maintained by such Seller prior to the Effective Time, including but not limited to, documentation of I-9 compliance for ~~the Hired Employees~~ Sellers' employees and any alternative work schedule compliance duties, obligations or liabilities that relate to ~~the Hired Employees~~ Sellers' employees);

(e) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(f) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(g) any documentary, sales and transfer tax liabilities of Sellers incurred as a result of the consummation of the transaction contemplated by this Agreement;

(h) all liabilities or obligations provided for in Section 5.3; and

(i) any other obligations and liabilities identified in Schedule 1.9(i).

1.10 Excluded Liabilities. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the IMA, the Leaseback Agreement, the Transition Services Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, Purchaser is not assuming any liabilities of Sellers related to the Assets, ~~Hired Employees~~ Sellers' employees or the Hospitals, and to the maximum extent permitted by law shall not be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets (the "**Excluded Liabilities**").

1.11 Designation of Assigned Contracts and Assigned Leases. Each Seller will assign to Purchaser the Assigned Leases and such other contracts and leases as are subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). At the later of (i) 5:00 p.m. pacific time on the day that is seven (7) calendar days prior to the date of the auction for the Assets and (ii) the date the Purchaser submits its bid for the Assets: (A) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be assigned to Purchaser (the "**Assigned Contracts**") and (B) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by Seller (the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate any contracts on the Assigned Contract list as a Rejected Contract on or prior to 5:00 p.m. pacific

time on the day that is thirty (30) days prior to Closing Date, ~~provided further that~~ and Sellers shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims; provided, however, that notwithstanding anything to the contrary, and to enable Sellers to comply with the terms of the Bidding Procedures Order with respect to UnitedHealthcare Insurance Company (“UnitedHealthcare”), Purchaser shall irrevocably designate all UnitedHealthcare agreements as Assigned Contracts or Rejected Contracts by the date that is two (2) calendars days after the Bankruptcy Court enters the Sale Order. The final list of Assigned Contracts at Closing will appear on Schedule 1.7(d).

#### 1.12 Accounts Receivable Reconciliation.

(a) Sellers and Purchaser have mutually agreed that the target Accounts Receivable amount that will be transferred from Sellers to Purchaser as of the Effective Time is the A/R Target Amount. In connection with the Account Receivable reconciliation process, Purchaser shall collect the Accounts Receivable during the one hundred thirty-five (135) day period immediately following the Closing Date (collectively, the “Final A/R Collected”), and within the thirty (30) day period thereafter, Purchaser shall provide Sellers, in good faith, a schedule which provides an accounting of the Final A/R Collected (the “A/R Accounting Schedule”), together with reasonably detailed schedules and data supporting such accounting.

(b) After receipt of the A/R Accounting Schedule, Sellers shall have sixty (60) days to review the A/R Accounting Schedule and the Final A/R Collected as proposed by Purchaser, together with the work papers used in the preparation thereof, and have their representatives and advisors review such A/R Accounting Schedule and proposed Final A/R Collected. In connection with the review of the A/R Accounting Schedule and proposed Final A/R Collected, Purchaser shall give, and shall cause its representatives and advisors to give, to Sellers and their representatives and advisors reasonable access, upon reasonable prior notice, to the books, records and other materials and the personnel of, and work papers prepared by or for, Purchaser and its representatives and advisors, including to such historical financial information relating to the Sellers and the Accounts Receivable as Sellers or their representatives or advisors may request, in each case, in order to permit the timely and complete review of the A/R Accounting Schedule and proposed Final A/R Collected in accordance with this Section 1.12(b) and so long as such access does not unreasonably interfere with the operations of the Purchaser.

(c) If Sellers disagree with the A/R Accounting Schedule and/or proposed Final A/R Collected, they shall notify Purchaser in writing within sixty (60) days after the date on which Purchaser delivers such A/R Accounting Schedule and proposed Final A/R Collected to Sellers, which shall include the items as to which they disagree and their calculation of such disputed amounts with reasonable supporting detail (the “Statement of Objections”). Purchaser and Sellers shall reasonably cooperate to resolve any such disagreements. If Purchaser and Seller are unable to resolve all such disagreements on or before the date which is thirty (30) days following notification by Sellers of any such disagreements, such disagreements shall be submitted to the Bankruptcy Court for resolution. The A/R Accounting Schedule and Final A/R Collected shall become final on the earlier of (i) failure by Sellers to deliver a Statement of Objections within the time period required by this section; (ii) mutual written agreement by Sellers and Purchaser; or (iii) a determination by the Bankruptcy Court.



(d) Once the A/R Accounting Schedule and Final A/R Collected have become final in accordance with Section 1.12(c), the following shall occur:

(i) if the Final A/R Collected is more than the A/R Target Amount, then such excess amount shall be paid by Purchaser to Sellers within ten (10) business days of Purchaser's delivery of the accounting of the Final A/R Collected to Sellers;

(ii) if the Final A/R Collected is less than the A/R Target Amount, then such deficit amount shall be paid by Sellers to Purchaser within ten (10) business days of Purchaser's delivery of the accounting of the Final A/R Collected to Sellers; or

(iii) if the Final A/R Collected is equal to the A/R Target Amount, then no adjusting payments in respect of the Accounts Receivable shall be required by either Purchaser or Sellers.

(e) During the one hundred thirty-five (135) day period immediately following the Closing Date Purchaser shall (i) use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables) within the one hundred thirty-five (135) day period immediately following the Closing Date; (ii) not take any action for the purpose of or which would be reasonably likely to result in any of the Accounts Receivable not being collected in a timely manner and within the one hundred thirty-five (135) day period immediately following the Closing Date; and (iii) provide Sellers with weekly written updates on its collection of the Accounts Receivable.

1.13 ~~1.12~~ Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, "AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS" WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE ~~(OTHER THAN EXPRESSLY SET FORTH IN ARTICLE 2)~~, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED OR RECEIVED "AS IS, WHERE IS" ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.



(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser's judgment bear upon the Purchase Price, the Assets, the Sellers, the Hospital, the businesses of the Hospital and their value and suitability for Purchaser's purposes and, except for Sellers representations and warranties in ARTICLE 2, is relying solely on Purchaser's own examination, review and inspection of the Assets and Transferred Obligations. Purchaser hereby releases Sellers and their affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the businesses of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect at the Closing.

## ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date, except as would not have a Material Adverse Effect (as defined below) upon the Assets, and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the "**Disclosure Schedule**"), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.7 (Compliance with Legal Requirements), 2.8 (Required Consents), 2.10 (Title) and 2.13 (Legal Proceedings) (the "**Sale Order Date Representations**") shall also be made as of immediately prior to the entry of the Sale Order (the "**Sale Order Date**"):

The term "**Material Adverse Effect**" means any event, change or occurrence that, individually or in the aggregate with other events, changes or occurrences, has had or would reasonably be expected to have, a material adverse effect on the Sellers' financial condition, operation or Assets in excess of Fifty Million Dollars (\$50,000,000); provided, that the term Material Adverse Effect shall not include any event, change or occurrence resulting from: (a) the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19; (b) changes to the U.S. economy, the global economy, in each case, as a whole, or the Hospital industry (except to the extent such changes disproportionately affect the Business); or (c) general economic, regulatory or political conditions or changes in the geographic regions in which the Hospital operates, except to the extent any such event described in (b), (c) or (d) disproportionately affects or impacts the Sellers' financial condition, operation or Assets as compared to other similarly situated businesses in the industry.

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms

subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect (including, without limitation approval of the Bankruptcy Court) and (b) limitations on the enforcement of equitable remedies.

2.3 Organization and Good Standing; No Violation.

(a) Each of SFMC and VHS is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Verity Holdings is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller's articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in Schedule 2.4, upon entry of the Sale Order and payment of the Cure Costs, to Sellers' knowledge, Sellers are not in breach or default of the Assigned Contracts or Assigned Leases. No provision of this Section 2.4 shall apply to any failure to obtain consents to the assignment of the Assigned Contracts and/or Assigned Leases from third parties in connection with the assignment of such Assigned Contracts and/or Assigned Leases to Purchaser (the "**Contract and Lease Consents**").

2.5 Brokers and Finders. Except as set forth on Schedule 2.5, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

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

2.7 Compliance with Legal Requirements. Except as set forth in Schedule 2.7, to the knowledge of Sellers: each Seller, with respect to the operation of the Hospital, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, "**Legal Requirements**"). Except as set forth in Schedule 2.7, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospital, has been charged in writing with or been given written notice of any material violation or any obligation to take material remedial action under, any applicable Legal Requirements.

2.8 Required Consents. Except as set forth in Schedule 2.8, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the Attorney General, Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or

material contract or any material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

## 2.9 Environmental Matters

(a) Sellers have provided Purchaser with the Phase I Environmental Site Assessments in Seller's electronic data room.

(b) Except as disclosed in Schedule 2.9(b), to the knowledge of Sellers, the operations of the Hospital are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term "**Environmental Laws**" shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term "**Hazardous Substances**" shall mean (i) any hazardous or toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.10 Title. Sellers have delivered at their own expense for all Owned Real Property (i) preliminary title reports issued by Chicago Title Insurance Company (the "**Title Commitments**") and (ii) copies of or access to all material underlying title documents listed on the Title Commitments ~~—(the "**Underlying Title Documents**" and collectively with the Title Commitments, the "**Title Documents**")—.~~

## 2.11 Certain Other Representations with Respect to the Hospitals.

(a) Except as set forth in Schedule 2.11, all Licenses which are material and necessary to the operation of the Hospital by SFMC are valid and in good standing and SFMC is in compliance with the terms and conditions of all such Licenses in all material respects, in each case except where the failure to be valid and in good standing or in compliance would not have a Material Adverse Effect on the Assets. Except as set forth in Schedule 2.11, as of the Closing Date, SFMC will have all material Licenses required under Legal Requirements to operate the Hospital as presently operated by SFMC, except where the failure to have any such License would not have a Material Adverse Effect on the Assets. To the knowledge of Sellers, no loss of any License is pending or threatened.

(b) SFMC is certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which SFMC participates, and has current and valid provider agreements with each such program,

except where the failure to be so certified or have such provider agreements would not have a Material Adverse Effect.

(c) SFMC has not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against SFMC.

## 2.12 Financial Statements.

(a) Sellers have provided to Purchaser: (i) the unaudited balance sheets of the Sellers as of June 30, 2018; (ii) unaudited income statements of the Sellers for the twelve-month periods ended June 30, 2018; (iii) the audited consolidated income statements of Sellers for the years ended 2016 and 2017; and (iv) the unaudited consolidated balance sheet of Sellers as of June 30, 2018 (collectively, the “**Historical Financial Statements**”).

(b) the income statements contained in the Historical Financial Statements present, fairly in all material respects the results of the operations of the Sellers as of and for the periods covered therein and the balance sheets contained in the Historical Financial Statements (i) are true, complete and correct in all material respects; (ii) present, fairly in all material respects the financial condition of the Sellers as of the dates indicated thereon; and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.13 Legal Proceedings. Except as set forth on Schedule 2.13, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers’ claims and noticing agent’s website at <http://www.kccllc.com/VERITYHEALTH/>, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospital or the Hospital by Sellers before any governmental authority. Except as set forth on Schedule 2.13, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers, Sellers are not subject to any government order with respect to the ownership or operation by SFMC of the Hospital and SFMC is in substantial compliance with respect to any such government order.

2.14 Employee Benefits. Sellers have provided Purchaser with a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an “employee pension benefit plan” as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an “employee welfare benefit plan” as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Seller with respect to the operation of the Hospital, in which any employee of Seller participates in his/her capacity as such (collectively, the “**Seller Plans**”).

2.15 Personnel. Sellers have provided Purchaser with a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and scheduled bonus,

and the accrued paid time off pay of all employees of Sellers (including employees of the Hospital and employees of VHS and Verity Holdings) immediately prior to [February 29, 2020], whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Sellers's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "**Hospital Employees**") and indicating whether the Hospital Employee is full- time or part-time. Sellers shall provide an updated list to Purchaser no later than five (5) Business Days before the date scheduled for the Closing.

2.16 Insurance. Sellers have provided Purchaser with a list of all material insurance maintained by Sellers with respect to the Assets, as of the Signing Date.

2.17 Accounts Receivable. To the knowledge of Sellers, all Accounts Receivable included in the Assets at Closing result from the bona fide provision of products or services in the ordinary course of business. All proceeds of Sellers' Accounts Receivable are currently deposited, either electronically or manually, into those bank accounts provided to Purchaser in Seller's electronic data room.

2.18 Payor Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, Sellers have provided Purchaser with a complete list of all written contracts with private third-party payors including insurance companies and HMOs. Sellers have provided Purchaser with a true and correct copy of all material Payor Contracts.

2.19 Excluded Individuals. Except as set forth on Schedule 2.19, to the knowledge of Sellers: neither Sellers, Hospital nor any director, officer or employee of Sellers or Hospital (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an "**Excluded Individual**"); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospital; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

2.20 Seller Knowledge. References in this Agreement to "Sellers' knowledge" or "the knowledge of Sellers" means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents and warrants to Sellers as to the following matters as of the Signing Date and as of the Closing Date:



3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in Schedule 3.4, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Purchaser is or may be subject, or (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any covenant, representation, warranty (expressed or implied, oral or otherwise) made by or on behalf of Sellers, or any other provision of this Agreement, in entering into and performing under this Agreement. Purchaser further acknowledges that Sellers are not making any covenants, representations or warranties herein relating to the Assets or the operation of the Hospital on or after the Effective Time.

3.7 Legal Proceedings. Except as described on Schedule 3.7, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any



affiliate of Purchaser which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of Sellers' Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by Sellers or of any condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through Sellers or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations, warranties or any other provision or condition under this Agreement, then the effect shall be as if the covenants, representations and warranties or any other provision or condition of this Agreement had been modified in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' covenants, representations and warranties or any other provision or condition of this Agreement in relation to such information; provided, further, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of this Agreement or any ancillary agreements entered into pursuant to this Agreement. Upon written request of Sellers, Purchaser shall promptly confirm and remake this representation in writing.

3.9 Ability to Perform. Purchaser has the ability to obtain funds and at the Closing shall have cash in amounts necessary to consummate the transactions contemplated by this Agreement by means of cash, credit facilities or otherwise. Upon the earlier of ten (10) days after satisfaction of Section 8.3 or five (5) days prior to the Closing Date, Purchaser shall have delivered to Sellers true, correct and complete copies of (i) executed commitment letter(s) from one or more banks or other lending institutions or sources (the "**Debt Commitment Letter**"), pursuant to which, and subject to the terms and conditions thereof, the lender parties thereto have committed to lend the amounts set forth therein to Purchaser for the purpose of funding the transactions contemplated by this Agreement and (ii) any executed equity commitment letter(s) (the "**Equity Commitment Letter**" and, together with the Debt Commitment Letter, the "**Financing Commitments**"). The Financing Commitments provide sufficient funds to consummate the transactions contemplated by this Agreement.

3.10 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of Sellers and the Hospital for purposes of conducting a due diligence investigation of Sellers and the Hospital. Purchaser has conducted a reasonable due diligence investigation of Sellers and the Hospital and has received satisfactory answers to all inquiries it has made respecting Sellers and the Hospital and has received all information it considers necessary to make an informed business evaluation of Sellers and the Hospital. In connection with its due diligence investigation of Sellers and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by Sellers, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby. Purchaser has completed all of its due diligence of Sellers and the Hospital and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

3.11 Purchaser Knowledge. References in this Agreement to “Purchaser’s knowledge” or “the knowledge of Purchaser” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

#### ARTICLE 4 COVENANTS OF SELLERS

##### 4.1 Access and Information; Inspections.

(a) ~~4.1.1~~ From the Signing Date through the Effective Time, (a) Sellers shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Sellers’ corporate headquarters in Los Angeles, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital and the plant and property of the Hospital at the Hospital and (b) Sellers shall furnish Purchaser with such additional financial and operating data and other information in Sellers’ possession as to the businesses and properties of the Hospital as Purchaser or its representatives may from time to time reasonably request; *provided, however*, that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the ongoing operation of the Hospital by Purchaser; *provided, further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Sellers or their representatives. Purchaser’s right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of Sellers or the Hospital.

(b) ~~4.1.2~~ Notwithstanding anything contained herein, Sellers shall not be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

##### 4.2 Cooperation.

(a) ~~4.2.1~~ The ~~parties~~Parties shall reasonably cooperate with each other and their respective authorized representatives and attorneys in: (a) ~~in~~ all efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities), (b) ~~in~~ the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) ~~in~~ Purchaser’s efforts to effectuate the assignment of Assigned Contracts to Purchaser as of the Closing Date.

(b) ~~4.2.2~~ Except as may be otherwise requested by Sellers in order to comply

with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filing costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to (x) carry out the transactions contemplated by this Agreement and/or (y) transfer any of the Assets, including any Licenses, Transferred Managed Care Agreements and/or Transferred Private Payor Agreements, not including the application required to be submitted to the California Attorney General and the transfer of the Medicare Provider Agreement and the Medi-Cal Provider ~~Agreements~~ Agreement, which are dealt with in Sections 5.9.35.9(c) and 4.5 hereto respectively. Upon request, Sellers shall provide Seller-specific information that may be needed by Purchaser to obtain such Contract and Lease Consents and such governmental consents, approvals, assignments, authorizations, clearances and licenses.

(c) ~~4.2.3~~ Notwithstanding any provision to the contrary contained in this Agreement, Sellers shall not be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts or Assigned Leases, from any party to any of the Assigned Contracts or Assigned Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.3 Sellers' Efforts to Close. Sellers shall use their reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to their or Purchaser's obligations under this Agreement to the extent that Sellers' action or inaction can control or materially influence the satisfaction of such conditions; *provided, however*, that Sellers shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than any filing or application fees to the extent Sellers are responsible therefor under this Agreement).

4.4 Termination Cost Reports. Sellers shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (a) the transfer of the Assets to Purchaser and (b) the transactions contemplated by this Agreement, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit Sellers access to all Hospital books and records to prepare such reports and shall assist Sellers in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by Sellers in a manner that is consistent with current laws, rules and regulations. Sellers shall be responsible for filing governmental cost reports for ~~the period [\_\_\_\_\_]~~ all periods through the day immediately preceding the Licensure Date. Purchaser shall be responsible for their own cost report filings relating to the Hospital beginning on the Licensure Date.

4.5 Medicare and Medi-Cal Enrollment. Sellers shall make commercially reasonable efforts to enter into settlement agreements with the Centers for Medicare and Medicaid Services ("CMS"), with respect to the Medicare Provider Agreement, and the California Department of Health Care Services ("DHCS"), with respect to the Medi-Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings that the ~~provider agreements for~~ Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred without the consent of CMS or DHCS, as applicable, and without successor liability, to enable such

agreements to be assigned to Purchaser. Between the Closing Date and the Licensure Date, Purchaser may bill and collect for patient services under Seller's health plan agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.6 Transferred Private Payor Agreements. For purposes of this Section 4.6, the following terms shall have the meanings set forth herein: (a) "**Payor**" means the non-debtor counter-party to a Transferred Private Payor Agreement; (b) "**Overpayment**" means an overpayment made by a Payor to SFMC on account of a Contracted Payment; (c) "**Contracted Payment**" means the contractual reimbursement due from a Payor to SFMC under a Transferred Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service on or prior to the Effective Time. Purchaser agrees that, as a condition to the assignment of any Transferred Private Payor Agreement on the Licensure Date, it shall honor any defenses to the payment of, and shall permit recoupment against, an Account Receivable due from Payor to Purchaser based on an Overpayment under such agreement, *provided that*, the determination and allowance of any Overpayment shall remain subject to the terms and conditions of the relevant Transferred Private Payor Agreement. Without limiting the scope of the foregoing sentence, Purchaser acknowledges and agrees that (a) the Sale Order shall authorize a Payor to continue to exercise its defenses to the payment to Purchaser of an Account Receivable based on an Overpayment, and (b) Overpayments do not constitute Cure Costs under this Agreement. This Section 4.6 shall satisfy the requirements under Sections 365(b) and (f) of the Bankruptcy Code. Following the Licensure Date, pursuant to Section 365(k) of the Bankruptcy Code, the SFMC shall be relieved and released from any obligation to any Payor on account of any Overpayment or otherwise.

4.7 Hospital Operations. From the date of the Sale Order until the Closing, Sellers shall, with respect to the operation of the Hospital, use commercially reasonable efforts (in each case subject to actions relating to and impacts arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19) to:

(a) ~~4.7.1~~ without regard to negative financial impacts or any Material Adverse Effect, carry on Sellers' operation of the Hospital consistent with past practice, but subject to the Bankruptcy Cases and Sellers' obligations and actions in connection therewith;

(b) ~~4.7.2~~ without regard to Material Adverse Effect, maintain in effect the insurance coverages with respect to the Assets;

(c) ~~4.7.3~~ without regard to Material Adverse Effect, perform Sellers' material obligations under all Assigned Contracts with respect to the Assets in compliance with the Bankruptcy Code;

(d) ~~4.7.4~~ with respect to material deficiencies, if any, cited by any governmental authority or accreditation body in the most recent surveys conducted by each, develop and implement a plan of correction (without regard to Material Adverse Effect) that is reasonably acceptable to such governmental authority or such accreditation body, but excluding any deficiencies cited (i) by the Attorney General or (ii) with respect to seismic or OSHPD-related requirements; *provided, however*, that Sellers may appeal any material deficiency citations under applicable laws if a plan of correction is not accepted by the applicable

governmental authority or accreditation body which appeal shall satisfy Sellers obligations under this subsection;

(e) ~~4.7.5~~ following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives to make offers of post-Closing employment to any of Sellers' personnel and to establish relationships with physicians, medical staff and others having business relations with Sellers, provided, that any written materials shall be approved by Sellers prior to being sent, and provided further that such actions by Purchaser do not unreasonably interfere with Sellers' operation of the Hospital;

(f) ~~4.7.6~~ timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due, unless such failure would not have a Material Adverse Effect; and

(g) ~~4.7.7~~ without regard to Material Adverse Effect, maintain all existing material approvals, permits and environmental permits relating to the Hospital.

4.8 Interim Collections. Purchaser may bill and collect for patient services rendered by Hospital between the Closing Date and the Licensure Date under Seller's Private Payor Agreements and Transferred Managed Care Agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.9 Contract With Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either ~~party~~Party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement. The ~~parties~~Parties recognize that Seller's failure to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement, provided that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in negotiating modified or new collective bargaining agreements during the period between the Signing Date and the Closing Date, Sellers and Purchaser will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce Sellers' labor cost structure, including, but not limited to, seeking to reject the existing collective bargaining agreement(s).

4.10 Consulting Services. <sup>1</sup> Subject to compliance with applicable Legal Requirements and after entry of the Sale Order if the Purchaser is the Prevailing Bidder:

(a) Purchaser shall provide consulting services to the Hospital for the period prior to the Closing Date. ~~The~~

<sup>1</sup> To be discussed - subject to review by Verity and BRG.



(b) the consulting services provided by Purchaser may include, but not be limited to, reviewing and advising SFMC regarding accounting and financial records, contracting, billing and collection activities, compliance with law, any of the plans or actions proposed in the following sentence, and other functions~~;~~

(c) Sellers shall ~~not unreasonably delay or deny approval or any recommendation for any~~ consider and implement, at no cost to Sellers, any mutually reasonably agreed upon plans and actions proposed by Purchaser to (a) assist the Hospital in meeting any seismic compliance deadlines, (b) stabilize and improve the operations of the Hospital or (c) develop and implement turnaround plans for the long-term viability of the Hospital~~;~~ and

(d) Purchaser shall have reasonable access to the business office and records of the Hospital, which shall include reasonable access to the Hospital's chief executive officer, chief financial officer, chief operations officer or other equivalent personnel of the Hospital reasonably necessary for Purchaser to perform the aforementioned consulting services.

Notwithstanding the foregoing, VHS, SFMC and ~~its board~~ their boards of directors shall at all times retain ultimate control and governance over the assets and operation of the Hospital. Neither VHS nor SFMC shall ~~not~~ delegate to Purchaser any of the powers, duties and responsibilities required to own or operate the Hospital or those that are retained by VHS and/or SFMC under law (including all certificates and licenses issued under authority of law for ownership or operation of the Hospital). For the period of time during which such consulting services are provided, Hospital and VHS shall have the non-exclusive, royalty-free, unlimited license to use any implemented Purchaser-owned intellectual property.

## ARTICLE 5 COVENANTS OF PURCHASER

5.1 Purchaser's Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions.

5.2 Consents. Purchaser shall be entitled, but not obligated, to seek to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and seek to obtain estoppel certificates from any third party to any Leased Real Property. Purchaser's failure to obtain any or all of the Contract and Lease Consents or estoppel certificates as of the Closing Date shall not be a condition precedent to either ~~party~~ Party's obligation to consummate the Closing and perform all transactions contemplated by this Agreement.

### 5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time are: (i) employees of SFMC; or (ii) employed by another Seller or affiliate and are listed on Schedule 5.3



(collectively, the “**Hospital Employees**”). For the avoidance of doubt, the Hospital Employees shall not include any employees of ~~Verity Health System of California, Inc.~~ VHS or any other affiliate of Sellers unless such individual is listed on Schedule 5.3. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the “**Hired Employees**.” All employees who are Hired Employees shall cease to be employees of Sellers or its affiliates as of the Closing Date.

(b) After the Closing Date, Purchaser’s human resources department will give reasonable assistance to Sellers and their affiliates with respect to Sellers’ and Sellers’ affiliates’ post-Closing administration of Sellers’ and Sellers’ affiliates’ pre-Closing employee benefit plans for the Hospital Employees. Within five (5) days after the Closing Date, Purchaser shall provide to Sellers a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(c) With respect to any collective bargaining agreements or labor contract with respect to any union employees, Purchaser shall comply with the applicable laws, or to the extent applicable, Bankruptcy Court orders relating to collective bargaining agreements or labor contracts.

(d) The provisions of this Section 5.3 are solely for the benefit of the ~~parties to this Agreement~~ Parties, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.5 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser’s representations and warranties set forth in ARTICLE 4 to be inaccurate or untrue during the term of this Agreement and as of the Closing.

5.6 Resale Certificate. Purchaser agrees to furnish to Sellers any resale certificate or certificates or other similar documents reasonably requested by Sellers to comply with or obtain an exemption from pertinent excise, sales and use tax laws.

5.7 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counter party to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, “**Cure Costs**”, means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections

365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.

5.8 Operating Covenant. Purchaser shall act in good faith in fulfilling its obligations under this Agreement.

5.9 Governmental Approvals.

(a) ~~5.9.1~~ Best Efforts. Purchaser (a) shall use its best efforts to secure, as promptly as possible after the Signing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled, and (b) will provide such other information and communications to governmental and regulatory authorities as Sellers or such authorities may reasonably request. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Licensure Date. Purchaser acknowledges that Sellers may independently contact governmental and regulatory authorities as part of this process.

(b) ~~5.9.2~~ Change of Ownership Applications. Purchaser shall, promptly, but no later than ten (10) business days after the entry of the Sale Order, or sooner if required by applicable governmental or regulatory authorities, file all applications, licensing packages and other documents with all applicable governmental and regulatory authorities which are necessary for the operation of a hospital and the consummation of the transactions hereunder, including the hospital license change of ownership application with CDPH, the hospital pharmacy change of ownership application with the BOP, and the Medicare and Medi-Cal change-of-ownership applications.

(c) ~~5.9.3~~ Attorney General Application. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the California Attorney General (the “**Attorney General**”), the application and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to Title 11, Division 1, Chapter 15, Section 999.5 of the California Code of Regulations (“**Section 999.5**”), which application and report forms and supplemental information will comply in all material respects with the requirements of such regulations and shall state that Purchaser agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the Attorney General are ~~substantially consistent with~~ not materially more burdensome than the conditions attached hereto as ~~Exhibit 5.9.3~~ 5.9(c) (the “**Accepted Conditions**”). Purchaser shall pay all fees (including, without limitation, attorneys’ fees) required of Purchaser or Sellers with respect to the preparation and submission of the application, hearings, expert reports, Attorney General attorney review time, reports and other requirements of the Attorney General under Section 999.5. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, the Attorney General, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, the Attorney General. Purchaser shall take such action as may be required by the Attorney

General in order to resolve with the minimum practicable delay any objections the Attorney General may have to the transactions contemplated by this Agreement under Section 999.5. For any late submission of the Attorney General application, at Seller's election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

(d) ~~5.9.4~~ **HSR Filing**. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the Federal Trade Commission and the Department of Justice the notification and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), which notification and report forms and supplemental information will comply in all material respects with the requirements of the HSR Act. Purchaser shall pay all filing fees required of Purchaser or Sellers with respect to the notification, report and other requirements of the HSR Act. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, any governmental authority under the HSR Act, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, such governmental authorities. Purchaser shall take such action (including divestitures or hold separate arrangements) as may be required by any governmental authority in order to resolve with the minimum practicable delay any objections such governmental authorities may have to the transactions contemplated by this Agreement under the HSR Act. For any late submission of the application under the HSR Act, at Seller's election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

## ARTICLE 6 BANKRUPTCY COURT APPROVAL

### 6.1 Bankruptcy Court Approval.

(a) Sellers and Purchaser acknowledge that this Agreement has been solicited in conformity with the Bidding Procedures approved by the Bankruptcy Court on February \_\_, 2020 [Docket No. \_\_] (the "**Bid Procedures Order**"), and that the sale of the Assets and the assignment of the Assigned Contracts and Assigned Leases remain subject to Bankruptcy Court approval. Purchaser further acknowledges that this Agreement and the transactions contemplated hereby are subject to Sellers' right and ability to consider higher or better competing bids with respect to the Assets subject to the terms of the Bid Procedures Order. Pursuant to the Bid Procedures Order, Purchaser shall, if its bid is determined to be the second highest bid, serve as a back-up bidder (the "**Back-up Bidder**") and, subject to the provisions of the Bid Procedures Order with respect to the retention of the Deposit, keep Purchaser's bid to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in any auction under the Bid Procedures Order) open and irrevocable until the earlier of (i) (a) 5:00 p.m. pacific time on the date which is thirty (30) days after the entry by the Bankruptcy Court of the Sale Order; or (b) 5:00 p.m. pacific time on May ~~15~~, 31, 2020 (the "**Outside Back-up Date**"), or (ii)

the date of closing of an alternative transaction with the bidder who prevails at the auction (the “**Prevailing Bidder**”). Following the entry of the Sale Order and prior to the Outside Back-up Date, if the Prevailing Bidder breaches or fails to perform its obligations under the terms and conditions of its respective transaction documents and Sellers terminate such agreement with the Prevailing Bidder, the Back-up Bidder will be deemed to have the new prevailing bid, and the Bankruptcy Court order approving the sale to the Prevailing Bidder shall provide that Sellers will be authorized, without further order of the Bankruptcy Court, to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in the auction) with the Back-up Bidder.

(b) Purchaser further acknowledges that this Agreement is subject to termination ~~up to the time of entry of the Sale Order~~, except to the extent otherwise provided in the Bid Procedures Order, in the event Sellers in the exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers’ Assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code.

(c) Sellers shall, at any hearing to consider approval of this Agreement (the “**Sale Hearing**”), exercise reasonable efforts to obtain a “Sale Order” approving this Agreement subject to the exercise of their fiduciary duties to consider and accept a higher and better offer for Sellers’ assets in accordance with the Bankruptcy Code. For purposes of this Agreement, the term “**Sale Order**” shall mean an order of the Bankruptcy Court in form and substance reasonably acceptable to Purchaser, authorizing the sale of the Assets pursuant to Section 363(b) of the Bankruptcy Code (including the Sellers’ assumption and assignment to Purchaser of the Assigned Contracts and Assigned Leases pursuant to Section 365 of the Bankruptcy Code) on the terms and conditions set forth herein, free and clear of all Liens (other than Permitted ~~Liens~~ Exceptions) and Excluded Liabilities, including, for the avoidance of doubt, any successor liability, to the maximum extent permitted by the Bankruptcy Code.

(d) Sellers agree, subject to the exercise of their fiduciary duties, to seek a Bankruptcy Court determination that Purchaser is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and in good faith to file such declarations and other evidence as may be required to support a determination.

(e) Sellers shall seek an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Sellers, whether or not arising in connection with this Agreement, solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

6.3 Bidding Procedures. Sellers and Purchaser shall comply with the terms of the Bid Procedures Order. Sellers shall sign this Agreement as and when permitted pursuant to the Bid Procedures Order and the Sale Order. ~~Notwithstanding anything to the contrary herein or in the Bid Procedures Order, the ability of the parties to alter the Sale Order or this Agreement from the forms thereof approved by Purchaser shall terminate upon approval of this Agreement as the Winning Bid or Back Up Bid, absent the express written consent of Purchaser. In the event of any material alteration of the terms of this Agreement or the Sale Order by any party, which determination shall be made by Purchaser in its reasonable discretion, Purchaser shall have no obligation to proceed with the transaction.~~

## ARTICLE 7

### CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

7.3 Governmental Submissions. Purchaser shall have submitted the hospital license change of ownership application to CDPH and the hospital pharmacy change of ownership application to the BOP.

7.4 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions ~~no less favorable~~ which are not materially more burdensome than those forth in Exhibit 5.9.3, 5.9(c).

7.5 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

7.6 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

## ARTICLE 8

### CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or



prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

8.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

8.3 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions ~~no less favorable~~which are not materially more burdensome than those forth in ~~Exhibit 5.9.3.5.9(c).~~ In the event the Attorney General imposes conditions on the transactions contemplated by this Agreement, or on Purchaser in connection therewith which are materially ~~different~~more burdensome than the Purchaser Approved Conditions set forth on ~~Exhibit 5.9.3.5.9(c)~~ (the "Additional Conditions"), Sellers shall have the opportunity to file a motion with the Bankruptcy Court seeking the entry of an order ("Supplemental Sale Order") finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions without the imposition of any other conditions, which would adversely affect the Purchaser. For purposes of this Section 8.3, Additional Conditions which individually or collectively impose a direct or indirect cost to Purchaser of Five Million Dollars (\$5,000,000), or more, shall be conclusively deemed to be "materially ~~different~~more burdensome." If Sellers determine not to seek such Supplemental Sale Order, or fail to obtain such Supplemental Sale Order within sixty (60) days of the Attorney General's imposition of Additional Conditions, Purchaser shall be entitled to terminate this Agreement and receive the return of its Deposit. Upon the entry of such an order from the Bankruptcy Court, and so long as such order remains ~~final and~~ in full force and effect, Purchaser shall be required to consummate the transactions contemplated by this Agreement. If Sellers do not obtain such an order, or such order does not relieve the Additional Conditions to the satisfaction of Purchaser or such order does not remain in full force and effect, Purchaser shall not be required to consummate the transactions contemplated by this Agreement.

8.4 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a "good faith" purchaser, ~~and the Sale Order shall become final unless such condition has been waived by Purchaser.~~

8.5 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

8.6 Medicare and Medi-Cal Provider Agreement. Following consultation with Purchaser, Sellers shall have obtained agreements with CMS and DHCS or a ~~final~~ court order by a court having proper jurisdiction shall have been entered with respect to the transfer of the Medicare ~~Provider Agreement and/or the~~ Medi-Cal ~~Agreements~~Provider Agreement, such that



(a) all liabilities and obligations under the Medicare/Medi-Cal Agreements are fully satisfied, discharged, and released with regard to any claims under the Medicare/Medi-Cal Agreements, whether known or unknown, that CMS or DHCS has against the Sellers or Purchaser for liabilities and obligations arising under the Medicare/Medi-Cal Agreements before the Effective Time, and (b) ~~such~~the Medicare/Medi-Cal Agreements will be transferred to Purchaser as of the Effective Time free and clear of such pre-Closing liabilities and obligations; provided, however, that Purchaser acknowledges and agrees that it may be treated by CMS and DHCS as the successor to the quality history associated with the relevant Medicare/Medi-Cal Agreements assigned and, for purposes of survey and certification issues associated with such quality history, Purchaser may be treated as if it is the relevant Seller and no change of ownership occurred.

~~8.7— Collective Bargaining Agreements and Labor Contracts. Purchaser agrees to close the transactions contemplated by this Agreement, so long as (a) after good faith negotiations with the applicable St. Francis labor unions, such labor unions agree to either (i) modify the St. Francis collective bargaining agreements to be substantially consistent with the Purchaser's existing new collective bargaining agreements with each such respective labor union, and settle all liabilities under the existing agreements, or (ii) enter into new collective bargaining agreements that are substantially consistent with the Purchaser's existing collective bargaining agreements with each such respective labor union, and settle all liabilities under the existing agreements, or (b) the Bankruptcy Court takes action to reject any such collective bargaining agreement that is not substantially consistent or where the union has not agreed to settle all liabilities under the agreement. In the event Purchaser and the respective St. Francis labor union are unable to agree to a modified or new collective bargaining agreement that is substantially consistent with the Purchaser's existing collective bargaining agreement with the respective labor union, as well as a settlement of all liabilities under the existing agreements, and the Bankruptcy Court does not reject such collective bargaining agreement pursuant to a final order, then Purchaser shall not be required to consummate the transactions contemplated by this Agreement.~~

## ARTICLE 9 TERMINATION

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

- (a) by the mutual written consent of the ~~parties~~Parties;
- (b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after Sellers provide Purchaser of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Sellers shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if Sellers are also in material breach of this Agreement;
- (c) by Purchaser if Purchaser has complied with Section 3.8 and a material breach of this Agreement has been committed by Sellers, which material breach has resulted, or would more likely than not result, in a Material Adverse Effect on the Assets taken as a whole, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides

Sellers of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if Purchaser is also in material breach of this Agreement;

(d) by Purchaser if satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date);

(e) by Sellers if satisfaction of any such condition in ARTICLE 7 is or becomes impossible and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Case prior to the sale closing or fails to approve the sale of the Assets to Purchaser;

(g) by Sellers in the event Sellers in the exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers' assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code;

(h) by Purchaser in the event that its Back-Up Bidder status has expired in accordance with the Bid Procedures Order and the terms of this Agreement; and

(i) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any ~~party~~Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before ~~December 31, September 1, 2020~~ (the "**Termination Date**"); provided, that the Termination Date shall be extended in the event the conditions set forth in Section 7.4 and Section 8.3 have not been satisfied (but the conditions to Closing in Article 7 and Article 8 have otherwise been satisfied other than such conditions that are to be satisfied by payments and deliveries to be made at the Closing) to the earlier of (A) ten (10) business days after the satisfaction of the conditions set forth in Section 7.4 and Section 8.3 or (B) December 31, 2020.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Section 9.1: (a) all further obligations of the ~~parties~~Parties under this Agreement shall terminate, other than Purchaser's right to receive a return on the Deposit in accordance with Section 1.2 and a break-up fee in accordance with the Bidding Procedures, and provided that the provisions of ARTICLE 11 shall survive, and (b) each ~~party~~Party shall pay the costs and expenses incurred by it in connection with this Agreement; *provided, however*, that in the case of any termination based on Section 9.1(b) or Section 9.1(c), the consequences of such termination shall be

determined in accordance with ARTICLE 11 hereof. Each ~~party~~Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such ~~party~~Party would not have entered into this Agreement.

## ARTICLE 10 POST-CLOSING MATTERS

10.1 Excluded Assets. Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the ~~parties~~Parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within ~~sixty~~sixtyten (~~60~~10) business days following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Sellers for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to Sellers under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

### 10.2 Preservation and Access to Records After the Closing.

(a) From the Licensure Date until seven (7) years after the Licensure Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records, patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including, without limitation, color laser copies) of, such records with respect to time periods prior to the Licensure Date (including, without limitation, access to records of patients treated at the Hospital prior to the Licensure Date) during normal business hours after the Licensure Date, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends

to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties ~~does~~do not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Licensure Date with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees. In addition, Sellers and Sellers' affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of Sellers' affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or its applicable affiliate's use of such records.

(c) In connection with (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and Sellers' affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.

(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either (i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 and any and all corresponding California state law requirements with respect to the operation of the Hospital on and after the Licensure Date.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting purposes, including without limitation QAF or DSH reporting.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Licensure Date, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

10.3 Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract or Assigned Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assigned Contract or Assigned Lease, as the case may be, thereunder. If, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both (a) provide Purchaser with the benefits of or under any such Assigned Contract or Assigned Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assigned Contract or Assigned Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor.

10.4 General Cooperation and Turnover Obligations. The ~~parties~~Parties shall cooperate to ensure that any and all payments that constitute "Excluded Assets" shall be paid to and received by Sellers, with any payments that constitute "Assets" transferred to Purchaser pursuant to Section 1.7 or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of ~~one~~two (~~1~~2) ~~year~~years after the Effective Date ("Turnover Period"), the ~~parties~~Parties shall, within ~~five~~ten (~~5~~10) business days of receipt, copy and send to the other ~~party~~Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Accounts Receivables, from whatever payor or source of funds, that are received on and after the Effective Time. In the event that payments that constitute a transferred Asset are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ~~five~~ten (~~5~~10) days of notice of the receipt of such payments shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within ~~five~~ten (~~5~~10) days of notice of



the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each ~~party~~Party shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the requesting ~~party~~Party's sole expense, of the bank records and remittance advices of the other ~~party~~Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or and underpayment of funds due, the ~~party~~Party owning funds shall, within ~~fiveten~~ (~~\$10~~) business days, make a payment of such funds to whom they are owed.

10.5 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the "**Post-Effective Time CFO**") to cooperate with Sellers' representatives in order to complete the standardized closing of Sellers' financial records through the Licensure Date including, without limitation, the closing of general ledger account reconciliations (collectively, the "**Closing of Financials**"). Purchaser shall cause the Post-Effective Time CFO to use their good faith efforts to cooperate with Sellers' representatives in order to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to Sellers for a period of no less than one hundred eighty (180) calendar days after the Closing Date to assist Sellers in the completion of Sellers' post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO's other duties.

10.6 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital's medical staff members in good standing as of the Licensure Date shall maintain medical staff privileges at the Hospital as of the Licensure Date. On and after the Licensure Date, the medical staff will be subject to the Hospital's Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.7 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates ("**Shared Intangible Assets**") and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals; *provided, however*, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

## ARTICLE 11 DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If the Agreement is terminated pursuant to Section 9.1(b), Sellers shall be entitled to retain the Deposit, and Sellers may, in addition thereto, pursue any

rights or remedies that Sellers may have under this Agreement or applicable law, including the right to sue for damages or specific performance.

11.2 Sellers Default. If the Agreement is terminated pursuant to Section 9.1(c), Purchaser shall have the right to demand and receive a refund of the Deposit, and Purchaser may, in addition thereto, pursue any rights or remedies that Purchaser may have under applicable law, including the right to sue for damages or specific performance.

11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Licensure Date, the ~~parties~~Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Licensure Date and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The ~~parties~~Parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting ~~party~~Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) Solely for purposes of tax reporting, Schedule 11.3 sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income ~~Tax~~tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the “**Allocation Schedule**”). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such ~~party~~Party. The ~~parties~~Parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

11.4 Cost Report Matters.

(a) Consistent with Section 4.4, Sellers shall, at Purchaser’s expense, prepare and timely file all cost reports relating to the periods ending prior to the Licensure Date or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the “**Seller Cost Reports**”).

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers’ preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser’s provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit conferences or meetings. Sellers shall have no obligations after the Licensure Date with respect to Seller Cost Reports except for preparation and filing thereof.

## ARTICLE 12 MISCELLANEOUS PROVISIONS

12.1 Further Assurances and Cooperation. Each ~~party~~Party shall execute, acknowledge and deliver to the other ~~party~~Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by such ~~party~~Party at any time and shall take any and all other actions reasonably requested by such ~~party~~Party at any time for the purpose of consummating the transactions hereunder and fulfilling such ~~party~~Party's obligations hereunder. After consummation of the transactions contemplated in this Agreement, the ~~parties~~Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the ~~parties~~Parties hereto; *provided, however*, that no ~~party~~Party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other ~~parties~~Parties which consent shall not be unreasonably withheld or delayed, except that Purchaser may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date so long as such affiliate was described and was part of the Attorney General application under Section 5.9(c) and provided that any such assignment shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the ~~parties~~Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The ~~parties~~Parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the ~~parties hereto~~Parties.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. From the Signing Date until the Closing, the ~~parties~~Parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be

acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of this Agreement merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular obligation, representation or warranty shall be deemed adequately disclosed as an exception with respect to all other obligations, representations or warranties, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other obligation, representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder shall be deemed effectively given when either personally delivered, or when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers: Verity Health System of California, Inc.  
601 South Figueroa St., Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With a copies to: Dentons US LLP  
(which copies shall 601 South Figueroa St., Suite 2500  
not constitute notice) Los Angeles, CA 90017-5704  
Attention: Tania Moyron, Esq.  
Telephone: 213-243-6101

If to Purchaser: Prime Healthcare Services, Inc.  
3480 East Guasti Road, 2<sup>nd</sup> Floor  
Ontario, California 91761  
Attention: General Counsel  
Facsimile: 909-235-4316

With a copy to: McDermott Will & Emery LLP  
(which copies shall 2049 Century Park East, Suite 3200  
not constitute notice) Los Angeles, California 90067  
Attention: Jeffrey Reisner, Esq.  
Facsimile: 310-277-4730

or at such other address as one ~~party~~Party may designate by notice hereunder to the other ~~parties~~Parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases at least forty-eight (48) hours prior to issuance; *provided, however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either ~~party~~Party's disclosure obligations imposed by law subject to reasonable prior notice to the other ~~party~~Party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all ~~parties hereto~~Parties.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the ~~parties~~Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the ~~parties~~Parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

12.12 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each ~~party~~Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The ~~parties~~Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any ~~party~~Party to enforce any provision of this Agreement, the prevailing ~~party~~Party shall be entitled to recover its court costs and reasonable attorneys' fees.



12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the ~~parties~~Parties hereto. The ~~parties~~Parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a ~~party~~Party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the ~~parties~~Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the ~~parties~~Parties on the subject matter hereof (the “**Superseded Agreements**”), which Superseded Agreements shall be of no further force or effect.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the ~~party~~Party which is entitled to the benefit thereof but only by a written notice signed by the ~~party~~Party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a ~~party~~Party shall not be deemed to be a waiver of any preceding breach by any other ~~party~~Party of any term, covenant or condition of this Agreement, other than the failure of such other ~~party~~Party to perform the particular duties so accepted, regardless of the accepting ~~party~~Party’s knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any ~~party~~Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

12.18 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY

UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.18. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[REMAINDER OF PAGE IS BLANK]*

**IN WITNESS WHEREOF**, this Agreement has been entered into as of the day and year first above written.

**PURCHASER:**

**Prime Healthcare Services, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**SELLERS:**

**Verity Health System of California, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Verity Holdings, LLC**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**St. Francis Medical Center**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Schedule ~~1.4.3~~1.4(c)**  
**St. Francis Medical Center**

Description	Owner	Address	APN
Hospital Campus (including Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park MOB	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood MOB	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

**Exhibit 1.3(a) to APA**  
**Form of Leaseback Agreement**

*See attached.*



## **SALE LEASEBACK AGREEMENT**

*[Note: This agreement is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This structure is not required.]*

This Sale Leaseback Agreement (the “**Leaseback Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (“**Hospital Newco**,” and collectively with Parent Company, the “**Parent Company Parties**”) on the other hand. The Corporation, Parent Company, and Hospital Newco may be referred to herein individually as a “**Party**,” and collectively as the “**partiesParties.**”

## **RECITALS**

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Parent Company and the Corporation have entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of the assets of the Corporation and related assets (collectively, the “**Assets**”). Capitalized terms not defined in this Leaseback Agreement shall have the meanings given to such terms in the APA.

D. The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital’s services are provided (collectively, the “**Hospital Premises**”).

E. Parent Company designated its affiliate, Hospital Newco, as the owner of the Corporation’s Assets purchased by Parent Company under the APA (the “**Designation**”), and its affiliate \_\_\_\_\_ (the “**Manager**”) as the operator of the Hospital.

F. Pursuant to Section 1.3 of the APA, the Corporation, Parent Company, and the Manager, are entering into that certain Interim Management Agreement (“**IMA**”) of even date herewith, and commencing at the Effective Time, to enable the Manager to manage the day-to-day operations of the Hospital following the Closing until the Manager is issued the Licenses necessary to operate the Hospital (for the avoidance of doubt, that date will occur when the Manager is issued both a license to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy (collectively, the “**New Licenses**”)).

A. Pursuant to the APA, at the Effective Time, Parent Company will purchase the Corporation’s Assets, except for the Excluded Assets (as set forth in the APA). Also pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the

Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Parent Company (or its affiliate) as of the Licensure Date.

**B.** Immediately following the Closing, and until the Manager obtains the New Licenses, the Parent Company Parties desire to lease back or license to the Corporation all of the then-acquired Corporation’s Assets used in the operation of the Hospital, and the Corporation desires to so lease or license such Corporation’s Assets from the Parent Company Parties on the terms and conditions set forth herein. The Corporation’s Assets shall exclude the Licensure Date Assets, which the Corporation shall own until the New Licenses are issued.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the ~~parties~~Parties hereby agree as follows:

**1. Definitions.** Any capitalized term appearing herein that is not defined shall have the same definition ascribed to it under the IMA or the APA (as designated when such term first appears herein).

**2. Description of The Leased or Licensed Assets.**

**2.1 Leased or Licensed Assets.** The Parent Company Parties hereby lease or license to the Corporation, and the Corporation leases or licenses from the Parent Company Parties, all of the Corporation’s Assets used in the operation of the Hospital, except for the Licensure Date Assets, which the Corporation shall continue to own until the Licensure Date (as defined in the APA) (collectively, the “**Leased or Licensed Assets**”). Specifically, the Leased or Licensed Assets shall include: (a) the Hospital Premises (which shall be leased); (b) tangible personal property, including, but not limited to, fixtures, furnishings, hard copy medical and financial records and equipment (including, but not limited to, hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems) (which shall be leased); and (c) intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Corporation).

**2.2 Management of Pharmacy and Use of Pharmacy Assets.**

(a) The Corporation shall at all times during the term of this Leaseback Agreement be the owner of the Pharmacy Assets. The ~~parties~~Parties acknowledge, however, that under the IMA, the Manager will be managing the Corporation’s pharmacy during the Management Period (as defined in the IMA), and the Corporation therefore grants the Manager (i) access to and authority to use the drugs, dangerous drug delivery devices, or other tangible pharmacy assets, and (ii) a license to use the intangible intellectual property saved or embodied in the pharmacy systems, in each case to the extent necessary for the Manager to fulfill its obligations under the IMA.

(b) Pursuant to the IMA, the Corporation shall be responsible for purchasing drugs and dangerous devices identified by the Manager as necessary for the operations of the Hospital, and the Manager shall reimburse the Corporation for all costs and expenses incurred for such purchases.

3. Term; Termination. This Leaseback Agreement shall have a term coextensive with the Management Period (as defined in the IMA) and shall automatically terminate upon the termination of the IMA.

4. Payments by the Parent Company Parties.

4.1 Utilities. The Parent Company Parties shall pay all utilities and services supplied to the Hospital during the term hereof, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services.

4.2 Taxes. The Parent Company Parties shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon or against the Leased or Licensed Assets, the Hospital, and/or the Corporation, after the Effective Time.

4.3 Insurance. The Parent Company Parties shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation during the term hereof. The Parent Company Parties covenant and agree that the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation are covered as of the date hereof and will be covered at all times by general liability, fire, theft, business interruption, cyber, professional liability, directors and officers insurance, employment practices liability, terrorism, workers' compensation & employers' liability, directors and officers, fiduciary, crime, punitive damages excess liability, physical damage, property liability, automobile, storage tank, helipad and non-owned aviation, sexual misconduct and molestation, medical provider professional liability, and provider capitation stop loss (managed care excess loss) insurance. All such insurance shall name the Parent Company Parties and the Corporation as insureds as their respective interests may appear.

4.4 Repairs and Maintenance: Alterations. During the term of this Leaseback Agreement, the Parent Company Parties shall pay all costs of repairing (including replacement of) and maintaining the Leased or Licensed Assets and Hospital and every part thereof in good and sanitary order, condition and repair during the term hereof, reasonable wear and tear excepted, ~~excluding, however, any~~ including, without limitation, all costs of all repairs ~~or, replacements related to seismic or~~ and maintenance required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development ("OSHPD") ~~related requirements; provided, however, that Parent Company Parties may begin to make preparations for such seismic or OSHPD-related repairs and maintenance that will be undertaken after the Management Period (as defined in the IMA).~~ The Corporation shall not make any alterations or changes to the Leased or Licensed Assets without

prior written approval of the Parent Company Parties, which may be given or withheld in the Parent Company Parties' sole discretion.

**4.5 Payment.** Nothing in this Section 4 shall in any way limit, reduce, or otherwise affect Parent Company's payment obligations under the IMA or the APA.

**5. Use.** The Leased or Licensed Assets shall be used for the operation of the Hospital, subject to the terms of the APA and the IMA.

**6. Risk of Loss.**

**6.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Leased or Licensed Assets or Hospital during the term of this Leaseback Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, accident or any other casualty (collectively, "**Casualty**"), and the Parent Company Parties shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

**6.2** If, during the term of this Leaseback Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain or condemnation proceedings, exercise of state authority under an executive order or by deed in lieu thereof (collectively, "**Condemnation**"), the Parent Company Parties, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**6.3** In the event of a Casualty or Condemnation, neither the Parent Company Parties nor the Corporation may terminate this Leaseback Agreement.

**7. Continued Access.** Following termination of this Leaseback Agreement, and until the entry of final decrees closing the Bankruptcy Cases, the Patient Care Ombudsman, appointed by the United States Trustee pursuant to Bankruptcy Code § 333 and approved by the Bankruptcy Court [*see* Docket No. 430], shall have continuing access to the Leased or Licensed Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to the Parent Company Parties, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the chapter 11 plan as approved by the Bankruptcy Court.

**8. Miscellaneous.**

**8.1 Further Assurances.** Each of the ~~parties~~Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Leaseback Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

**8.2 Notices and Demands.** All notices and demands, requests, consents, approvals, and other similar communications under this Leaseback Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail,

return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center  
c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.  
(which copy shall not Dentons US LLP  
constitute notice) 601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to the Parent Company  
Parties:

With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other ~~parties~~Parties in accordance with this Section 8.2.

**8.3** Payment of Expenses. Except for the Parent Company Parties' obligation to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Leaseback Agreement, each Party hereto shall bear its own legal, accounting, and other expenses incurred in connection with the preparation and negotiation of this Leaseback Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

**8.4** Rent. The Corporation has prepaid the sum of One Thousand Dollars (\$1,000.00), the receipt of which is hereby acknowledged by the Parent Company Parties, and the Corporation shall not be required to pay the Parent Company Parties any additional rent under this Leaseback Agreement.



**8.5 Entire Agreement; Amendment; Waiver.** This Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement contain the entire agreement among the ~~parties~~Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the ~~parties~~Parties other than those set forth in this Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement. Nothing in this Leaseback Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court. This Leaseback Agreement may not be modified or amended except in writing signed by the ~~parties~~~~hereto~~Parties. No waiver of any term, provision or condition of this Leaseback Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Leaseback Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

**8.6 Assignment.** Neither this Leaseback Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by the Corporation or the Parent Company Parties without the prior written consent of the other ~~parties~~Parties, which may be granted, denied or conditioned in such Party's absolute discretion except that the Parent Company Parties may assign this Leaseback Agreement in connection with any permitted assignment under the IMA. Subject to the foregoing, this Leaseback Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the ~~parties~~~~hereto~~Parties.

**8.7 Joint Venture; No Third Party Beneficiaries.** Nothing contained herein shall be construed as forming a joint venture or partnership among the ~~parties~~~~hereto~~Parties with respect to the subject matter hereof. The ~~parties~~~~hereto~~Parties do not intend that any third party shall have any rights under this Leaseback Agreement.

**8.8 Captions.** The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

**8.9 Governing Law.** This Leaseback Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**8.10 Jurisdiction.** The ~~parties~~Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Leaseback Agreement, and any of the documents or transactions contained in or contemplated by this Leaseback Agreement; *provided, however*, that the ~~parties~~Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Leaseback Agreement, or any of the documents or

transactions contemplated hereby, the ~~parties~~Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.2 hereof

**8.11 Conditions to Effectiveness.** The ~~parties~~Parties acknowledge that this Leaseback Agreement is subject to and contingent upon the occurrence of the Closing under the APA. This Leaseback Agreement shall not be effective, nor shall any Party have any obligations hereunder, unless and until the Closing under the APA has occurred.

**8.12 Cooperation on Regulatory Compliance Matters.** The Parent Company Parties understand and acknowledges that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance, as well as the requirements or recommendations of any accrediting agencies. In the event the terms of this Leaseback Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Leaseback Agreement, the Parent Company Parties shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request, recommendation or directive.

**8.13 Transition Services Agreement.** Pursuant to Section ~~1.4.6~~1.4(f) and Section ~~1.5.4~~1.5(d) of the APA, the Sellers and Parent Company will enter into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The ~~parties hereto~~Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

**8.14 Fair Meaning.** This Leaseback Agreement shall be construed according to its fair meaning and as if prepared by all ~~parties hereto~~Parties.

**8.15 Counterparts.** This Leaseback Agreement may be executed by one or more of the ~~parties hereto~~Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Leaseback Agreement may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**8.16 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY**

CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.16. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[Signature Page Follows.]*

IN WITNESS WHEREOF, the ~~parties~~Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**Parent Company Parties:**

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Corporation:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Exhibit 1.3(b) to APA**

**Form of Interim Management Agreement**

*See attached.*



## INTERIM MANAGEMENT AGREEMENT

*[Note: This IMA is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This IMA is drafted assuming Purchaser is buying hospital's accounts receivable. This structure is not required.]*

This Interim Management Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (the “**Manager**,” and collectively with the Corporation and Parent Company, the “~~parties~~Parties” and each individually a “Party”)) on the other hand.

### RECITALS

A. On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Parent Company, as purchaser, and the Corporation and certain of its affiliates (collectively, the “**Sellers**” as defined in the APA), as seller, entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of certain assets of the Sellers (collectively, the “**Assets**”). All terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

D. The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital's services are provided (collectively, the “**Hospital Premises**”).

E. Pursuant to the APA, Parent Company agreed to purchase the Assets, which include certain assets of the Corporation (the “**Corporation's Assets**”).

F. Parent Company designated its affiliate, \_\_\_\_\_ (“**Hospital Newco**”) as the owner of the Corporation's Assets, and the Manager as the operator of the Hospital.

G. Parent Company and the Manager have requested this Agreement to afford the Manager additional time to obtain its general acute care hospital license from the California Department of Public Health (“**CDPH**”), and its hospital pharmacy permit from the California

Board of Pharmacy (together, the “**New Licenses**,” and the date on which the New Licenses are issued is the “**Licensure Date**”).

**H.** Pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Hospital Newco as of the Licensure Date.

**I.** The Corporation shall maintain a possessory interest in the Hospital and the Hospital Premises, and Parent Company and Hospital Newco on the one hand as lessor, and the Corporation, on the other hand as lessee, are entering into that certain Sale Leaseback Agreement of even date herewith, pursuant to which certain of the Corporation’s Assets will be leased back to the Corporation (the “**Leaseback Agreement**”).

**J.** Until Hospital Newco obtains the New Licenses, the Manager desires to assume the management of the Hospital, including its pharmacy, on behalf of the Corporation, and the Corporation desires to avail itself of such management services, upon the terms and conditions set forth in this Agreement.

## **TERMS OF AGREEMENT**

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the ~~parties~~Parties hereby agree as follows:

### **1. Term.**

**1.1** The term of this Agreement (the “**Management Period**”) shall commence as of the Effective Time (as defined in the APA) and shall continue until the earlier of the Licensure Date or [June 30, 2021]. The ~~parties~~Parties acknowledge that, during the Management Period, the Corporation shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of the Manager.

### **2. Acknowledgements and Covenants.**

**2.1** As of the Effective Time, Parent Company shall have acquired all of the Corporation’s Assets as set forth in the APA (other than the Licensure Date Assets), which shall be leased back to the Corporation pursuant to the terms of the Leaseback Agreement during the term of this Agreement.

**2.2** Pursuant to Section 1.3 of the APA, contemporaneously with the date the New Licenses are issued and the termination of the Leaseback Agreement, ownership of the Licensure Date Assets shall be transferred to Hospital Newco. Parent Company and the Manager acknowledge that this Agreement and the foregoing subsequent transfer of the Licensure Date Assets are made at the request of Parent Company and the Manager, to provide more time for the

Manager to obtain its New Licenses. As such, Parent Company acknowledges, covenants, and agrees that the total Purchase Price (as defined in the APA) shall be paid to the Sellers under the APA as if the Licensure Date Assets were transferred as of the Effective Time.

**2.3** As of the Effective Time, the Corporation shall have ended the employment or engagement of all employees and contractors and, to the extent they received offers of employment or engagement from the Manager (or its affiliates) and accepted such offers, shall have been transferred to the Manager (or its affiliate) as employees or contractors of the Manager (collectively, the **“Hired Employees”**).

**2.4** During the Management Period, the Corporation will (a) assign an individual to oversee the operation of the Hospital and serve as the president of the Corporation, as required by the Centers for Medicare & Medicaid Services, CDPH, and applicable California laws and regulations (the **“Responsible Officer”**), and (b) maintain proper oversight by a board of directors.

### **3. Appointment of Manager.**

**3.1** During the Management Period, the Corporation hereby appoints the Manager as the sole and exclusive provider of the Services (defined below) and hereby grants to the Manager the exclusive right to manage the Hospital under the Corporation’s Licenses (as defined in the APA) as a general acute care hospital, including without limitation, the right to undertake those certain management responsibilities and permitted activities described in Section 4 below. The Manager hereby accepts such appointment for all purposes with respect to the Corporation’s rights, duties, and responsibilities under the Licenses for the Hospital, to the fullest extent permitted by law, and agrees, to the fullest extent permitted by law, to provide management services to the Hospital on behalf of the Corporation (the **“Services”**).

**3.2** The Manager’s Services hereunder shall include management and operation of the Hospital’s pharmacy on behalf of the Hospital, even though the Pharmacy Assets will not be transferred to Hospital Newco pursuant to the APA until the Licensure Date.

**3.3** Upon the Licensure Date, the Manager’s Services provided to the Hospital under the Corporation’s Licenses shall terminate and, thereafter, Hospital Newco (and its affiliates) will be operating the Hospital as the licensee holding its own New Licenses.

**3.4** During the Management Period, the Manager shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Corporation’s provider agreements, payor contracts, and NPI numbers as set forth in Schedule 3.4, attached hereto (collectively, the **“Corporation’s Billing Credentials”**). Because all billing and collecting shall be under the Corporation’s Billing Credentials, payments shall be made in the Corporation’s name and deposited in the Corporation’s bank accounts. The ~~parties~~Parties acknowledge and agree that during the Management Period, the Corporation’s bank accounts and lockboxes shall remain under the Corporation’s name and in the Corporation’s control. Consistent with Section 4.5(b), the Manager may transfer the Manager Compensation to its accounts. To the extent the Manager is unable to make such transfers to its own accounts, upon request by the Manager, the Corporation

will, at the Manager's cost, forward to the Manager any payment or reimbursement received during the Management Period.

**3.5** To the extent the Corporation's lenders continue to have liens, security interests, charges, mortgages, or any other encumbrances whatsoever (collectively, "**Encumbrances**") on the Corporation's bank accounts or lockboxes as of the Effective Time, the Corporation, Parent Company, and the Manager shall work cooperatively to facilitate termination and release of such Encumbrances.

**3.6** The Corporation shall retain and, upon the Licensure Date, the Manager shall assume, any contracts necessary for the Corporation to continue to be the holder of the Licenses and to bill for Hospital services during the Management Period, in accordance with the APA. Such contracts shall be as set forth in Schedule 3.6, attached hereto (the "**Retained Contracts**"). Parent Company hereby designates each Retained Contract as an Assigned Contract under Section 1.11 of the APA.

#### **4. Management Responsibility.**

**4.1** During the Management Period, the Manager shall, subject to all applicable legal and regulatory requirements and the Corporation's ultimate oversight and control, have responsibility for the management of the Hospital, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In furtherance thereof, the Manager's Services shall include, but not be limited to, the following duties, which duties shall be performed at the Manager's sole cost and expense:

(a) Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH requirements for maintenance of the Licenses in good standing, Medicare conditions of participation and requirements for payment with respect to governmental programs, and the requirements for maintenance of the Hospital's accreditations;

(b) Employing and managing the Hired Employees and any other non-clinical and clinical personnel (i) deemed necessary by the Corporation for the operation of the Hospital as a general acute care hospital, or (ii) required by law so as to meet ~~the~~ all applicable labor laws and regulations, and consistent with orders of the Bankruptcy Court;

(c) Ensuring that the Corporation is able to pay itself out of the Hospital Revenues for the costs and expenses set forth in Sections 4.5(b);

(d) Maintaining and repairing, as needed, the Hospital Premises so as to ensure material compliance with all applicable local, state and federal law, ~~except for any repairs or replacements related to seismic or the California Office of Statewide Health Planning and Development ("OSHPD") related requirements; provided, however, that Manager may begin to make preparations for such seismic or OSHPD related repairs and maintenance that will be undertaken after the Management Period~~ and construction timelines imposed by OSHPD.

(e) Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital Premises;

(f) Affording the Responsible Officer or his or her designee access, during normal business hours, to the Hospital Premises, the books and records at the Hospital Premises or in Manager's possession, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, and such other access and assistance as reasonably requested by the Responsible Officer;

(g) Upon at least one (1) day's prior written notice to the Manager, providing access, during normal business hours, to the Hospital Premises to lessors of equipment at the Hospital Premises, if any, who have been authorized by order of the Bankruptcy Court to remove their equipment from the Hospital Premises, provided that the Manager shall have full power and authority to require that the removal of such equipment by such lessors does not damage the Hospital Premises;

(h) Providing access, during normal business hours, to the Hospital, the Hospital Premises, the Hospital's books and records, electronic health records, financial information systems, operating systems, laboratory systems, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, to the Corporation, the Corporation's directors, officers and representatives, and the Corporation's successors in interest, including, but not limited to, any plan administrator, liquidating trustee or similar representatives appointed or approved by the Bankruptcy Court, as well as the Patient Care Ombudsman appointed in the Bankruptcy Cases under Section 333 of the Bankruptcy Code (the "PCO") [*see* Docket No. 430], for the purpose of winding down the Corporation's affairs, pursuing litigation and adversary proceedings, and to effectuate a plan of liquidation, as approved by the Bankruptcy Court (the "Plan"), *provided, however*, that such access does not unreasonably disrupt the Hospital's operations;

(i) Maintaining, all licenses, permits consents, approvals, accreditations, and certifications currently held by the Corporation in good standing, in active status, and in compliance with all applicable local, state, and federal laws, including the timely payment of all applicable fees to support or renew these approvals;

(j) Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital that a prudent hospital operator or owner would maintain, including directors and officers insurance with no less coverage than was maintained for directors and officers just prior to the Effective Time;

(k) Maintaining and obtaining those insurance coverages required under the Leaseback Agreement, for its own account, with the Corporation included as a named insured, and paying all amounts required under the Leaseback Agreement in a timely manner, including rent, utilities, taxes, and insurance premiums;

(l) Opening and forwarding all mail relating to the financial or business affairs of the Corporation to the notice address below;



(m) Periodically reporting to the Corporation (or its designee), either in person or telephonically, the condition of the Hospital and the Hospital Premises;

(n) Coordinating with the governing board and the organized medical staff (each, as established by the Corporation and the Sellers) on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight;

(o) Paying all costs and expenses in connection with and incidental to ownership of the Corporation's Assets and management and operation of the Hospital hereunder, including but not limited to, all the Hospital operating costs, employee-related costs, and taxes, whether or not identified, described, or referenced in this Agreement;

(p) Cooperating with the Corporation in facilitating termination and release of any Encumbrances on the Corporation's bank accounts and lockboxes; and

(q) Performing such other duties and activities as are reasonably necessary for the Manager to fulfill its responsibilities under this Agreement and the APA.

**4.2 Permitted Manager Activities.** During the Management Period, the Manager may do any of the following, in consultation with the Corporation and subject to the requirements of applicable local, state, and federal law, which activities may be performed by the Manager at the Manager's sole cost and expense:

(a) Make alterations, improvements, and repairs to the interior or exterior of the Hospital Premises, including structural alterations, improvements, and repairs;

(b) Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital Premises;

(c) Move into and install furniture, fixtures, equipment, and supplies at the Hospital Premises;

(d) Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and

(e) Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the Licenses, and receiving and retaining for the Manager's own account all revenues and proceeds of any such activities, to the extent they comprise the Manager Compensation.

#### **4.3 Prohibited Manager Activities.**

(a) Notwithstanding anything to the contrary in this Agreement, the Manager shall have no authority to take and shall not take any action with respect to any Excluded Assets or Excluded Liabilities (as such terms are defined in the APA) of the Corporation.



(b) The Manager's authority to manage and operate the Hospital is limited to those actions that Manager is expressly required or permitted to do hereunder.

(c) The Manager shall not (i) take any action that interferes with the Corporation's transfer of funds to pay itself out of the Hospital Revenues as set forth in Section 4.5(b); or (ii) remove, withdraw, or authorize removal or withdrawal of funds from the Corporation's bank accounts or lockboxes to the extent that the Corporation would be unable to fully pay itself as set forth in Section 4.5(b).

#### **4.4 APA Provisions; Transition Services Agreement.**

(a) Nothing herein shall modify the prorations of expenses and utilities set forth in the APA, including specifically as set forth in Section 1.6 of the APA.

(b) None of the information accessed, learned or obtained by Parent Company or the Manager or any of their affiliates in the course of performing their duties hereunder may serve as the basis for payment of less than the full Purchase Price or to otherwise assert a claim against the Sellers.

(c) Nothing herein shall modify the transfer of the Assets from the Sellers to Parent Company as contemplated in the APA, including specifically as set forth in Section 1.7 of the APA.

(d) Nothing herein shall modify the APA in respect of the exclusion from purchase by Parent Company of the Excluded Assets, including specifically as set forth in Section 1.8 of the APA.

(e) Pursuant to Section ~~1.4.6~~1.4(f) and Section ~~1.5.4~~1.5(d) of the APA, the Sellers and Parent Company will be entering into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The ~~parties hereto~~Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

#### **4.5 Manager Compensation; Distribution of Revenue.**

(a) As used in this Agreement, the term "**Hospital Revenues**" shall mean all revenues and reimbursement received by the Corporation after the Effective Time, including, but not limited to, cash, accounts, notes, or other accounts receivable, disproportionate share payments, quality assurance fee payments, Seller Cost Report (as defined in the APA) settlements, and capitation premiums, whether payable by Medicare, Medi-Cal or any other commercial or governmental payor, or any health maintenance organization or any other managed care program or any private pay patients, but only to the extent they are not Excluded Assets (as defined in the APA).

(b) As full and complete payment for the Manager's Services, the Manager shall be entitled to receive an amount equal to the Hospital Revenues less the following amounts that will be paid to the Corporation by Manager (the "**Manager Compensation**"):

(i) All costs and expenses incurred by the Corporation for the Corporation's purchase of drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital;

(ii) All salaries, stipends, costs and expenses associated with the employment or engagement of the board of directors of the Corporation and its parent organization, VHS, the Responsible Officer and any other retained employees or contractors of the Corporation primarily or exclusively providing services necessary for the operation of the Hospital and compliance with applicable laws, if any; and

(iii) All other costs and expenses associated with keeping the Corporation in good standing, maintaining its Licenses and maintaining the Retained Contracts, including, but not limited to, filings with the secretary of state, filing tax returns, board of directors expenses, directors and officers insurance, employment practices liability insurance, compensation, benefits, and such other costs and expenses incurred by a hospital corporation in the normal course of business.

(c) Corporation shall instruct the financial institutions that service its bank accounts or lockboxes to, immediately following the Effective Time and during the Management Period, sweep all Hospital Revenues from the Corporation's bank accounts or lockboxes on a daily basis into an account designated in writing by Manager ~~to Corporation~~, and Corporation shall not revise such written instructions without obtaining the prior written consent of Manager.

(d) Under no circumstance shall the Manager seek payment for the Manager's Services from the liquidating trustee, the Corporation, any of the Corporation's officers, directors, agents, contractors, personnel, affiliates or subsidiaries, Verity Health System of California, Inc. ("VHS"), or any of VHS' officers, directors, agents, contractors, personnel, affiliates or subsidiaries.

(e) The Corporation shall issue invoices to the Manager on a weekly basis for the items described in Section 4.5(b) (i), (ii) and (iii), with reasonable supporting detail therefor. The Manager shall pay such invoices within ten (10) business days of receipt of such invoices. If the Manager does not remit payment in respect of such invoices in accordance with the immediately preceding sentence, the unpaid amount of such invoices shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to the Corporation (the "**Invoice Payment Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Invoice Payment Due Date until payment of such invoices and all interest thereon is made to the Corporation.

#### **4.6 Liabilities and Losses.**

(a) Parent Company shall be responsible for all the Hospital liabilities and losses incurred or accrued during the Management Period.

(b) Nothing hereunder shall, or is intended to, modify or supersede Parent Company's responsibility for the Transferred Obligations (as defined in the APA) or the Corporation's responsibility for the Excluded Liabilities (as defined in the APA).

(c) Specifically, with respect to any and all quality assurance fee ("QAF") liabilities owed by the Corporation, Parent Company shall pay all QAF fees that become due and owing or are overdue during the Management Period, even though such fees may have been calculated based on data prior to the Effective Time.

(d) If Parent Company (or its affiliate) has designated any health plan capitation agreements to be assigned to Hospital Newco, then Parent Company hereby assumes all liabilities and responsibilities related to managing the members covered by such health plan capitation agreements, including arranging for services from and payment under all related risk pool arrangements, all related arrangements with independent physician associations (IPAs), all downstream provider agreements, and all out-of-network provider arrangements or services, without regard to whether the member services were rendered prior to or after the Effective Time.

**4.7 The Corporation's Ultimate Control.** Notwithstanding anything to the contrary in this Section 4 or in this Agreement more generally, the Corporation, as holder of the Licenses, shall remain ultimately responsible for the operation of the Hospital, and may, at any time and from time-to-time during the Management Period, take any action (at Parent Company's or the Manager's sole cost and expense) necessary to ensure the Corporation's compliance with applicable laws and regulations, even if such action requires the Corporation to intervene in the Manager's performance of the Manager's duties or permitted activities pursuant to this Section 4.

#### **5. Continued Responsibility of the Corporation.**

**5.1** During the Management Period, the Corporation shall maintain (at Parent Company's or the Manager's sole cost and expense), and shall not take or voluntarily permit any actions which may adversely affect, the Corporation's corporate existence and its full rights as the licensee under the Licenses. In addition, during the Management Period, the Corporation and its officers shall reasonably cooperate with the Manager (at Parent Company's or the Manager's sole cost and expense) in the Manager's provision of the Services.

**5.2** Notwithstanding the statutory and regulatory authority and responsibility of the Corporation for the continued management of the Hospital during the Management Period, the ~~parties~~Parties recognize and acknowledge that under this Agreement, the Manager shall, subject to the ultimate oversight by and approval of the Corporation, be responsible for the day-to-day operation and maintenance of the Hospital as a general acute care hospital. In the event that any violation or alleged violation of or non-compliance with any statute or regulation applicable to the operation or maintenance of the Hospital as a general acute care hospital certified by the

Medicare and Medi-Cal programs occurs during the Management Period, then without regard to legal or statutory fault on the part of the Manager or of the Corporation, the Manager shall immediately notify the Corporation of such violation or alleged violation or non-compliance and take reasonable efforts to avoid or minimize any related adverse consequences. Parent Company and the Manager shall be responsible for the costs of any penalty, fine or remediation identified during the Management Period arising out of or relating to any act, omission, event or occurrence connected with the operation of the Hospital after the Effective Time, including, without limitation, the cost of engaging third party consultants or experts to help address or resolve the violation, alleged violation or non-compliance, and shall indemnify and hold the Corporation harmless for the same in accordance with Section 9.2. The Corporation retains the right to join the Manager in contesting said violations upon providing the Manager with notice of its intent to do so.

**5.3** The Corporation shall be responsible for purchasing drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital at the Manager's sole cost and expense, as set forth in Section 4.5(b)(i).

**5.4** The Corporation agrees to execute and deliver to the Manager such documents as the Manager may reasonably request to maintain the hospital license active and in good standing with CDPH and the other Licenses necessary or appropriate to maintain the Hospital as a general acute care hospital and to facilitate the Manager's obtaining of the New Licenses.

**6. The Parties' Cooperation with Regulatory Agencies.** The Manager shall use its best efforts to obtain the New Licenses as expeditiously as possible. The Manager shall provide updates to the Corporation weekly, and as requested by the Corporation, on the status of the Manager's efforts to obtain the New Licenses. To the extent not already submitted prior to the Effective Time, the Manager shall provide a copy of all such initial and supplementary or amended license applications for the New Licenses to Corporation at least two (2) business days prior to submission. The Manager and the Corporation shall cooperate with each other in the event the Corporation requests revisions to a license application for a New License. The Corporation shall, at Parent Company's or the Manager's cost, reasonably cooperate with the Manager's efforts to obtain the New Licenses, and may communicate and coordinate with licensing agencies as necessary in connection with obtaining the New Licenses. Notwithstanding the foregoing, obtaining all governmental consents, approvals, assignments, authorizations, and clearances necessary to obtain the New Licenses shall be solely Parent Company's and the Manager's (and not the Corporation's) responsibility, including payment of any fees, expenses, filing costs or other amounts related thereto.

**7. Risk of Loss.**

**7.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Hospital Premises, Assets or the Hospital during the term of this Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, cyberattack, accident or any other casualty (collectively, "**Casualty**"), and Parent Company shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

**7.2** If, during the term of this Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, “**Condemnation**”), Parent Company, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**7.3** In the event of a Casualty or Condemnation, neither Parent Company nor the Corporation may terminate this Agreement.

**8. Continued Access.** Following the expiration or termination of this Agreement and until the entry of final decrees closing the Bankruptcy Cases, if expressly authorized or directed by the Bankruptcy Court, and only to the extent so authorized or directed, the PCO shall have continuing access to the Corporation’s Assets and related personnel during normal business hours and upon at least one (1) business day’s prior written notice to Parent Company or the Manager, for the purpose of winding down the Corporation’s affairs, in connection with any litigation or adversary proceedings, and to effectuate the Plan.

**9. Exculpation; Indemnification.**

**9.1** The Corporation and the Corporation’s affiliates, members, officers, directors, employees, attorneys, accountants, consultants, agents, representatives, successors and assigns, including the liquidating trustee and responsible officer (collectively the “**Corporation Indemnified Parties**”) shall have no liability in contract, tort or otherwise unless and until a Chosen Court finds in a final, non-appealable judgment that any Damages result solely from a Corporation Indemnified ~~party~~Party’s gross negligence or willful misconduct.

**9.2** Parent Company and the Manager shall promptly and fully keep and hold the Corporation Indemnified Parties forever harmless from, and shall indemnify and defend the Corporation Indemnified Parties from and against, without regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, awards, liabilities, losses, penalties, claims, costs, demands, damages, expenses, liens, and encumbrances, including investigation costs, time spent in depositions and reasonable attorneys’ fees and expenses (collectively, “**Damages**”), whether civil or criminal, direct, indirect or consequential and no matter how arising, in any way related to, connected with, arising or resulting from, or under this Agreement, the APA, the Hired Employees (as defined in the APA), the Manager’s performance of the Services, or the operation or management of the Hospital or the Corporation’s Assets, in each instance after the Effective Time. Notwithstanding the foregoing, the ~~parties~~Parties understand that except as otherwise specifically provided for in the APA, Parent Company and the Manager are not, by virtue of this Agreement or any term or provision herein, assuming any claim, liability, expense, debt or other obligation of the Corporation that both relates to the operation or management of the Hospital or the Corporation’s Assets prior to the Effective Time and constitutes an Excluded Liability under the APA.

**10. HIPAA Compliance.** The Manager agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the “**Privacy Laws**”) with respect to the Hospital and its operations, and the Corporation agrees not to take or voluntarily permit any actions which



violate Privacy Laws with respect to the Hospital or its operations. Toward this end, Parent Company, the Manager, and the Corporation agree to execute and deliver that certain Business Associate Agreement, attached hereto as Exhibit A and incorporated by reference herein, upon execution of this Agreement.

**11. Further Assurances.** Each of the ~~parties~~Parties hereto agree to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by any other ~~party~~Party hereto to perfect or evidence their rights hereunder.

**12. Relationship of Parties.** In performing their duties and permitted activities under this Agreement, Parent Company, the Manager, and the Corporation shall, at all times be acting and performing as independent contractors. Parent Company, the Manager, and the Corporation are not partners or joint venturers with each other and nothing herein shall be construed as making them partners or joint venturers or imposing upon any of them any liability as partners or joint venturers.

**13. Notices and Demands.** All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center  
c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.  
(which copy shall not Dentons US LLP  
constitute notice) 601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to Parent Company  
and/or  
the Manager:



With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the ~~party~~Party to whom the same is to be given. Any ~~party~~Party hereto may designate a different address for itself by notice to the other ~~party~~Party in accordance with this Section 13.

**14. Expenses.** Except for Parent Company's and the Manager's obligations to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Agreement, each ~~party~~Party to this Agreement shall pay its own expenses in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby, including the fees of any attorneys, accountants, financial advisors, investment bankers or other professionals engaged by such ~~party~~Party.

**15. Entire Agreement.** This Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement, contain the entire agreement among the ~~parties~~Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the ~~parties~~Parties other than those set forth in this Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement. Nothing in this Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court.

**16. Amendment.** This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by all the ~~parties hereto~~Parties.

**17. Waiver.** Waiver by any ~~party~~Party of any breach or failure to comply with any provision of this Agreement by any other ~~party~~Party shall not be construed as or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written notice signed by the waiving ~~party~~Party und delivered, in the manner required for notices generally, to each affected ~~party~~Party.

**18. Severability.** In case any provision of this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

**19. Successors and Assigns.** This Agreement shall be binding upon, and shall inure to the benefit of, the ~~parties hereto~~Parties and their respective permitted successors and assigns. The

Corporation shall not be permitted to assign its rights or its obligations under this Agreement without the prior consent of Parent Company and the Manager. The ~~parties~~Parties further acknowledge and agree that the Manager may subcontract for any of the goods or services required to be provided by the Manager pursuant to this Agreement, and the Manager may assign any of its rights hereunder and/or delegate any of its obligations hereunder, so long as in each case the Manager remains responsible for such subcontracted goods or services and for any of such Manager obligations hereunder.

**20. Attorneys' Fees.** In the event of any litigation or arbitration between the ~~parties~~Parties arising out of this Agreement, the prevailing ~~party~~Party therein shall be allowed to recover from the other ~~party~~Party all court costs and reasonable attorneys' fees which shall be fixed by the court or arbitrator.

**21. Headings.** The descriptive headings of sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**23. Jurisdiction.** The ~~parties~~Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; provided, however, that the ~~parties~~Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the ~~party~~Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the ~~parties~~Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any ~~party~~Party hereto, and (d) agree that service of process upon such ~~party~~Party in any such action or proceeding shall be effective if notice is given in accordance with Section 13 hereof.

**24. Commencement.** The ~~parties~~Parties acknowledge that commencement of the Manager's Services under this Agreement is subject to and contingent upon the occurrence of the Closing (as defined in the APA). The Management Period shall not commence, and the ~~parties~~Parties' obligations during the Management Period shall not commence, unless and until the Closing has occurred.

**25. Cooperation on Regulatory Compliance Matters.** Parent Company and the Manager understand and acknowledge that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance. In the event the terms of this Agreement need to be

amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Agreement, Parent Company and the Manager shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request or directive.

**26. Counterparts.** This Agreement may be executed by one or more of the ~~parties hereto~~ Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. It may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**27. WAIVER OF JURY TRIAL.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[Signature page follows.]*

IN WITNESS WHEREOF, the ~~parties~~Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**MANAGER:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CORPORATION:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PARENT COMPANY:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HOSPITAL NEWCO:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit A to IMA**

**Business Associate Agreement**

**Schedule 3.4 to IMA**  
**Corporation's Billing Credentials**



**Schedule 3.6 to IMA**

**Retained Contracts**

Exhibit ~~1.4.1~~1.4(a) to APA

**Form of Bill of Sale**

*See attached.*

Exhibit ~~1.4.2~~1.4(b) to APA

**Form of Real Estate Assignment Agreements**

*See attached.*

Exhibit ~~1.4.3~~1.4(c) to APA

**Form of Quitclaim Deed**

*See attached.*

**Exhibit ~~1.4.4~~1.4(d) to APA**  
**Form of Transfer Agreement**

*See attached.*

Exhibit ~~1.4.6~~1.4(f) to APA

**Form of Transition Services Agreements**

*See attached.*



## **TRANSITION SERVICES AGREEMENT**

This Transition Services Agreement (the “**Agreement**”), is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**Verity**”), Verity Holdings, LLC, a California limited liability company (“**Verity Holdings**”), St. Francis Medical Center, a California nonprofit public benefit corporation (“**St. Francis**” and together with Verity and Verity Holdings, collectively the “**Sellers**” and each individually a “**Seller**”) and \_\_\_\_\_ (“**Purchaser**”). The Sellers, the Liquidating Trust, and Purchaser may each be referred to herein as a “**partyParty**” and collectively as the “**partiesParties**.”

This Agreement is being entered into in connection with the Asset APA, dated of even date herewith among Sellers and Purchaser (the “**APA**”). Capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in the APA. The **partiesParties** have agreed to provide or cause one or more of their respective direct or indirect subsidiaries or affiliates to provide certain services as set forth below. The **partyParty** providing services hereunder (together with those of its direct and indirect subsidiaries and affiliates providing services hereunder) is referred to herein as the “**Service Provider**” and the **partyParty** receiving services hereunder (together with those of its direct and indirect subsidiaries and affiliates receiving services hereunder) is referred to herein as the “**Service Recipient**”. The **partiesParties** agree that this Agreement will be amended to include the Liquidating Trust (as defined below) after its creation, pursuant to the effective date set forth in the plan of liquidation (the “**Plan**”) to be confirmed by the Bankruptcy Court.

## **RECITALS**

A. On August 31, 2018, the Sellers and certain of their affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Purchaser and the Sellers entered into the APA, which provides for the sale of the assets of the Sellers (collectively, the “**Assets**”).

D. Sellers will file a motion with the Bankruptcy Court to approve the APA and upon approval, the Bankruptcy Court will enter a sale order (the “**Sale Order**”).

E. Sellers and certain of their affiliates will file a chapter 11 Plan, pursuant to which a liquidating trust (the “**Liquidating Trust**”) will be created on the effective date of the Plan after confirmation thereof.

F. The primary purpose of the Liquidating Trust is to, among other things, liquidate and distribute assets, which includes assets of the Sellers not sold to Purchaser pursuant to the APA.

G. Following the Closing Date, the Sellers and the Liquidating Trust need access to certain assets, systems, facilities, equipment, and personnel of Purchaser in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers, and Purchaser agrees to provide such access and services in connection therewith.

## AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the ~~parties~~Parties hereby agree as follows:

### ARTICLE I SERVICES

#### Section 1.1 Services to be Provided.

(a) Services to be Provided by the Sellers and/or the Liquidating Trust. Subject to the terms and conditions of this Agreement, the Sellers and/or the Liquidating Trust, as the Service Provider, shall provide or cause to be provided to Purchaser, as the Service Recipient, those services in support of the business of Purchaser on such terms (including payment) as may be mutually agreed upon in writing from time to time by the Sellers and/or the Liquidating Trust and Purchaser (the "Seller Services").

(b) Services to be Provided by Purchaser. Subject to the terms and conditions of this Agreement, Purchaser, as the Service Provider, shall provide or cause to be provided to the Sellers and the Liquidating Trust, as the Service Recipient, those services and personnel in support of the business of the Sellers and/or the wind-down and liquidation of the Sellers set forth on Schedule A attached hereto (the "Purchaser Services").

#### Section 1.2 Access to and Use of Assets, Systems, Facilities, and Equipment.

(a) Access. Beginning on the Effective Time and continuing through the termination or expiration of this Agreement in accordance with its terms, Purchaser hereby grants to the Sellers and the Liquidating Trust, reasonable access to and the right to use the hospital assets, systems, facilities, and equipment to the extent reasonably required in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. If any third party to any lease, license or other agreement requires Sellers to sign any documents in order for Sellers to be granted access to, and the right to use, any hospital asset, system, facility or equipment under such lease, license or other agreement, Sellers agree to execute and deliver any such documents; provided, that such documents, leases, licenses or other agreements do not require Sellers to pay any money or take any action, not required by the Sale Order; and provided, further, that if Sellers do not sign such requisite documents, leases, licenses or other agreements, then Purchaser has no obligation to provide Sellers with access and

the right to use the associated hospital assets, systems, facilities and equipment provided by such third party; and provided, further, that Purchaser agrees to indemnify, defend and hold harmless each of the Sellers in connection with any obligations under any such documents, leases, licenses or other agreements other than those obligations of Sellers thereunder which are required by the Sale Order.

(b) Office Space. In order to enable the provision of the Seller Services, Purchaser hereby grants to Sellers' and their affiliates' employees and any third-party service providers or subcontractors the right to use and occupy the portion of St. Francis Medical Center identified on Schedule B attached hereto (the "**Premises**") at no cost for use exclusively as office space pursuant to the terms and conditions hereof, and until the termination of this Agreement pursuant to Article IV herein. Sellers shall keep the Premises neat, clean and sanitary and dispose of all garbage. Sellers may terminate its right to occupy the Premises at any time upon five (5) days prior written notice to Purchaser. Upon termination of Sellers' right to occupy the Premises, Sellers shall vacate the Premises in broom-clean condition. Purchaser shall make the Premises available to Sellers 24 hours a day, 7 days a week. Purchaser may access the Premises for purposes of making repairs or improvement or other reasonable purposes upon (except in the case of an emergency) reasonable prior written notice to Sellers; however, Purchaser shall at all times use its commercially reasonable efforts to prevent interference with or interruption of the Sellers' business activities on the Premises. The Sellers use of the Premises shall additionally be subject to the following terms and conditions:

(i) Purchaser shall have the right, on reasonable advance notice (which shall not be less than three (3) business days) to Sellers, to relocate the space covered by the preceding license to similar space in the same area as the original designated Premises, provided the replacement space is reasonably suitable for the same uses as contemplated herein. In the event of any such relocation, references herein to the Premises shall constitute references to such relocated space.

(ii) Sellers shall not make any material alterations, decorations, additions, or improvements in or to the Premises or the Purchaser's other property without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole discretion.

(iii) Sellers shall not do, or permit their representatives to do, anything that would: (a) unreasonably obstruct or materially interfere with the lawful operation of the Premises or other portions of the Purchaser's property by Purchaser and other tenants of the Purchaser's property; or (b) use the Premises for any illegal or unlawful purpose, including without limitation any violations of applicable laws or regulations relating to or regulating hazardous substances.

(iv) The license, occupancy and access rights granted to Sellers under this Agreement shall be effective notwithstanding any ground lease, mortgage, deed of trust, or any other hypothecation or security placed at any time upon the Premises or any of Purchaser's property of which the Premises is a part, and notwithstanding any change in ownership (including any sale and/or leaseback involving any property of which the Premises is a part) .

**Section 1.3** Subcontracting. The Service Provider may, in its sole discretion and without any written notice to the Service Recipient engage one or more parties (including third parties or

affiliates of the Service Provider) to provide the Services, whether in whole or in part or subcomponent. Without limiting the preceding, Purchaser will not be required to use the Sellers existing IT and similar systems, but shall have the right to replace IT and other systems, used to provide any of the Purchaser Services provided that the new or replacement systems provide equivalent functionality. Sellers and Purchaser agree to fully cooperate with each other, at Purchaser's sole cost and expense, in connection with any data or other transition steps required in connection moving any of the functions covered by the Purchaser Services to a new vendor or system.

**Section 1.4** Cooperation; Access. Each ~~party~~Party shall, at reasonable times under the circumstances, make available to any other ~~party~~Party properly authorized personnel for the purpose of consultation and decisions in connection with the Services.

**Section 1.5** Certain Qualifications.

(a) Provided AS-IS. By accepting the use to the Premises and other access rights provided herein, Sellers conclusively shall be deemed, subject to the representations, warranties and obligations expressly set forth in this Agreement, to have (i) accepted the Premises and access to other property of Purchaser "AS IS" and without express or implied warranty; and (ii) is fully aware of and has approved the Premises in its condition existing as of such date.

(b) Limited Representation. Except for the representations, warranties and obligations expressly set forth in this Agreement, Purchaser makes no representations and warranties of any kind, implied or expressed, with respect to the Purchaser Services, including, without limitation, no warranties of merchantability or fitness for a particular purpose, which are specifically disclaimed.

(c) Privacy and Confidentiality Protections. All access provided to Sellers, to the Premises or otherwise as provided herein, shall be permitted only in a manner which protects patient privacy and the confidentiality of patient information under applicable Privacy Laws.

(d) Limitation on Liability. In no event shall any ~~party~~Party have any liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, whether based on statute, contract, tort or otherwise, and whether or not arising from any other ~~party~~Party's sole, joint, or concurrent negligence, strict liability, criminal liability or other fault.

## ARTICLE II LICENSE GRANT

**Section 2.1** License Grant. Beginning on the Effective Time and continuing through the later of the termination or expiration of this Agreement in accordance with its term or the dissolution of the Sellers and their Businesses, the wind-down of the Liquidating Trust and the completion of the Bankruptcy Cases, Purchaser grants to the Sellers and the Liquidating Trust a royalty free, license to use the name "St. Francis Medical Center," including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website

content, know-how, trade secrets, related to the use of the preceding name, and the corporate or company names of the Sellers and the name of the Hospital, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing, in all respects solely as reasonably needed in connection with the wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. Sellers and the Liquidating Trust shall not assign, transfer or hypothecate any of the rights subject to, and pursuant to, the preceding license and shall not use any such license rights in any manner which could adversely affect Purchaser's intellectual property rights with respect to the items which are the subject of such license.

### ARTICLE III PAYMENT

**Section 3.1** Service Fees. The fee, rate or amount to be charged to the Service Recipient for the Services (the “**Service Fees**”) shall be as set forth on Schedule A hereto for the Purchaser Services and as agreed upon in writing from time to time by Sellers and/or the Liquidating Trust and Purchaser for the Purchaser Services. The Service Provider shall issue invoices on a monthly basis to the Service Recipient for the Services, with a statement of such Services and reasonable supporting detail therefor. The Service Recipient shall pay the undisputed portion of such invoices within thirty (30) days of receipt of such invoices. Any dispute relating to the Services shall be resolved in accordance with the dispute resolution procedures set forth in this Agreement.

### ARTICLE IV TERM AND TERMINATION

**Section 4.1** Term. Unless a Service is earlier terminated by the Service Recipient in accordance with Section 4.2(b), the Service Provider shall provide each Service to the Service Recipient for the period beginning at the Effective Time (as defined under the APA) and continuing through and including the applicable dates set forth in: (i) Schedule A (with respect to the Purchaser Services); and (ii) any written agreement between Sellers and/or the Liquidating Trust and Purchaser (with respect to the Seller Services) (the “**Applicable Term**”); provided, that in the event a particular Service provided by Purchaser hereunder is required by one or more Sellers to allow such Seller(s) to comply with applicable laws, rules or regulations, the Applicable Term shall be extended for so long as such Service is required to allow such Seller(s) to comply with such laws, rules and regulations; *provided, however*, that notwithstanding any other term herein any ~~party~~Party may, in any case, terminate this Agreement by written notice to any other ~~party~~Party at any time on and after the end of the 18<sup>th</sup> calendar month following the Licensure Date (as defined in the APA). In addition, upon termination or expiration of this Agreement, the ~~parties~~Parties may mutually agree in writing to a tail period for any portion of the Services, and the terms of this Agreement shall continue to apply to such ongoing Services until performed in full.

#### **Section 4.2** Termination.

(a) Termination for Material Breach. This Agreement may be terminated by the Sellers and/or the Liquidating Trust on the one hand, or Purchaser on the other hand, upon



written notice to any other ~~party~~Party in the event that any other ~~party~~Party materially breaches any provision of this Agreement and fails to remedy such breach within thirty (30) days of its receipt of such written notice, except to the extent such remedy is prevented or not permitted by the Bankruptcy Court; and provided, further, however, that this Agreement may only be terminated under this Section 4.2(a) following approval of such termination by the Bankruptcy Court.

(b) Early Termination. The Service Recipient may terminate any particular Service early by providing not less than thirty (30) days prior written notice to the Service Provider of its intent to terminate early such particular Service. Any such partial termination notice delivered shall specify in detail (i) the Service or Services to be terminated and (ii) the effective date(s) of such termination (subject to the foregoing sentence). If any such termination of a Service prior to the expiration of its Applicable Term requires any out-of-pocket fee, cost or expense of a similar nature payable to a third party (a “**Termination Fee**”), the Service Provider shall have no obligation to terminate such Service prior to the expiration of its Applicable Term unless the Service Recipient approves in advance such Termination Fee in writing (a “**Termination Fee Approval**”). If the Termination Fee Approval is granted, the Termination Fee shall be billed to and payable by the Service Recipient.

(c) Continued Access. Notwithstanding the termination of any particular Services hereunder, Service Recipient shall continue to have the right, upon reasonable advance notice and consistent with the other provisions herein, to reasonable access data and Service Provider, personnel relating to such Services for reasonable purposes (including compliance with applicable law).

**Section 4.3** Effect of Termination. The termination of this Agreement pursuant to Section 4.2 shall not relieve any ~~party~~Party from liability for any willful and material breach of this Agreement prior to such termination. Further, the provisions of Article II, Article III, this Section 4.3, Article V and Article VI shall survive any termination of this Agreement pursuant to Section 4.2.

## ARTICLE V COORDINATION AND OTHER COVENANTS

**Section 5.1** Coordination. The ~~parties~~Parties hereby appoint as of the Effective Time the following representatives responsible for coordinating and managing the provision and receipt of the Services, which representatives shall have authority to act on the applicable ~~party~~Party’s behalf with respect to matters relating to this Agreement:

Sellers’ Representative:

Address:

Telephone:

Facsimile:

Email:



Liquidating Trust Representative:

Address:

Telephone:

Facsimile:

Email:

Purchaser's Representative:

Address:

Telephone:

Facsimile:

Email:

In the event that the Sellers, the Liquidating Trust or Purchaser elect, in their sole discretion, to change their respective representative appointed for purposes of this Section 5.1, the Sellers, the Liquidating Trust or Purchaser (as the case may be) shall deliver written notice thereof to the other promptly following the effective date of appointment of the name and contact information of such new representative. The representatives shall work in good faith to address and attempt to resolve any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof, whether sounding in contract or tort and whether arising during or after termination of this Agreement, including any pricing and other Service related matters.

**Section 5.2 General Cooperation and Turnover Obligations.** The ~~parties~~Parties shall cooperate to ensure that any and all payments that constitute Excluded Assets (as defined in the APA), shall be paid to and received by Sellers, with any payments that constitute Assets (as defined in the APA) transferred to Purchaser pursuant to Section 1.7 of the APA or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of ~~onetwo~~(+2) ~~year~~years after the Effective Time ("Turnover Period"), the ~~parties~~Parties shall, within ~~fiveten~~(510) business days, copy and send to any other ~~party~~Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Accounts Receivables (as defined in the APA), from whatever payor or source of funds, that are received on and after the Effective Time. In the event that Assets are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ~~fiveten~~(510) business days of notice of the receipt of such Assets, shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each ~~party~~Party, moreover, shall have the right, within three (3) months after the expiration of the

Turnover Period, to audit by an independent and competent auditor, at the requesting ~~party~~Party's sole expense, of the bank records and remittance advices of any other ~~party~~Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or an underpayment of funds due, the ~~party~~Party owing funds shall, within five (5) business days, make a payment of such funds to the ~~party~~Party to whom they are owed.

**Section 5.3** HIPAA Compliance. The ~~parties~~Parties agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the performance by the ~~parties~~Parties of the services and obligations provide herein.

**Section 5.4** Confidentiality.

(a) During the term of this Agreement and thereafter, the ~~parties hereto~~Parties shall, and shall instruct their respective Representatives (as defined below) to, maintain in confidence and not disclose any other ~~party~~Party's financial, technical, sales, marketing, development, personnel, and other information, records, or data, including, without limitation, customer lists, supplier lists, trade secrets, designs, product formulations, product specifications or any other proprietary or confidential information, however recorded or preserved, whether written or oral (any such information, "**Confidential Information**"). Each ~~party~~Party hereto shall use the same degree of care, but no less than reasonable care, to protect any other ~~party~~Party's Confidential Information as it uses to protect its own Confidential Information of like nature. Unless otherwise authorized in any other agreement between the ~~parties~~Parties, any ~~party~~Party receiving any Confidential Information of any other ~~party~~Party (the "**Receiving Party**") may use Confidential Information only for the purposes of fulfilling its obligations under this Agreement (the "**Permitted Purpose**"). Any Receiving Party may disclose such Confidential Information only to its directors/managing members, managers, officers, employees, consultants, financial advisors, prospective or existing lenders, counsel, accountants and other agents of such Receiving Party (and, in addition, Sellers may disclose such Confidential Information to the creditors committee in the Bankruptcy Cases and its consultants, financial advisors, counsel, accountants and other agents, the Liquidating Trust and its trustee, consultants, financial advisors, counsel, accountants and other agents and any advisory board members and their consultants, financial advisors, counsel, accountants and other agents) ("**Representatives**") who have a need to know such information for the Permitted Purpose and who have been advised of the terms of this Section 5.5 and the Receiving Party shall be liable for any breach of these confidentiality provisions by such persons; *provided, however*, that any Receiving Party may disclose such Confidential Information to the extent such Confidential Information is required to be disclosed by a governmental agency or court order ("**Governmental Order**"), in which case the Receiving Party shall promptly notify, to the extent possible, the disclosing ~~party~~Party (the "**Disclosing Party**"), and take reasonable steps to assist in contesting such Governmental Order or in protecting the Disclosing Party's rights prior to disclosure, and in which case the Receiving Party shall only disclose such Confidential Information that it is advised by its counsel in writing that it is legally bound to disclose under such Governmental Order.

(b) Notwithstanding the foregoing, “Confidential Information” shall not include any information that the Receiving Party can demonstrate: (i) was publicly known at the time of disclosure to it, or has become publicly known through no act of the Receiving Party or its Representatives in breach of this Section 5.5; (ii) was rightfully received from a third party without a duty of confidentiality; or (iii) was developed by it independently without any reliance on the Confidential Information.

(c) Upon demand by the Disclosing Party at any time, or upon expiration or termination of this Agreement with respect to any Service, the Receiving Party agrees promptly to return or destroy, at the Receiving Party’s option, all Confidential Information. If such Confidential Information is destroyed, an authorized officer of the Receiving Party shall certify to such destruction in writing.

## ARTICLE VI MISCELLANEOUS

### Section 6.1 Relationship of the Parties.

(a) The ~~parties~~Parties and their respective representatives shall be deemed independent contractors for all purposes under this Agreement.

(b) This Agreement shall not be deemed or construed to create the relationship of employer or employee, partnership or any type of joint venture relationship among the ~~parties~~Parties.

(c) The ~~parties~~Parties acknowledge and agree that the ~~parties~~Parties are not providing legal, accounting or tax advice under this Agreement. The ~~parties~~Parties further acknowledge and agree that no fiduciary or other similar relationship is being created among the ~~parties~~Parties relating to the Services or otherwise under this Agreement.

(d) Except as expressly set forth herein, neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser or any of its representatives or affiliates, on the other hand, shall have the authority to contract for or assume obligations of any nature in the name of any other ~~party~~Party, as the case may be, without the other’s prior written consent.

**Section 6.2** No Set-off. Neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser nor any of its representatives or affiliates, on the other hand, shall have any set-off or other similar rights pursuant to this Agreement.

**Section 6.3** Notices. All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the ~~party~~Party for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation if sent by facsimile; in each case to the ~~party~~Party at the address set forth in Section

5.1, or such other address as may be designated in writing hereafter, in the same manner, by such ~~party~~Party.

**Section 6.4** Amendment, Modification and Waiver. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the ~~parties~~Parties, or in the case of a waiver, by the ~~party~~Party against whom the waiver is to be effective. No failure or delay by any ~~party~~Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

**Section 6.5** Assignment. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, hypothecated, sublicensed, subleased or transferred by any of the ~~parties~~Parties, in whole or in part, to any other person without the prior written consent of the non-assigning ~~party~~Party, and any attempted or purported assignment in violation of this Section 6.5 will be null and void; provided, that Sellers may assign their rights hereunder to the Liquidating Trust. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the ~~parties~~Parties and their respective successors and permitted assigns. Notwithstanding the preceding, however, Purchaser may assign its rights or obligations hereunder to its any of its affiliates and may subcontract with third parties to provide any of the Purchaser Services as provided elsewhere in this Agreement, provided that any such assignment or subcontracting shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

**Section 6.6** Entire Agreement. This Agreement constitutes the entire agreement among the ~~parties~~Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

**Section 6.7** Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the ~~parties~~Parties and their respective successors and permitted assigns.

**Section 6.8** Expenses. In the event of litigation arising from or relating to this Agreement, the non-prevailing ~~party~~Party as determined by a court of competent jurisdiction in a final non-appealable order shall be liable and pay to the prevailing ~~party~~Party the reasonable attorney's fees and expenses incurred in connection with such litigation.

**Section 6.9** Governing Law. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**Section 6.10** WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT

SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.10. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

**Section 6.11 Jurisdiction; Mediation.** The ~~parties~~Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; *provided, however*, that the ~~parties~~Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "Chosen Courts") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the ~~party~~Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the ~~parties~~Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any ~~party~~Party hereto, and (d) agree that service of process upon such ~~party~~Party in any such action or proceeding shall be effective if notice is given in accordance with Section 6.3 hereof.

**Section 6.12 Mediation.** If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the ~~parties~~Parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation in accordance with the terms of this Agreement. Any such mediation shall take place in Los Angeles, California and be subject to the governing law as set forth in this Agreement.

**Section 6.13 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.



**Section 6.14 Ownership of Intellectual Property.** Subject to the provisions of the APA, each of the ~~parties~~Parties shall retain all right, title and interest in and to their respective intellectual property and data and other proprietary and other assets.

**Section 6.15 Service Standards.** Service Provider shall use commercially reasonable efforts to provide the Services to be provided by it in accordance with all applicable laws, rules and regulations and in a professional, competent, workman-like and timely manner.

**Section 6.16 Severability.** The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any circumstance, is found by a court or other governmental authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

**Section 6.17 Force Majeure.** No ~~party~~Party shall be liable for nonperformance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, or late performance is due to reasons outside such ~~party's control~~Party's control (excluding any arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19), including acts of God, war (declared or undeclared), riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, failure of utilities, (or similar nonperformance or late performance of suppliers or subcontractors). In the event of any such nonperformance or late performance, the Service Provider shall use commercially reasonable efforts to restore or resume the Services within a reasonable period of time.

**Section 6.18 Fair Meaning.** This Agreement shall be construed according to its fair meaning and as if prepared by all ~~parties hereto~~Parties.

**IN WITNESS WHEREOF**, the ~~parties hereto~~Parties have executed this Agreement as of the Signing Date.

NAME

VERITY HEALTH SYSTEM OF  
CALIFORNIA, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

NAME

VERITY HOLDINGS, LLC

By: \_\_\_\_\_



Name: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

NAME

Title: \_\_\_\_\_

By: \_\_\_\_\_

ST. FRANCIS MEDICAL CENTER

Name: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Schedule A**  
**to TSA**

**Services to be Provided by Purchaser to Sellers**

- I. Phase One: [from closing date to 6-9 months thereafter]
  - A. Description of Services: Purchaser will assist in activities related to the Debtors' efforts in support of its winding down activities, including accounting for monthly transactions, assisting in materials management and purchasing, facilitating voucher and payment of accounts payable and financial reporting. Purchaser will assist Debtors' in additional winding down activities, including facilitating the Debtors' efforts in claims reconciliation, contracts rejections/assumptions, preparing W2s and 1099s, and preparing tax returns.
  - B. Accounting - TBD
  - C. Accounts Payable / Supply Chain - TBD
  - D. Human Resources / Payroll - TBD
  - E. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD
- II. Phase Two: [from end of Phase I to two years thereafter]
  - A. Description of Services: Purchaser will continue to archive and provide access to select data.
  - B. Accounting / Finance - TBD
  - C. Human Resources / Payroll - TBD
  - D. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

**Schedule B**  
**to TSA**

**Office Space for Use by Sellers**

Exhibit ~~5.9.3~~5.9(c) to APA

**Accepted Conditions (Attorney General)**

*See attached.*

**Conditions to the Sale of St. Francis Medical Center<sup>32</sup> and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Prime Healthcare Services, Inc. (“Purchaser”)**

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, and St. Francis Medical Center Foundation, a nonprofit public benefit corporation and Purchaser, a Delaware corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

The transaction conditionally approved by the Attorney General consists of \_\_\_\_\_.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General’s approval.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of Purchaser that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Purchaser, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Purchaser shall also be deemed a transfer for purposes of this Condition.

<sup>32</sup> Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>43</sup> licensure and designation with the same types and/or levels of services, including the following:

- 46 emergency treatment stations at a minimum;
- Designation as a Level II Trauma Center;
- Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- Psychiatric evaluation team;
- Designation as an Emergency Department Approved for Pediatrics (EDAP);
- Designation as a Paramedic Base Station; and
- Certification as a Primary Stroke Center.

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

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians that are necessary to retain its qualification as a Level II trauma center. The following on-call coverage contracts and/or comparable coverage arrangements are required to retain St. Francis Medical Center's status as a Level II trauma center:

- Neurology;
- Obstetrics/gynecology;
- Ophthalmology;
- Oral or maxillofacial or head and neck;
- Orthopedic
- Plastic surgery;
- Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- Urology.

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

- Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
- Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;
- Women's health services, including women's imaging services;

<sup>43</sup> The term "current" or "currently" throughout this document means as of January 1, 2019.



Pediatric services, including a designated area with at least five general acute care beds for pediatric services;  
Orthopedic and rehabilitation services;  
Wound care services;  
Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and  
Perinatal services, including a minimum of 50 perinatal beds.

Purchaser shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

For at least five years from the closing date of the Asset Purchase Agreement, Purchaser shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following clinic is subject to this condition:

Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall:

Be certified to participate in the Medi-Cal program at St. Francis Medical Center;

Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

Local Initiative: L.A. Care Health Plan or its successor; and

Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Purchaser questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

For six fiscal years from the closing date of the Asset Purchase Agreement, Purchaser shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$8,000,000 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Purchaser in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>54</sup>

Purchaser's obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

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

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For six fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than \$1,139,301 (the "Minimum Community Benefit Services Amount") exclusive of

<sup>54</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

Southern California Crossroads Program;  
Health Benefit Resource Center;  
Welcome Baby Program;  
Healthy Community Initiatives;  
American Career College access for onsite training;  
Paramedic Training and Education; and  
Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Purchaser's obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

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

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Purchaser shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;  
Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;  
Paramedic Base Hospital Services between the Hospital and Los Angeles County;  
Radiation Therapy Services between the Hospital and Los Angeles County;

Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;  
Trauma Center Service Agreement between the Hospital and Los Angeles County;  
and  
Paramedic Training Institute Students between the Hospital and Los Angeles County.

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

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall have at St. Francis Medical Center a Local Governing Board of Directors. Purchaser shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

Purchaser shall commit to reserve or expend for St. Francis Medical Center, ~~St. Vincent Medical Center, and Seton Medical Center~~ for capital improvements to the ~~hospitals~~ hospital over the five-year period from the closing of the Asset Purchase Agreement, the amount of capital that remains unexpended from the \$180 million commitment required of Blue Mountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among ~~the three hospitals~~ St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center. Purchaser understands that such condition has previously been satisfied but will still commit to expend approximately \$35 million on St. Francis Medical Center over the five-year period from the closing of the Asset Purchase Agreement.

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

Purchaser shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the independence of the medical staff.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Purchaser's written policies, adhered to, and strictly enforced.

For eleven fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Purchaser shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a ~~party~~ Party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

Once the Asset Purchase Agreement is closed, and so long as such actions are consistent with the Asset Purchase Agreement, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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



## Analysis of the Hospital's Service Area

### *Service Area Definition*

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
<b>Sub-Total</b>		<b>16,845</b>	<b>75.4%</b>	<b>75.4%</b>	<b>10.5%</b>	<b>160,828</b>
<b>All Other</b>		<b>5,504</b>	<b>24.6%</b>	<b>100%</b>		
<b>Grand Total</b>		<b>22,349</b>	<b>100%</b>			

Source: OSHPD Discharge Database, CY 2017





## Esposito, Zach

---

**From:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Sent:** Tuesday, March 31, 2020 9:57 PM  
**To:** Moloney, Jim; Steve Aleman (PHMI)  
**Subject:** RE: Call to Discuss COVID 19 between Prime and Verity

Jim,

I'm still working on the tweaks. As discussed on the call, we need to clarify some of the definitions related to AR and government payments going different ways. This is the point I discussed with Elspeth where Verity excluded additional government payments related to COVID in their last turn and we think those are essential to the value of the asset since those payments will not even make the hospital whole. So we are revising that language to make it as clear as possible because the passage of new laws creating these payments needs to be addressed. Realistically, we can likely circulate our redline tomorrow morning, and then Steve and I could get a on a quick call later that day to review it with the team. I suggest we have that touch base call to discuss our redline before the principals call, which could happen either later Wednesday or more realistically Thursday morning.

Joel

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

3480 E. Guasti Road, Ontario, CA 91761

Direct: 909-235-4235 | Facsimile: 909-235-4316

Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



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**From:** Moloney, Jim <JMoloney@cainbrothers.com>  
**Sent:** Tuesday, March 31, 2020 7:40 PM  
**To:** Steve Aleman (PHMI) <SAleman2@primehealthcare.com>; Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Subject:** RE: Call to Discuss COVID 19 between Prime and Verity

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Joel,  
I meant to copy you on this – the deposit will need to be in cash via a wire transfer. Our team is working on SFMC and preparing for the SVMC court hearing tomorrow. Should we expect a turn of the APA tonight or tomorrow?

JM

---

**Jim Moloney | Managing Director**  
Cain Brothers, a division of KeyBanc Capital Markets  
O: 415.962.2961 | M: 510.759.7300 | San Francisco  
[jmoloney@cainbrothers.com](mailto:jmoloney@cainbrothers.com) | [www.cainbrothers.com](http://www.cainbrothers.com)

Please note our new address:  
One California Street  
Suite 2400  
San Francisco, CA 94111

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**From:** Moloney, Jim  
**Sent:** Tuesday, March 31, 2020 7:22 PM  
**To:** 'Steve Aleman (PHMI)' <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>  
**Subject:** RE: Call to Discuss COVID 19 between Prime and Verity

Steve,  
Sorry for the late response but the Bidding Procedures require a deposit via a wire transfer. Let me know if you would like to discuss.

JM

---

**Jim Moloney | Managing Director**  
Cain Brothers, a division of KeyBanc Capital Markets  
O: 415.962.2961 | M: 510.759.7300 | San Francisco  
[jmoloney@cainbrothers.com](mailto:jmoloney@cainbrothers.com) | [www.cainbrothers.com](http://www.cainbrothers.com)

Please note our new address:  
One California Street  
Suite 2400  
San Francisco, CA 94111

---

**From:** Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>  
**Sent:** Tuesday, March 31, 2020 12:11 PM  
**To:** Moloney, Jim <[JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)>  
**Subject:** RE: Call to Discuss COVID 19 between Prime and Verity

Jim,

I appreciate the setting up the call this morning, it was very helpful. As we prepare for end of week, is a letter of credit an acceptable form of deposit?

**Steve Aleman**  
*Vice President, Investor Relations and Corporate Development*  
3480 E. Guasti Road, Ontario, CA 91761  
Direct: 909-638-0068 | Cell: 805-506-1792  
E-mail: [SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)



-----Original Appointment-----

**From:** Steve Aleman (PHMI) **On Behalf Of** Moloney, Jim

**Sent:** Tuesday, March 31, 2020 7:01 AM

**To:** Sunitha Reddy (PHS); Michael Bogert (PHMI); Steve Aleman (PHS); Adcock, Rich; Chadwick, Peter (VHS)

**Subject:** FW: Call to Discuss COVID 19 between Prime and Verity

**When:** Tuesday, March 31, 2020 9:00 AM-9:45 AM (UTC-08:00) Pacific Time (US & Canada).

**Where:** Dial-in: (415) 655-0001,,,852892186#

Sent from my Verizon, Samsung Galaxy smartphone

When: Mar 31, 2020 9:00:00 AM Where: Dial-in: (415) 655-0001,,,852892186#

When: Mar 31, 2020 9:00:00 AM Where: Dial-in: (415) 655-0001,,,852892186#

---

**From:** Moloney, Jim

**Sent:** Tuesday, 31 March 2020 02:43:29 UTC

**To:** Moloney, Jim; Steve Aleman (PHS); Adcock, Rich; Chadwick, Peter (VHS)

**Subject:** Call to Discuss COVID 19 between Prime and Verity

**When:** Tuesday, March 31, 2020 4:00 PM-4:45 PM.

**Where:** Dial-in: (415) 655-0001,,,852892186#

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[1-844-621-3956](#) US Toll Free

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**Join from a video system or application**

Dial [852892186@keybank.webex.com](tel:852892186)

You can also dial [173.243.2.68](tel:173.243.2.68) and enter your meeting number.

**Join using Microsoft Lync or Microsoft Skype for Business**

Dial [852892186.keybank@lync.webex.com](tel:852892186)

If you are a host, [go here](#) to view host information.

Need help? Go to <http://help.webex.com>

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127 Public Square, Cleveland, OH 44114

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**ASSET PURCHASE AGREEMENT**

**By and Among**

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,  
and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**(as “Sellers”)**

**and**

**PRIME HEALTHCARE SERVICES, INC.**

**(as “Purchaser”)**

**Dated \_\_\_\_\_, 2020**

## INDEX OF SCHEDULES & EXHIBITS

### Schedules

Schedule 1.4(c)	Owned Real Property
Schedule 1.7(b)	Licenses
Schedule 1.7(c)(ii)	Leased Real Property
Schedule 1.7(c)(iii)	Tenant Leases
Schedule 1.7(d)	Assigned Contracts and Assigned Leases
Schedule 1.8(eebb)	Certain Other Excluded Assets
Schedule 1.9(i)	Other Obligations
Schedule 2.4	Seller's Knowledge of Breach or Default
Schedule 2.5	Brokers and Finders (Sellers)
Schedule 2.6	Compliance (Sellers)
Schedule 2.7	Required Consents (Sellers)
Schedule 2.8	Legal Proceedings (Sellers)
Schedule 2.9(b)	Environmental Matters (Sellers)
Schedule 2.11	Missing Material Licenses (Sellers)
Schedule 2.13	Non-Bankruptcy Court Legal Proceedings (Sellers)
Schedule 2.19	List of Excluded Individuals (Seller)
Schedule 3.4	No Violation (Purchaser)
Schedule 3.7	Legal Proceedings (Purchaser)
Schedule 5.3	"Hospital Employees"
Schedule 11.3(b)	Tax Allocation Schedule

### Exhibits

<i>No.</i>	<i>Description</i>	<i>Status</i>
Exhibit 1.2	Escrow Agreement	to come
Exhibit 1.3(a)	Leaseback Agreement	Attached
Exhibit 1.3(b)	Interim Management Agreement	Attached
Exhibit 1.4(a)	Bill of Sale	to come
Exhibit 1.4(b)	Real Estate Assignment Agreements	to come
Exhibit 1.4(c)	Quitclaim Deeds	to come
Exhibit 1.4(d)	Transfer Agreement	to come
Exhibit 1.4(f)	Transition Services Agreement	Attached
Exhibit 5.9(c)	Accepted Conditions (Attorney General Conditions)	to come

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”) by and among St. Francis Medical Center, a California nonprofit public benefit corporation (“**SFMC**”), Verity Holdings, LLC (“**Verity Holdings**”), a California limited liability company and Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**VHS**” and, together with SFMC and Verity Holdings, the “**Sellers**” and each individually a “**Seller**”) and Prime Healthcare Services, Inc., a Delaware corporation (“**Purchaser**” and, together with the Sellers, the “**Parties**” and each individually a “**Party**”).

### RECITALS

A. SFMC engages in the business of operating a hospital known as St. Francis Medical Center (“**St. Francis**”) in the City of Lynwood, California, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by SFMC (with St. Francis, collectively referred to herein, as the “**Hospital**”).

B. VHS is the sole member of SFMC and Verity Holdings. Verity Holdings owns and rents certain properties on or near the Hospital campus.

C. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below for the consideration and upon the terms and conditions contained in this Agreement.

D. On August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the “**Bankruptcy Court**”), which are jointly administered with their affiliates under Case No. 18-20151 (the “**Bankruptcy Cases**”).

E. On February 10, 2020, Sellers filed the *Debtors’ Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum Of Points And Authorities In Support Thereof* [Docket No. 4069] (the “**Bidding Procedures Motion**”) which was approved by an order of the Bankruptcy Court (the “**Bidding Procedures Order**”) [Docket No. 4165] and pursuant thereto the Parties have entered into this Agreement.

F. The Parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets pursuant to the Bidding Procedures and as approved by the Bankruptcy Court pursuant to Sections 363 and 365 of the Bankruptcy Code.

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the Parties hereto agree as follows:

### ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

#### 1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the aggregate consideration shall be as follows:

(i) Cash payment to Sellers of Two Hundred Million Dollars (\$200,000,000) (“**Base Price**”);

(ii) ~~Cash payment of the Closing QAF Payment Amount (defined below in Section 1.1(e));~~ Sellers shall retain, as an Excluded Asset, an estimated amount of Twenty-Nine Million Dollars (\$29,000,000) in connection with QAF V payments and Eighty-Three Million Dollars (\$83,000,000) in connection with QAF VI payments (subject to adjustment as described in Section 1.8(b));

(iii) Cash payment of ~~Fifty-Two~~Sixty-One Million Dollars (\$~~52,000,000~~61,000,000) (the “**A/R Target Amount**”) as consideration for the Accounts Receivable transferred at Closing (subject to adjustment in Section 1.12);

(iv) Cash payment for Sellers’ payroll liabilities at Closing (the “**Payroll Amount**”) (which as of October 31, 2019, had an aggregate value of approximately ~~Seven~~Five Million Dollars (\$~~7,000,000~~5,000,000));

(v) Cash payment for accrued vacation and other paid time-off of Sellers’ employees at Closing (the “**PTO Amount**”) (which as of October 31, 2019, had an aggregate value of approximately ~~Eleven~~Ten Million Dollars (\$~~11,000,000~~10,000,000)); ~~and~~

(vi) An amount equal to the Cure Costs (defined below) associated with outstanding liabilities of Sellers under any Assigned Leases and/or Assigned Contracts; and

(vii) An amount determined in accordance with Section 1.6.

(b) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Base Price, *plus* ~~the Closing QAF Payment Amount, plus~~ the A/R

Target Amount, *plus* the Cure Cost Amount, *plus* the PTO Amount, *plus* the Payroll Amount (collectively, the **“Purchase Price”**), *minus* the Deposit (defined below).

(c) For purposes of this Agreement, the **“QAF Program”** means the California Department of Health Care Services (**“DHCS”**) Hospital Quality Assurance Fee Programs V (**“QAF V”**) and VI (**“QAF VI”**). During the period prior to the Closing, Sellers shall pay or permit DHCS to offset from amounts owed to St. Francis any fees due and owing prior to the Closing under QAF V and QAF VI (such payments or offsets shall be included in the formula described in Section 1.8(b)), and Sellers shall be entitled to retain all payments received under QAF V and QAF VI. ~~At Closing, Purchaser shall pay Sellers an aggregate amount in respect of QAF V and QAF VI (the “Closing QAF Payment Amount”) equal to: (i) (A) Twenty Eight Million Dollars (\$28,000,000) as consideration for the QAF V payments scheduled by DHCS to be paid to Sellers in November 2020 and May 2021, plus (B) any fees paid by Sellers or offset by DHCS in respect of QAF V relating to St. Francis between the Signing Date and the Closing; plus (ii) an amount equal to (A) the QAF VI Seller Net Payments (defined below), multiplied by (B) fifty percent (50%), minus (C) the dollar value of all payments actually received by Sellers in respect of QAF VI relating to St. Francis prior to the Closing, plus (D) the dollar value of all fees paid by Sellers or offset by DHCS in respect of QAF VI relating to St. Francis prior to the Closing (the amount determined pursuant to this clause (ii), the “QAF VI Partial Payment”) as a partial up-front payment for the QAF VI Seller Net Payments. After the Closing, Purchaser shall pay to Sellers, promptly following receipt thereof (but in any event within ten (10) business days of such receipt), all QAF VI payments received relating to St. Francis until Purchaser has paid to Sellers an amount, when added to the QAF VI Partial Payment, equal to the QAF VI Seller Net Payments.~~

(d) Separate from, and in addition to, the Purchase Price, Purchaser commits to: ~~(i) invest Thirty-Five Million Dollars (\$35,000,000) in estimated deferred capital expenditures for St. Francis over the five (5) year period immediately after the Closing Date; and~~

~~(ii) remediate Sellers’ estimated (including NPC-3 seismic compliance responsibilities (which is estimated to cost approximately Twelve Million Dollars (\$12,000,000)).~~

1.2 Deposit. Purchaser has deposited an amount equal to ten percent (10%) of the Purchase Price (the **“Initial Deposit”**) by wire transfer to Chicago Title Insurance Company (**“Escrow Agent”**) pursuant to that certain Escrow Agreement attached hereto as Exhibit 1.2. Within two (2) business day after the date of the conclusion of the auction for the Assets, if any, if Purchaser is the Prevailing Bidder (as defined below) and as a result of such auction has opted to increase the Purchase Price (the **“Auction Purchase Price”**), Purchaser shall deposit an additional amount with the Escrow Agent such that the total amount deposited with the Escrow Agent is equal to ten percent (10%) of the Auction Purchase Price (the Initial Deposit and any additional amount deposited with the Escrow Agent (if any) referred to collectively as the **“Deposit”**) by wire transfer to the Escrow Agent. All fees of the Escrow Agent shall be paid by Purchaser. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser’s termination of the Agreement pursuant to Sections 9.1 (a), (c), (d), (f), (g), (h) or (i) hereof. Upon Closing, the Deposit will be credited against the Purchase Price.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually occurs, the “**Closing Date**”) within three (3) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, and other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The Closing shall be deemed to occur and to be effective as of 12:00 a.m. pacific time on the day immediately after the Closing Date (the “**Effective Time**”). Purchaser and Sellers agree that because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the Assets (less any Assets constituting drugs or pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (as such terms are defined below)) will be sold to Purchaser and immediately leased back to Sellers (substantially in the form of the Leaseback Agreement attached hereto as Exhibit 1.3(a), the “**Leaseback Agreement**”), with a concurrent management arrangement (substantially in the form of the Interim Management Agreement attached hereto as Exhibit 1.3(b), the “**IMA**”). On the effective date that Purchaser obtains a general acute care hospital license from the California Department of Public Health (“**CDPH**”) and a hospital pharmacy permit from the California State Board of Pharmacy (“**BOP**”) (i) the Leaseback Agreement and IMA will terminate and (ii) the drugs and pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements will be transferred to Purchaser (without payment of any additional Purchase Price) (the “**Licensure Date**”). For the avoidance of any doubt, the Licensure Date shall be the date the Purchaser’s hospital license and pharmacy permit are effective, even if they are not actually issued until a later date. The Licensure Date may be determined based on oral assurances from CDPH and the BOP.

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

(a) a Bill of Sale substantially in the form of Exhibit 1.4(a) attached hereto (the “**Bill of Sale**”), duly executed by each Seller;

(b) Real Estate Assignment Agreements (the “**Real Estate Assignments**”) in the form of Exhibit 1.4(b) attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by the applicable Sellers;

(c) Quitclaim Deeds in the form of Exhibit 1.4(c) attached hereto with respect to the real property listed in Schedule 1.4(c), together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (the “**Owned Real Property**”) duly executed by SFMC and Verity Holdings as applicable;

(d) an Assigned Contract Transfer Agreement (the “**Transfer Agreement**”) in the form of Exhibit 1.4(d) attached hereto, duly executed by the applicable Sellers;

(e) evidence of payment of all Cure Costs;



(f) the Transition Services Agreement (the “**Transition Services Agreement**”) in form attached hereto as Exhibit 1.4(f), duly executed by the applicable Sellers;

(g) the Leaseback Agreement and IMA, duly executed by SFMC;

(h) favorable certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(i) a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing (I) the transfer of the Assets and transfer of the Transferred Obligations by such Seller to Purchaser and (II) the due execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(j) a certified copy of the Sale Order (as defined below);

(k) non-foreign affidavits of SFMC and Verity Holdings, as applicable, dated as of the Closing Date, in the form of Exhibit 1.4(k); and

(l) Any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

(a) payment of the Purchase Price, minus the Deposit;

(b) a duly executed certificate of the Secretary of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(c) favorable certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(d) the Transition Services Agreement, duly executed by Purchaser;

- (e) the Leaseback Agreement and IMA, duly executed by Purchaser;
- (f) the Bill of Sale, duly executed by Purchaser;
- (g) the Real Estate Assignment(s), duly executed by Purchaser;
- (h) the Transfer Agreement, duly executed by Purchaser;
- (i) Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Owned Real Property, duly executed by Purchaser; and
- (j) any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

(a) All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

(b) Other than the Utility Deposits (defined below), which are governed by Section 1.8(n), and other than with respect to Cure Costs, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: (i) all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments and other similar charges against real estate, (ii) power and utility charges, (iii) payments made by Sellers for information technology software or services for periods after the Effective Time, (iv) payments made by Sellers in association with Licenses or dues paid to government and non-governmental agencies for calendar year 2020, and (v) other similar costs for items or services which continue past the Effective Time (collectively, the **“Prorated Charges”**). Sellers shall pay at or prior to the Closing (or Purchaser shall receive credit for) any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for or, to the extent previously paid by Sellers, pay to Sellers at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The Parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, “final readings” as of the Closing Date shall be ordered from the utilities; the cost of obtaining such “final readings,” if any, shall be paid by Purchaser.

(c) Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time (**“Pre Effective Time Lease Amounts”**), and

Purchaser shall be entitled to all rents and other payments under tenant leases accruing for the period after the Effective Time (“**Post Effective Time Lease Amounts**” and together with the Pre Effective Time Lease Amounts, the “**Lease Amounts**”). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance with the immediately preceding sentence. All Lease Amounts that are accrued but unpaid as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the “**Unpaid Amounts**”) shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall promptly remit any of such amounts to Sellers within ten (10) days after Purchaser’s receipt of same.

(d) If Purchaser requests that Sellers transfer electronic medical records in a specific electronic format due to the Sellers’ electronic medical record (“**EMR**”) system and Purchaser’s EMR system not being interoperable, then Purchaser shall reimburse, on the Closing Date, all amounts paid or to be paid by Sellers to transfer electronic medical records to Purchaser in such different electronic format.

(e) All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the Parties; *provided, however*, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either Sellers or Purchaser shall be entitled to an adjustment to correct the same, provided that said Party makes written demand on the Party from whom it is entitled to such adjustment within fifteen (15) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration.

(f) This Section 1.6 shall survive Closing.

1.7 Transfer of Sellers Assets. On the Closing Date, subject to the terms and conditions of this Agreement and except as otherwise contemplated in Section 1.3, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all interests, including but not limited to all liens, privileges, pledges, security interests, rights of first refusal, options, defects in title and encumbrances other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of Sellers’ right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time (the “**Assets**”):

(a) all of the tangible personal property owned by Sellers, or to the extent assignable or transferable by Sellers, and used by Sellers in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the “**Personal Property**”);

(b) subject to Section 1.7(e), all of Sellers’ rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Sellers for use in the operation of the Hospital (the “**Licenses**”), including, without limitation, the

Licenses set forth on Schedule 1.7(b), except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of Sellers' interest in and to the Owned Real Property and all of Sellers' interest, to the extent assignable or transferable and that have been designated by Purchaser, in and to all of the following (the "**Assigned Leases**"): (i) the real property leases for all real property leased by Sellers and set forth on Schedule 1.7(c)(i) (the "**Leased Real Property**"), and (ii) the real property leased or subleased by Sellers to a third party and set forth on Schedule 1.7(c)(ii) (the "**Tenant Leases**");

(d) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(d);

(e) all of Sellers' interest in, from and after the Licensure Date, to the extent assignable or transferable, the Hospital's Medicare Provider Agreement (and provider number) and the Hospital's Medi-Cal Provider Agreement (and provider number) (collectively, the "**Medicare/Medi-Cal Agreements**");

(f) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's managed care, pre-paid, capitated or other full-risk health plan agreements (collectively, the "**Managed Care Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Managed Care Agreements**");

(g) subject to Section 4.6, all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's services, participation or provider agreements with private health plans, insurers or other third party payors (collectively, the "**Private Payor Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Private Payor Agreements**"), *provided that*, Private Payor Agreements shall not include any "risk-sharing" agreements with independent physician associations;

(h) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital or (ii) used in the operation of the Hospital (the "**Inventory**") except as set forth in Sections 1.3 and 1.8(i);

(i) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepays**");

(j) to the extent assignable or transferable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files

and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and administrative libraries; *provided, however*, that any electronic medical records may be transferred in paper or “pdf” if Sellers’ EMR system and Purchaser’s EMR system are not interoperable;

(k) to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property;

(l) all right, title and interest in and to the name “St. Francis Medical Center,” including any associated Hospital trademarks, service marks, trade names, logos and domain names but excluding the domain <https://stfrancis.verity.org> and content therein;

(m) all goodwill of the Hospital evidenced by the Assets;

(n) to the extent transferable or assignable, Sellers’ right or interest in the telephone and facsimile numbers used with respect to the operation of the Hospital;

(o) to the extent assignable or transferable, Sellers’ lock box account(s) associated with Medicare or Medi-Cal fee-for-service receivables (the “**Lockboxes**”) on or after the Licensure Date;

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, ~~quality assurance fee payments, trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements~~, in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (collectively, “**Accounts Receivable**”); and (ii) all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19, ~~trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements~~ in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the “**Other Receivables**” and together with the Accounts Receivable, the “**Receivables**”);

(q) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the ~~Accounts Receivable~~ Receivables;

(r) all QAF payments due to the Hospital from the State of California or any of its administrative entities or other entitles, including without limitations, Medi-Cal managed care plans, received on and after the Licensure Date and attributable to ~~QAF V~~, QAF VI and any



subsequent QAF Program, regardless of the state fiscal year for which the payments are made in reference to and regardless of the state fiscal year for which the data was derived to calculate eligibility for such payments, other than the QAF payments received prior to Closing or specifically excluded pursuant to Section 1.8(b) as QAF VI Seller Net Payments;

(s) except as set forth in Section 1.8(l) (*i.e.*, certain causes of action), all claims, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment of Sellers against third parties related to or associated with the physical condition of any of the Assets; and

(t) to the extent assignable or transferable, any other assets owned by Sellers (which are not otherwise specifically described above in this Section 1.7) that are used primarily in the operation of the Hospital.

As used herein, the term “**Permitted Exceptions**” means (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable; (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (iv) imperfections of title or encumbrances identified in the Title Commitments (defined below) other than those specifically identified in Schedule 1.7(I); and (iv) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets owned directly or indirectly by it (or any of Sellers’ affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of Sellers (collectively, the “**Excluded Assets**”):

(a) cash, cash equivalents and short-term investments;

(b) all QAF payments received prior to Closing under any QAF program and, in addition, with respect to the QAF VI Program, the Excluded Assets shall include the “**QAF VI Seller Net Payments**” which shall be, with respect to the Hospital, an amount equal to the product of: (A) all payments received or to be received by the Hospital under the QAF VI Program minus all payments already made, required to be made in the future or to be offset by the government with respect to the QAF VI Program, including payments to the California Health Foundation & Trust, multiplied by (B) the Closing Date Percentage. The “**Closing Date Percentage**” shall mean the percentage derived by dividing the total number of days between July 1, 2019 and the Effective Time, by 915;

(c) all Disproportionate Share Hospital Payments (“**DSH**”) received on or after the Effective Time but calculated based on data from periods prior to the Effective Time (whether received before or after the Effective Time and whether paid to Sellers or Purchaser);

(d) all Sellers Plans (defined below) and the assets of all Sellers Plans and any asset that would revert to the employer upon the termination of any Sellers Plan, including, without limitation, any assets representing a surplus or overfunding of any Sellers Plan;



(e) all contracts that are not Assigned Contracts and all risk sharing agreements with independent physician associations (“IPAs”);

(f) any Private Payor Agreement that is not a Transferred Private Payor Agreement and any Managed Care Agreement that is not a Transferred Managed Care Agreement;

(g) all collective bargaining agreements or other arrangements with unions representing Sellers’ employees;

(h) all leases that have not been designated as Assigned Leases, and all Contracts that have not been designated as Assigned Contracts and all rents, deposits, prepayments, and similar amounts relating thereto;

(i) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by Sellers after the Signing Date and prior to the Effective Time in the ordinary course of business;

(j) assets owned by vendors of services or goods to the Hospital;

(k) all of Sellers’ organizational or corporate record books, minute books and tax records;

(l) Except as set forth in Section 1.7(k) or 1.7(s) hereof (*i.e.*, rights under warranties and physical condition claims), all claims, counterclaims and causes of action of Sellers or Sellers’ bankruptcy estate (including parties acting for or on behalf of Sellers’ bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Case), including, without limitation, (A) causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code (“**Avoidance Claims**”), (B) any claims, counterclaims and causes of action under applicable non-bankruptcy law (including claims, counterclaims and causes of action against any health plan or other third party payors related to services provided prior to the Effective Time), and (C) any rights to challenge liens asserted against property of the Sellers’ bankruptcy estate (including, but not limited to, liens attaching to the Purchase Price paid to the Sellers), and the proceeds from any of the foregoing; *provided, however*, that Purchaser shall acquire and be deemed to release and waive as of the Effective Time all Avoidance Claims against counterparties to Assigned Contracts and Assigned Leases solely to the extent such avoidance claims arise from, or are in connection with, executory contracts and unexpired leases assigned by the Sellers to Purchaser pursuant to Section 1.11 hereof;

(m) Except as set forth in Section 1.7(s), all insurance policies and contracts and coverages obtained by Sellers or listing Sellers as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to (i) Assets prior to the Licensure Date and/or (ii) Excluded Assets whether prior to or after the Licensure Date;

(n) all deposits made with any entity that provides utilities to the Hospital (the “**Utility Deposits**”);

(o) all unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(p) all bank accounts of Sellers, other than the Lockboxes as set forth in Section 1.7(o);

(q) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(r) the rights of Sellers to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(s) all tax refunds and tax assets of Sellers;

(t) all documents, records, operating manuals and film pertaining to the Hospital that the Parties agree that Sellers is required by law to retain;

(u) all patient records and medical records which are not part of any electronic medical record software transferred to Purchaser and are not required by law (including Section 351 of the Bankruptcy Code) to be maintained by Purchaser as of the Effective Time;

(v) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(w) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets and/or Excluded Liabilities;

(x) any rights or remedies provided to Sellers under this Agreement and each other document executed in connection with the Closing and the actions necessary to complete the sale of the Hospital pursuant to this Agreement;

(y) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers' termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(z) any (i) personnel files for employees of Sellers who are not hired by Purchaser; (ii) all documents, records, correspondence (including with respect to any employees), work papers, patient records or other books and records that Sellers is required by Law to retain; *provided, however*, that except as prohibited by Law and subject to ARTICLE 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which Sellers is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and Sellers shall be entitled to retain or request a copy of such documents;

(aa) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC (“**Premier GP**”), Premier Healthcare Alliance, L.P. (“**Premier LP**”), Premier Healthcare Solutions, Inc. (“**PHSI**”) and each of Premier, Inc.’s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, “**Premier**”), and on the other hand, VHS, as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS);

~~(bb) — any grant or governmental awards received, or allocable to patient services performed, prior to the Effective Time; and~~

~~(bb)~~ ~~(ee)~~ any assets identified in Schedule 1.8~~(eebb)~~.

For the avoidance of doubt, Purchaser is not acquiring any asset owned by any affiliate of Sellers.

1.9 Transferred Obligations. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations (collectively, the “**Transferred Obligations**”):

(a) the Assigned Contracts, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(b) the Assigned Leases, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) all liabilities and obligations related to the Hired Employees arising on or following the Effective Time (which for avoidance of doubt, does not include any duties, obligations or liabilities arising from or related to employment-related documentation required to be maintained by such Seller prior to the Effective Time, including but not limited to, documentation of I-9 compliance for Sellers’ employees and any alternative work schedule compliance duties, obligations or liabilities that relate to Sellers’ employees);

(e) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(f) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

(g) any documentary, sales and transfer tax liabilities of Sellers incurred as a result of the consummation of the transaction contemplated by this Agreement;

- (h) all liabilities or obligations provided for in Section 5.3; and
- (i) any other obligations and liabilities identified in Schedule 1.9(i).

1.10 Excluded Liabilities. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the IMA, the Leaseback Agreement, the Transition Services Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, except as expressly set forth herein, Purchaser is not assuming any liabilities of Sellers related to the Assets, Sellers' employees or the Hospitals, is purchasing the Assets free and to clear of the maximum extent permitted by law Encumbrances except the Permitted Exceptions (defined herein) and shall not be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets (the "**Excluded Liabilities**").

1.11 Designation of Assigned Contracts and Assigned Leases. Each Seller will assign to Purchaser the Assigned Leases and such other contracts and leases as are subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). At the later of (i) 5:00 p.m. pacific time on the day that is seven (7) calendar days prior to the date of the auction for the Assets and (ii) the date the Purchaser submits its bid for the Assets: (A) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be assigned to Purchaser (the "**Assigned Contracts**") and (B) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by Seller (the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate any contracts on the Assigned Contract list as a Rejected Contract on or prior to 5:00 p.m. pacific time on the day that is thirty (30) days prior to Closing Date, and Sellers shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims; provided, however, that notwithstanding anything to the contrary, and to enable Sellers to comply with the terms of the Bidding Procedures Order with respect to UnitedHealthcare Insurance Company ("**UnitedHealthcare**"), Purchaser shall irrevocably designate all UnitedHealthcare agreements as Assigned Contracts or Rejected Contracts by the date that is two (2) calendars days after the Bankruptcy Court enters the Sale Order. The final list of Assigned Contracts at Closing will appear on Schedule 1.7(d).

1.12 Accounts Receivable Reconciliation.

(a) Sellers and Purchaser have mutually agreed that the target Accounts Receivable amount that will be transferred from Sellers to Purchaser as of the Effective Time is the A/R Target Amount. In connection with the Account Receivable reconciliation process, Purchaser shall collect the Accounts Receivable during the one hundred thirty-five (135) day period immediately following the Closing Date (collectively, the "**Final A/R Collected**"), and within the thirty (30) day period thereafter, Purchaser shall provide Sellers, in good faith, a schedule which provides an accounting of the Final A/R Collected (the "**A/R Accounting Schedule**"), together with reasonably detailed schedules and data supporting such accounting.

(b) After receipt of the A/R Accounting Schedule, Sellers shall have sixty (60) days to review the A/R Accounting Schedule and the Final A/R Collected as proposed by Purchaser, together with the work papers used in the preparation thereof, and have their

representatives and advisors review such A/R Accounting Schedule and proposed Final A/R Collected. In connection with the review of the A/R Accounting Schedule and proposed Final A/R Collected, Purchaser shall give, and shall cause its representatives and advisors to give, to Sellers and their representatives and advisors reasonable access, upon reasonable prior notice, to the books, records and other materials and the personnel of, and work papers prepared by or for, Purchaser and its representatives and advisors, including to such historical financial information relating to the Sellers and the Accounts Receivable as Sellers or their representatives or advisors may request, in each case, in order to permit the timely and complete review of the A/R Accounting Schedule and proposed Final A/R Collected in accordance with this Section 1.12(b) and so long as such access does not unreasonably interfere with the operations of the Purchaser.

(c) If Sellers disagree with the A/R Accounting Schedule and/or proposed Final A/R Collected, they shall notify Purchaser in writing within sixty (60) days after the date on which Purchaser delivers such A/R Accounting Schedule and proposed Final A/R Collected to Sellers, which shall include the items as to which they disagree and their calculation of such disputed amounts with reasonable supporting detail (the “Statement of Objections”). Purchaser and Sellers shall reasonably cooperate to resolve any such disagreements. If Purchaser and Seller are unable to resolve all such disagreements on or before the date which is thirty (30) days following notification by Sellers of any such disagreements, such disagreements shall be submitted to the Bankruptcy Court for resolution. The A/R Accounting Schedule and Final A/R Collected shall become final on the earlier of (i) failure by Sellers to deliver a Statement of Objections within the time period required by this section; (ii) mutual written agreement by Sellers and Purchaser; or (iii) a determination by the Bankruptcy Court.

(d) Once the A/R Accounting Schedule and Final A/R Collected have become final in accordance with Section 1.12(c), the following shall occur:

(i) if the Final A/R Collected is more than the A/R Target Amount, then such excess amount shall be paid by Purchaser to Sellers within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers;

(ii) if the Final A/R Collected is less than the A/R Target Amount, then such deficit amount shall be paid by Sellers to Purchaser within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers (and if not paid, Purchaser shall have collateral rights in Seller’s QAF VI Seller Net Payments); or

(iii) if the Final A/R Collected is equal to the A/R Target Amount, then no adjusting payments in respect of the Accounts Receivable shall be required by either Purchaser or Sellers.

(e) During the one hundred thirty-five (135) day period immediately following the Closing Date Purchaser shall (i) use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables) within the one hundred thirty-five (135) day period immediately following the Closing Date; (ii) not take any action for the purpose of or which would be reasonably likely to result in any of the Accounts Receivable not being collected in a timely manner and within the one hundred thirty-five (135) day period immediately following the Closing Date; and (iii) provide



Sellers with weekly written updates on its collection of the Accounts Receivable.

1.13 Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, “AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS” WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED OR RECEIVED “AS IS, WHERE IS” ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser’s judgment bear upon the Purchase Price, the Assets, the Sellers, the Hospital, the businesses of the Hospital and their value and suitability for Purchaser’s purposes and, except for Sellers representations and warranties in ARTICLE 2, is relying solely on Purchaser’s own examination, review and inspection of the Assets and Transferred Obligations. Purchaser hereby releases Sellers and their affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the businesses of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect at the Closing.

**ARTICLE 2**  
**REPRESENTATIONS AND WARRANTIES OF SELLERS**

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date, except as would not have a Material Adverse Effect (as defined below) upon the Assets, and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the “**Disclosure Schedule**”), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.7 (Compliance with Legal Requirements), 2.8 (Required Consents), 2.10 (Title)



and 2.13 (Legal Proceedings) (the “**Sale Order Date Representations**”) shall also be made as of immediately prior to the entry of the Sale Order (the “**Sale Order Date**”):

The term “**Material Adverse Effect**” means any event, change or occurrence that, individually or in the aggregate with other events, changes or occurrences, has had or would reasonably be expected to have, a material adverse effect on the Sellers’ financial condition, operation or Assets in excess of Fifty Million Dollars (\$50,000,000); provided, that ~~the term Material Adverse Effect shall not include any event, change or occurrence resulting from: (a) the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19; (b) changes to the U.S. economy, the global economy, in each case, as a whole, or the Hospital industry (except to the extent such changes disproportionately affect the Business); or (c) general economic, regulatory or political conditions or changes in the geographic regions in which the Hospital operates, except to the extent any such event described in (b), (c) or (d) disproportionately affects or impacts the Sellers’ financial condition, operation or Assets as compared to other similarly situated businesses in the industry~~ if such threshold is exceeded, then in lieu of Purchaser’s right of termination, the Parties shall negotiate in good faith to reduce the Purchase Price as may be appropriate and any dispute will be resolved by the Bankruptcy Court as to the determination of any reasonable reduction.

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect (including, without limitation approval of the Bankruptcy Court) and (b) limitations on the enforcement of equitable remedies.

2.3 Organization and Good Standing; No Violation.

(a) Each of SFMC and VHS is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Verity Holdings is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a breach of any material provision of such Seller’s articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in Schedule 2.4, upon entry of the Sale Order and payment of the Cure Costs, to Sellers’ knowledge, Sellers are not in breach or default of the Assigned Contracts or Assigned Leases. No provision of this Section 2.4 shall apply to any failure

to obtain consents to the assignment of the Assigned Contracts and/or Assigned Leases from third parties in connection with the assignment of such Assigned Contracts and/or Assigned Leases to Purchaser (the “**Contract and Lease Consents**”).

2.5 Brokers and Finders. Except as set forth on Schedule 2.5, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

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

2.7 Compliance with Legal Requirements. Except as set forth in Schedule 2.7, to the knowledge of Sellers: each Seller, with respect to the operation of the Hospital, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, “**Legal Requirements**”). Except as set forth in Schedule 2.7, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospital, has been charged in writing with or been given written notice of any material violation or any obligation to take material remedial action under, any applicable Legal Requirements.

2.8 Required Consents. Except as set forth in Schedule 2.8, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the Attorney General, Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or material contract or any material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

## 2.9 Environmental Matters

(a) Sellers have provided Purchaser with the Phase I Environmental Site Assessments in Seller’s electronic data room.

(b) Except as disclosed in Schedule 2.9(b), to the knowledge of Sellers, the operations of the Hospital are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term “**Environmental Laws**” shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term “**Hazardous Substances**” shall mean (i) any hazardous or

toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.10 Title. Sellers have delivered at their own expense for all Owned Real Property (i) preliminary title reports issued by Chicago Title Insurance Company (the “**Title Commitments**”) and (ii) copies of or access to all material underlying title documents listed on the Title Commitments.

2.11 Certain Other Representations with Respect to the Hospitals.

(a) Except as set forth in Schedule 2.11, all Licenses which are material and necessary to the operation of the Hospital by SFMC are valid and in good standing and SFMC is in compliance with the terms and conditions of all such Licenses in all material respects, in each case except where the failure to be valid and in good standing or in compliance would not have a Material Adverse Effect on the Assets. Except as set forth in Schedule 2.11, as of the Closing Date, SFMC will have all material Licenses required under Legal Requirements to operate the Hospital as presently operated by SFMC, except where the failure to have any such License would not have a Material Adverse Effect on the Assets. To the knowledge of Sellers, no loss of any License is pending or threatened.

(b) SFMC is certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which SFMC participates, and has current and valid provider agreements with each such program, except where the failure to be so certified or have such provider agreements would not have a Material Adverse Effect.

(c) SFMC has not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against SFMC.

2.12 Financial Statements.

(a) Sellers have provided to Purchaser: (i) the unaudited balance sheets of the Sellers as of June 30, 2018; (ii) unaudited income statements of the Sellers for the twelve-month periods ended June 30, 2018; (iii) the audited consolidated income statements of Sellers for the years ended 2016 and 2017; and (iv) the unaudited consolidated balance sheet of Sellers as of June 30, 2018 (collectively, the “**Historical Financial Statements**”).

(b) the income statements contained in the Historical Financial Statements present, fairly in all material respects the results of the operations of the Sellers as of and for the periods covered therein and the balance sheets contained in the Historical Financial Statements (i) are true, complete and correct in all material respects; (ii) present, fairly in all material respects the financial condition of the Sellers as of the dates indicated thereon; and (iii) to the extent prepared

by an independent certified public accounting firm, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.13 Legal Proceedings. Except as set forth on Schedule 2.13, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers' claims and noticing agent's website at <http://www.kcellc.com/VERITYHEALTH/>, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospital or the Hospital by Sellers before any governmental authority. Except as set forth on Schedule 2.13, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers, Sellers are not subject to any government order with respect to the ownership or operation by SFMC of the Hospital and SFMC is in substantial compliance with respect to any such government order.

2.14 Employee Benefits. Sellers have provided Purchaser with a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee pension benefit plan" as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee welfare benefit plan" as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Seller with respect to the operation of the Hospital, in which any employee of Seller participates in his/her capacity as such (collectively, the "**Seller Plans**").

2.15 Personnel. Sellers have provided Purchaser with a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and scheduled bonus, and the accrued paid time off pay of all employees of Sellers (including employees of the Hospital and employees of VHS and Verity Holdings) immediately prior to ~~February 29~~March 31, 2020, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Sellers's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "**Hospital Employees**") and indicating whether the Hospital Employee is full- time or part-time. Sellers shall provide an updated list to Purchaser no later than five (5) Business Days before the date scheduled for the Closing.Insurance. Sellers have provided Purchaser with a list of all material insurance maintained by Sellers with respect to the Assets, as of the Signing Date.

2.17 ~~Accounts Receivable~~Receivables. To the knowledge of Sellers, all ~~Accounts Receivable~~Receivables included in the Assets at Closing result from the bona fide provision of products or services in the ordinary course of business. All proceeds of Sellers' ~~Accounts Receivable~~Receivables are currently deposited, either electronically or manually, into those bank accounts provided to Purchaser in Seller's electronic data room.

2.18 Payor Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, Sellers have provided Purchaser with a complete list of all written contracts with private third-party payors including insurance companies and HMOs. Sellers have provided Purchaser with a true and correct copy of all material Payor Contracts.

2.19 Excluded Individuals. Except as set forth on Schedule 2.19, to the knowledge of Sellers: neither Sellers, Hospital nor any director, officer or employee of Sellers or Hospital (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an “**Excluded Individual**”); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospital; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

2.20 Seller Knowledge. References in this Agreement to “Sellers’ knowledge” or “the knowledge of Sellers” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents and warrants to Sellers as to the following matters as of the Signing Date and as of the Closing Date:

3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in Schedule 3.4, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which



Purchaser is or may be subject, or (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an "AS IS, WHERE IS" basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any covenant, representation, warranty (expressed or implied, oral or otherwise) made by or on behalf of Sellers, or any other provision of this Agreement, in entering into and performing under this Agreement. Purchaser further acknowledges that Sellers are not making any covenants, representations or warranties herein relating to the Assets or the operation of the Hospital on or after the Effective Time.

3.7 Legal Proceedings. Except as described on Schedule 3.7, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Purchaser's ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which would adversely affect Purchaser's ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of Sellers' Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by Sellers or of any condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser's attention on or before the Closing Date (whether through Sellers or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations, warranties or any other provision or condition under this Agreement, then the effect shall be as if the covenants, representations and warranties or any other provision or condition of this Agreement had been modified in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers' covenants, representations and warranties or any other provision or condition of this Agreement in relation to such information; provided, further, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser's failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers' breach, if any, of this Agreement or any ancillary agreements entered into pursuant to this Agreement. Upon written request of Sellers, Purchaser shall promptly confirm and remake this representation in writing.

3.9 Ability to Perform. Purchaser has the ability to obtain funds and at the Closing shall have cash in amounts necessary to consummate the transactions contemplated by this Agreement by means of cash, credit facilities or otherwise. Upon the earlier of ten (10) days after satisfaction of Section 8.3 or five (5) days prior to the Closing Date, Purchaser shall have delivered to Sellers true, correct and complete copies of (i) executed commitment letter(s) from one or more



banks or other lending institutions or sources (the “**Debt Commitment Letter**”), pursuant to which, and subject to the terms and conditions thereof, the lender parties thereto have committed to lend the amounts set forth therein to Purchaser for the purpose of funding the transactions contemplated by this Agreement and (ii) any executed equity commitment letter(s) (the “**Equity Commitment Letter**” and, together with the Debt Commitment Letter, the “**Financing Commitments**”). The Financing Commitments provide sufficient funds to consummate the transactions contemplated by this Agreement.

3.10 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of Sellers and the Hospital for purposes of conducting a due diligence investigation of Sellers and the Hospital. Purchaser has conducted a reasonable due diligence investigation of Sellers and the Hospital and has received satisfactory answers to all inquiries it has made respecting Sellers and the Hospital and has received all information it considers necessary to make an informed business evaluation of Sellers and the Hospital. In connection with its due diligence investigation of Sellers and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by Sellers, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby. Purchaser has completed all of its due diligence of Sellers and the Hospital and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

3.11 Purchaser Knowledge. References in this Agreement to “Purchaser’s knowledge” or “the knowledge of Purchaser” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

## ARTICLE 4 COVENANTS OF SELLERS

### 4.1 Access and Information; Inspections.

(a) From the Signing Date through the Effective Time, (a) Sellers shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Sellers’ corporate headquarters in Los Angeles, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital and the plant and property of the Hospital at the Hospital and (b) Sellers shall furnish Purchaser with such additional financial and operating data and other information in Sellers’ possession as to the businesses and properties of the Hospital as Purchaser or its representatives may from time to time reasonably request; *provided, however*, that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the ongoing operation of the Hospital by Purchaser; *provided, further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Sellers or their representatives. Purchaser’s right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of Sellers or the Hospital.

(b) Notwithstanding anything contained herein, Sellers shall not be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

#### 4.2 Cooperation.

(a) The Parties shall reasonably cooperate with each other and their respective authorized representatives and attorneys in: (a) all efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities), (b) the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) Purchaser's efforts to effectuate the assignment of Assigned Contracts to Purchaser as of the Closing Date.

(b) Except as may be otherwise requested by Sellers in order to comply with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filing costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to (x) carry out the transactions contemplated by this Agreement and/or (y) transfer any of the Assets, including any Licenses, Transferred Managed Care Agreements and/or Transferred Private Payor Agreements, not including the application required to be submitted to the California Attorney General and the transfer of the Medicare Provider Agreement and the Medi-Cal Provider Agreement, which are dealt with in Sections 5.9(c) and 4.5 hereto respectively. Upon request, Sellers shall provide Seller-specific information that may be needed by Purchaser to obtain such Contract and Lease Consents and such governmental consents, approvals, assignments, authorizations, clearances and licenses.

(c) Notwithstanding any provision to the contrary contained in this Agreement, Sellers shall not be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts or Assigned Leases, from any party to any of the Assigned Contracts or Assigned Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.3 Sellers' Efforts to Close. Sellers shall use their reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to their or Purchaser's obligations under this Agreement to the extent that Sellers' action or inaction can control or materially influence the satisfaction of such conditions; *provided, however*, that Sellers shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than any filing or application fees to the extent Sellers are responsible therefor under this Agreement).

4.4 Termination Cost Reports. Sellers shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (a) the transfer of

the Assets to Purchaser and (b) the transactions contemplated by this Agreement, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit Sellers access to all Hospital books and records to prepare such reports and shall assist Sellers in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by Sellers in a manner that is consistent with current laws, rules and regulations. Sellers shall be responsible for filing governmental cost reports for all periods through the day immediately preceding the Licensure Date. Purchaser shall be responsible for their own cost report filings relating to the Hospital beginning on the Licensure Date.

4.5 Medicare and Medi-Cal Enrollment. Sellers shall make commercially reasonable efforts to expeditiously enter into settlement agreements with the Centers for Medicare and Medicaid Services (“CMS”), with respect to the Medicare Provider Agreement, and the California Department of Health Care Services (“DHCS”), with respect to the Medi-Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings and Final Orders that the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred without the consent of CMS or DHCS, as applicable, free and clear of Encumbrances and Excluded Liabilities and without successor liability, to enable such agreements to be assigned to Purchaser. Between the Closing Date and the Licensure Date, Purchaser may bill and collect for patient services under Seller’s health plan agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.6 Transferred Private Payor Agreements. For purposes of this Section 4.6, the following terms shall have the meanings set forth herein: (a) “**Payor**” means the non-debtor counter-party to a Transferred Private Payor Agreement; (b) “**Overpayment**” means an overpayment made by a Payor to SFMC on account of a Contracted Payment; (c) “**Contracted Payment**” means the contractual reimbursement due from a Payor to SFMC under a Transferred Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service on or prior to the Effective Time. Purchaser agrees that, as a condition to the assignment of any Transferred Private Payor Agreement on the Licensure Date, it shall honor any defenses to the payment of, and shall permit recoupment against, an Account Receivable due from Payor to Purchaser based on an Overpayment under such agreement, *provided that*, the determination and allowance of any Overpayment shall remain subject to the terms and conditions of the relevant Transferred Private Payor Agreement. Without limiting the scope of the foregoing sentence, Purchaser acknowledges and agrees that (a) the Sale Order shall authorize a Payor to continue to exercise its defenses to the payment to Purchaser of an Account Receivable based on an Overpayment, and (b) Overpayments do not constitute Cure Costs under this Agreement. This Section 4.6 shall satisfy the requirements under Sections 365(b) and (f) of the Bankruptcy Code. Following the Licensure Date, pursuant to Section 365(k) of the Bankruptcy Code, the SFMC shall be relieved and released from any obligation to any Payor on account of any Overpayment or otherwise.

4.7 Hospital Operations. From the date of the Sale Order until the Closing, Sellers shall, with respect to the operation of the Hospital, use commercially reasonable efforts (in each case subject to actions relating to and impacts arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19) to:

(a) without regard to negative financial impacts or any Material Adverse Effect, carry on Sellers’ operation of the Hospital consistent with past practice, but subject to the

Bankruptcy Cases and Sellers' obligations and actions in connection therewith;

(b) without regard to Material Adverse Effect, maintain in effect the insurance coverages with respect to the Assets;

(c) without regard to Material Adverse Effect, perform Sellers' material obligations under all Assigned Contracts with respect to the Assets in compliance with the Bankruptcy Code;

(d) with respect to material deficiencies, if any, cited by any governmental authority or accreditation body in the most recent surveys conducted by each, develop and implement a plan of correction (without regard to Material Adverse Effect) that is reasonably acceptable to such governmental authority or such accreditation body, but excluding any deficiencies cited (i) by the Attorney General or (ii) with respect to seismic or OSHPD-related requirements; *provided, however*, that Sellers may appeal any material deficiency citations under applicable laws if a plan of correction is not accepted by the applicable governmental authority or accreditation body which appeal shall satisfy Sellers obligations under this subsection;

(e) following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives to make offers of post-Closing employment to any of Sellers' personnel and to establish relationships with physicians, medical staff and others having business relations with Sellers, provided, that any written materials shall be approved by Sellers prior to being sent, and provided further that such actions by Purchaser do not unreasonably interfere with Sellers' operation of the Hospital;

(f) timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due, unless such failure would not have a Material Adverse Effect; and

(g) without regard to Material Adverse Effect, maintain all existing material approvals, permits and environmental permits relating to the Hospital.

4.8 Interim Collections. Purchaser may bill and collect for patient services rendered by Hospital between the Closing Date and the Licensure Date under Seller's Private Payor Agreements and Transferred Managed Care Agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.9 Contract With Unions. Representatives of Sellers who are parties to collective bargaining agreements and Purchaser shall meet and confer from time to time as reasonably requested by either Party to discuss strategic business options and alternative approaches in negotiating each collective bargaining agreement. The applicable Sellers and Purchaser shall each participate in all union negotiations related to any specific collective bargaining agreement. Promptly following the Signing Date, applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay approval or implementation of any successfully renegotiated collective bargaining agreement. The Parties recognize that Seller's failure to

conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement, provided that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in negotiating modified or new collective bargaining agreements during the period between the Signing Date and the Closing Date, Sellers and Purchaser will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce Sellers' labor cost structure, including, but not limited to, seeking to reject the existing collective bargaining agreement(s).

4.10 Consulting Services.<sup>†</sup> Subject to compliance with applicable Legal Requirements and after entry of the Sale Order if the Purchaser is the Prevailing Bidder:

(a) Purchaser shall provide consulting services to the Hospital for the period prior to the Closing Date;

(b) the consulting services provided by Purchaser may include, but not be limited to, reviewing and advising SFMC regarding accounting and financial records, contracting, billing and collection activities, compliance with law, any of the plans or actions proposed in the following sentence, and other functions;

(c) Sellers shall consider and implement, ~~at no cost to Sellers~~, any mutually reasonably agreed upon plans and actions proposed by Purchaser to (a) assist the Hospital in meeting any seismic compliance deadlines, (b) stabilize and improve the operations of the Hospital or (c) develop and implement turnaround plans for the long-term viability of the Hospital; and

(d) Purchaser shall have reasonable access to the business office and records of the Hospital, which shall include reasonable access to the Hospital's chief executive officer, chief financial officer, chief operations officer or other equivalent personnel of the Hospital reasonably necessary for Purchaser to perform the aforementioned consulting services.

Notwithstanding the foregoing, VHS, SFMC and their boards of directors shall at all times retain ultimate control and governance over the assets and operation of the Hospital. Neither VHS nor SFMC shall delegate to Purchaser any of the powers, duties and responsibilities required to own or operate the Hospital or those that are retained by VHS and/or SFMC under law (including all certificates and licenses issued under authority of law for ownership or operation of the Hospital). For the period of time during which such consulting services are provided, Hospital and VHS shall have the non-exclusive, royalty-free, unlimited license to use any implemented Purchaser-owned intellectual property. Purchaser shall not charge Sellers any consulting fee for providing the services described in this Section 4.11.

4.11 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counter party to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, "Cure Costs", means all amounts that

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<sup>†</sup> ~~To be discussed—subject to review by Verity and BRG.~~



must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.

## ARTICLE 5 COVENANTS OF PURCHASER

5.1 Purchaser's Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions.

5.2 Consents. Purchaser shall be entitled, but not obligated, to seek to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and seek to obtain estoppel certificates from any third party to any Leased Real Property. Purchaser's failure to obtain any or all of the Contract and Lease Consents or estoppel certificates as of the Closing Date shall not be a condition precedent to either Party's obligation to consummate the Closing and perform all transactions contemplated by this Agreement.

5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time are: (i) employees of SFMC; or (ii) employed by another Seller or affiliate and are listed on Schedule 5.3 (collectively, the "**Hospital Employees**"). For the avoidance of doubt, the Hospital Employees shall not include any employees of VHS or any other affiliate of Sellers unless such individual is listed on Schedule 5.3. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the "**Hired Employees**." All employees who are Hired Employees shall cease to be employees of Sellers or its affiliates as of the Closing Date.

(b) After the Closing Date, Purchaser's human resources department will give reasonable assistance to Sellers and their affiliates with respect to Sellers' and Sellers' affiliates' post-Closing administration of Sellers' and Sellers' affiliates' pre-Closing employee benefit plans for the Hospital Employees. Within five (5) days after the Closing Date, Purchaser shall provide to Sellers a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(c) With respect to any collective bargaining agreements or labor contract with respect to any union employees, Purchaser shall comply with the applicable laws, or to the extent applicable, Bankruptcy Court orders relating to collective bargaining agreements or labor contracts.



(d) The provisions of this Section 5.3 are solely for the benefit of the Parties, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.5 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser's representations and warranties set forth in ARTICLE 4 to be inaccurate or untrue during the term of this Agreement and as of the Closing.

5.6 Resale Certificate. Purchaser agrees to furnish to Sellers any resale certificate or certificates or other similar documents reasonably requested by Sellers to comply with or obtain an exemption from pertinent excise, sales and use tax laws.

~~5.7 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counter party to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, "Cure Costs", means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.~~

5.7 ~~5.8~~ Operating Covenant. Purchaser shall act in good faith in fulfilling its obligations under this Agreement.

5.8 ~~5.9~~ Governmental Approvals.

(a) Best Efforts. Purchaser (a) shall use its best efforts to secure, as promptly as possible after the Signing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled, and (b) will provide such other information and communications to governmental and regulatory authorities as Sellers or such authorities may reasonably request. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Licensure Date. Purchaser acknowledges that Sellers may independently contact governmental and regulatory authorities as part of this process.

(b) Change of Ownership Applications. Purchaser shall, promptly, but no later than ten (10) business days after the entry of the Sale Order, or sooner if required by applicable

governmental or regulatory authorities, file all applications, licensing packages and other documents with all applicable governmental and regulatory authorities which are necessary for the operation of a hospital and the consummation of the transactions hereunder, including the hospital license change of ownership application with CDPH, the hospital pharmacy change of ownership application with the BOP, and the Medicare and Medi-Cal change-of-ownership applications.

(c) Attorney General Application. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the California Attorney General (the “**Attorney General**”), the application and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to Title 11, Division 1, Chapter 15, Section 999.5 of the California Code of Regulations (“**Section 999.5**”), which application and report forms and supplemental information will comply in all material respects with the requirements of such regulations and shall state that Purchaser agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the Attorney General are not materially more burdensome than the conditions attached hereto as Exhibit 5.9(c) (the “**Accepted Conditions**”). Purchaser shall pay all fees (including, without limitation, attorneys’ fees) required of Purchaser or Sellers with respect to the preparation and submission of the application, hearings, expert reports, Attorney General attorney review time, reports and other requirements of the Attorney General under Section 999.5. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, the Attorney General, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, the Attorney General. Purchaser shall take such action as may be required by the Attorney General in order to resolve with the minimum practicable delay any objections the Attorney General may have to the transactions contemplated by this Agreement under Section 999.5. For any late submission of the Attorney General application, at Seller’s election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

(d) HSR Filing. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the Federal Trade Commission and the Department of Justice the notification and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), which notification and report forms and supplemental information will comply in all material respects with the requirements of the HSR Act. Purchaser shall pay all filing fees required of Purchaser or Sellers with respect to the notification, report and other requirements of the HSR Act. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, any governmental authority under the HSR Act, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, such governmental authorities. Purchaser shall take such action (including divestitures or hold separate arrangements) as may be required by any governmental authority in order to resolve with the minimum practicable delay any objections such governmental authorities may have to the transactions contemplated by this Agreement under the HSR Act. For any late submission of the application under the HSR Act, at Seller’s election, either the Purchase Price

shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

## ARTICLE 6 BANKRUPTCY COURT APPROVAL

### 6.1 Bankruptcy Court Approval.

(a) Sellers and Purchaser acknowledge that this Agreement has been solicited in conformity with the Bidding Procedures approved by the Bankruptcy Court on February ~~—26~~, 2020 [Docket No. ~~—4165~~] (the “**Bid Procedures Order**”), and that the sale of the Assets and the assignment of the Assigned Contracts and Assigned Leases remain subject to Bankruptcy Court approval. Purchaser further acknowledges that this Agreement and the transactions contemplated hereby are subject to Sellers’ right and ability to consider higher or better competing bids with respect to the Assets subject to the terms of the Bid Procedures Order. Pursuant to the Bid Procedures Order, Purchaser shall, if its bid is determined to be the second highest bid, serve as a back-up bidder (the “**Back-up Bidder**”) and, subject to the provisions of the Bid Procedures Order with respect to the retention of the Deposit, keep Purchaser’s bid to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in any auction under the Bid Procedures Order) open and irrevocable until the earlier of (i) (a) 5:00 p.m. pacific time on the date which is thirty (30) days after the entry by the Bankruptcy Court of the Sale Order; or (b) 5:00 p.m. pacific time on May 31, 2020 (the “**Outside Back-up Date**”), or (ii) the date of closing of an alternative transaction with the bidder who prevails at the auction (the “**Prevailing Bidder**”). Following the entry of the Sale Order and prior to the Outside Back-up Date, if the Prevailing Bidder breaches or fails to perform its obligations under the terms and conditions of its respective transaction documents and Sellers terminate such agreement with the Prevailing Bidder, the Back-up Bidder will be deemed to have the new prevailing bid, and the Bankruptcy Court order approving the sale to the Prevailing Bidder shall provide that Sellers will be authorized, without further order of the Bankruptcy Court, to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in the auction) with the Back-up Bidder.

(b) Purchaser further acknowledges that this Agreement is subject to termination, up to the time of entry of the Sale Order, except to the extent otherwise provided in the Bid Procedures Order, in the event Sellers in the reasonable exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers’ Assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code.

(c) Sellers shall, at any hearing to consider approval of this Agreement (the “**Sale Hearing**”), exercise reasonable efforts to expeditiously obtain a Final “Sale Order” approving this Agreement subject to the reasonable exercise of their fiduciary duties to consider and accept a higher and better offer for Sellers’ assets in accordance with the Bankruptcy Code and this Agreement. For purposes of this Agreement, the term “**Sale Order**” shall mean an order of the Bankruptcy Court in form and substance set forth in Exhibit [ ] and reasonably acceptable to Purchaser, authorizing the sale of the Assets pursuant to Section 363(b) of the Bankruptcy Code

(including the Sellers' assumption and assignment to Purchaser of the Assigned Contracts and Assigned Leases pursuant to Section 365 of the Bankruptcy Code) on the terms and conditions set forth herein, free and clear of all ~~Liens~~Encumbrances (other than Permitted Exceptions) and Excluded Liabilities, including, for the avoidance of doubt, any successor liability, to the maximum extent permitted by the Bankruptcy Code.

(d) For purposes of this Agreement, "Final Order" means an order, ruling, or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing, in form and substance satisfactory to Purchaser or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous Bankruptcy Rule or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

(e) ~~(d)~~ Sellers agree, subject to the reasonable exercise of their fiduciary duties, to expeditiously seek a Bankruptcy Court determination that Purchaser is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and in good faith to file such declarations and other evidence as may be required to support a determination.

(f) ~~(e)~~ Sellers shall seek expeditiously an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Sellers, whether or not arising in connection with this Agreement, solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

6.3 Bidding Procedures. Sellers and Purchaser shall comply with the terms of the Bid Procedures Order. Sellers shall sign this Agreement as and when permitted pursuant to the Bid Procedures Order and the Sale Order. Notwithstanding anything to the contrary herein or in the Bid Procedures Order, once approved the Sale Order shall not be materially modified absent the written consent of Purchaser, unless such modification has no substantive effect on Purchaser. In the event that the Sale Order is modified in contravention of this provision, Purchaser may, at its sole election, terminate the transaction proposed hereby.

(a) Provided that there is a Competing Bidder and a competitive sale of the Assets is conducted rather than a sale outright to Purchaser without a further sale process, the initial overbid over the Purchase Price shall be Twenty Million Dollars (\$20,000,000.00) and each subsequent bid shall be in increments of Ten Million Dollars (\$10,000,000.00). Any Competing Bidders must be a Qualified Bidder under the conditions set forth in the Bid Procedures without waiver thereof. Purchaser is irrevocably deemed to be a Qualified Bidder.

(b) The Sellers shall provide to Purchaser, immediately upon receipt/determination, each of the following: (i) notice of the determination of which others have been determined to be Qualified Bidders (as defined in the Bid Procedures Order), (ii) notice of which bidders have been determined to not have submitted Qualified Bids, and (iii) provide to Purchaser copies of all bids.

## **ARTICLE 7**

### **CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS**

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

7.3 Governmental Submissions. Purchaser shall have submitted the hospital license change of ownership application to CDPH and the hospital pharmacy change of ownership application to the BOP.

7.4 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5.9(c).

7.5 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

7.6 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.



## ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

8.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

8.3 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a ~~Bankruptcy Court order or orders~~ Final Order providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5.9(c). In the event the Attorney General imposes conditions on the transactions contemplated by this Agreement, or on Purchaser in connection therewith which are materially more burdensome than the Purchaser Approved Conditions set forth on Exhibit 5.9(c) (the "**Additional Conditions**"), Sellers shall ~~have the opportunity to~~ file a motion with the Bankruptcy Court seeking the entry of an order ("**Supplemental Sale Order**") finding that the Additional Conditions are an "interest in property" for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions without the imposition of any other conditions, which would adversely affect the Purchaser, and such Order shall have become Final. For purposes of this Section 8.3, Additional Conditions which individually or collectively impose a direct or indirect cost to Purchaser of Five Million Dollars (\$5,000,000), or more, shall be conclusively deemed to be "materially more burdensome." If Sellers ~~determine not to seek such Supplemental Sale Order, or~~ fail to obtain such Final Supplemental Sale Order within sixty (60) days of the Attorney General's imposition of Additional Conditions, Purchaser (at its sole discretion) shall be entitled to terminate this Agreement and receive the return of its Deposit or elect to extend such sixty (60) day period. Upon the entry of such an order ~~from the Bankruptcy Court becoming a Final Order~~, and so long as such order remains in full force and effect, Purchaser shall be required to consummate the transactions contemplated by this Agreement. If Sellers do not obtain such an order, or such order does not relieve the Additional Conditions to the satisfaction of Purchaser or such order does not ~~remain in full force and effect~~ become Final within the applicable time period, Purchaser shall not be required to consummate the transactions contemplated by this Agreement.

8.4 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a "good faith" purchaser, and such order shall be in full force and effect and not subject to any stay requested or obtained within the period in which such stay may be so requested or obtained.



8.5 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

8.6 Medicare and Medi-Cal Provider Agreement. Following consultation with Purchaser, Sellers shall have obtained agreements with CMS and DHCS or a ~~court order~~ Final Order by a court having proper jurisdiction shall have been entered with respect to the transfer of the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement, such that (a) all liabilities ~~and~~ obligations and Encumbrances under the Medicare/Medi-Cal Agreements are fully satisfied, discharged, and released with regard to any claims under the Medicare/Medi-Cal Agreements, whether known or unknown, that CMS or DHCS has against the Sellers or Purchaser for liabilities and obligations arising under the Medicare/Medi-Cal Agreements before the Effective Time, and (b) the Medicare/Medi-Cal Agreements will be transferred to Purchaser as of the Effective Time free and clear of such pre-Closing liabilities ~~and~~ obligations and Encumbrances; provided, however, that Purchaser acknowledges and agrees that it may be treated by CMS and DHCS as the successor to the quality history associated with the relevant Medicare/Medi-Cal Agreements assigned and, for purposes of survey and certification issues associated with such quality history, Purchaser may be treated as if it is the relevant Seller and no change of ownership occurred.

8.7 Collective Bargaining Agreements and Labor Contracts. Purchaser agrees to close the transactions contemplated by this Agreement, so long as (a) after good faith negotiations with the applicable St. Francis labor unions, such labor unions agree to either (i) modify the St. Francis collective bargaining agreements to be substantially consistent with the Purchaser's existing new collective bargaining agreements with each such respective labor union, and settle all liabilities under the existing agreements, or (ii) enter into new collective bargaining agreements that are substantially consistent with the Purchaser's existing collective bargaining agreements with each such respective labor union, and settle all liabilities under the existing agreements, or (b) the Bankruptcy Court takes action to reject any such collective bargaining agreement that is not substantially consistent or where the union has not agreed to settle all liabilities under the agreement. In the event Purchaser and the respective St. Francis labor union are unable to agree to a modified or new collective bargaining agreement that is substantially consistent with the Purchaser's existing collective bargaining agreement with the respective labor union, as well as a settlement of all liabilities under the existing agreements, and the Bankruptcy Court does not reject such collective bargaining agreement pursuant to a final order, then Purchaser shall not be required to consummate the transactions contemplated by this Agreement.

## **ARTICLE 9 TERMINATION**

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

(a) by the mutual written consent of the Parties;

(b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after Sellers provide Purchaser of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Sellers shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if Sellers are also in material breach of this Agreement;

(c) by Purchaser if Purchaser has complied with Section 3.8 and a material breach of this Agreement has been committed by Sellers, which material breach has resulted, or would more likely than not result, in a Material Adverse Effect on the Assets taken as a whole, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides Sellers of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if Purchaser is also in material breach of this Agreement;

(d) by Purchaser if satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date);

(e) by Sellers if satisfaction of any such condition in ARTICLE 7 is or becomes impossible and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Case prior to the sale closing or fails to approve the sale of the Assets to Purchaser;

(g) by Sellers in the event Sellers in the exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers' assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code;

(h) by Purchaser in the event that its Back-Up Bidder status has expired in accordance with the Bid Procedures Order and or the terms of this Agreement; and

(i) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before September 1, 2020 (the "**Termination Date**"); provided, that the Termination Date shall be extended in the event the conditions set forth in Section 7.4 and Section 8.3 have not been satisfied (but the conditions to Closing in Article 7 and

Article 8 have otherwise been satisfied other than such conditions that are to be satisfied by payments and deliveries to be made at the Closing) to the earlier of (A) ten (10) business days after the satisfaction of the conditions set forth in Section 7.4 and Section 8.3 or (B) December 31, 2020.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Section 9.1: (a) all further obligations of the Parties under this Agreement shall terminate, other than Purchaser's right to receive a return on the Deposit in accordance with Section 1.2 and a break-up fee in accordance with the Bidding Procedures, and provided that the provisions of ARTICLE 11 shall survive, and (b) each Party shall pay the costs and expenses incurred by it in connection with this Agreement; *provided, however*, that in the case of any termination based on Section 9.1(b) or Section 9.1(c), the consequences of such termination shall be determined in accordance with ARTICLE 11 hereof. Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such Party would not have entered into this Agreement.

9.3 Additional Termination Consequences.

(a) In the event that (i) a bid from a purchaser other than Purchaser for all or any part of the Assets in accordance with the Bid Procedures Order (a "Competing Bid") is consummated, or (ii) this Agreement is terminated for any reason other than a material breach of Purchaser, in consideration for the Purchaser having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from Purchaser or any other application to or order of the Bankruptcy Court, (A) the Deposit shall be returned to Purchaser in accordance with the Bid Procedures Order (if not previously returned pursuant to the Bid Procedures Order because Purchaser is neither the Winning Bidder (as defined in the Bid Procedures Order) nor the Back-Up Bidder (as defined in the Bid Procedures Order)) and (B) Sellers shall jointly and severally, pay (or cause to be paid to) Purchaser, in accordance with the terms hereof, a termination payment solely in the event of a successful Competing Bid in an amount equal to two and one-half percent (2.5%) of the Purchase Price (the "Stalking Horse Bidder Protections"). Sellers shall pay such Stalking Horse Bidder Protections in immediately available funds in the event of termination pursuant to Section 9.3(a)(ii), or upon consummation of a Competing Bid pursuant to Section 9.3(a)(i), to such account or accounts as may be specified in writing by Purchaser. The Stalking Horse Bidder Protections shall constitute an allowed administrative expense claim of Sellers' estates under sections 503(b) and 507 of the Bankruptcy Code and notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second (2nd) business day following the date of consummation of a Competing Bid or termination of this Agreement under Section 9.1(a), (c), (d), (f), (g), (h) or (i) if no material breach by Purchaser of this Agreement has occurred. The Sale Order shall provide, although not required for the enforceability hereof, for payment by Sellers of the Stalking Horse Bidder Protections as and when such amounts are due and payable hereunder. Nothing in this Section 9.3(a) shall relieve Purchaser or Sellers of any liability for a breach of this Agreement prior to the date of termination.

(b) Each of the Parties acknowledges and agrees that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the other Parties would not enter into this Agreement. Each of the

Parties further acknowledges that the payment by Sellers of the Stalking Horse Bidder Protections is not a penalty, but rather liquidated damages in a reasonable amount that will compensate Purchaser, in the circumstances in which such Stalking Horse Bidder Protection is payable, for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision. The obligation to pay the Stalking Horse Bidder Protections in accordance with the provisions of this Agreement will (i) be binding upon and enforceable jointly and severally against each Seller and (ii) survive the subsequent termination of this Agreement, solely to the extent permitted by applicable law. The obligation to pay the Stalking Horse Bidder Protections as and when required under this Agreement, are intended to be, and are, binding upon (A) each Seller, (B) any successors or assigns of any Seller and (C) any trustee, examiner or other representative of a Seller's estate (each of (A) through (C), a "Successor") as if such Successor were a Seller hereunder.

## ARTICLE 10 POST-CLOSING MATTERS

10.1 Excluded Assets. Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the Parties' mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within ~~ten~~thirty (~~10~~30) business days following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Sellers for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to Sellers under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

### 10.2 Preservation and Access to Records After the Closing.

(a) From the Licensure Date until seven (7) years after the Licensure Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records, patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including,

without limitation, color laser copies) of, such records with respect to time periods prior to the Licensure Date (including, without limitation, access to records of patients treated at the Hospital prior to the Licensure Date) during normal business hours after the Licensure Date, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties do not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Licensure Date with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees. In addition, Sellers and Sellers' affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of Sellers' affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or its applicable affiliate's use of such records.

(c) In connection with (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and Sellers' affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.



(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either (i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 and any and all corresponding California state law requirements with respect to the operation of the Hospital on and after the Licensure Date.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting purposes, including without limitation QAF or DSH reporting.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the Hospital or any of the Hospital's committees prior to the Licensure Date, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

10.3 Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract or Assigned Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assigned Contract or Assigned Lease, as the case may be, thereunder. If, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both (a) provide Purchaser with the benefits of or under any such Assigned Contract or Assigned Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assigned Contract or Assigned Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor.

10.4 General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute "Excluded Assets" shall be paid to and received by Sellers, with any payments that constitute "Assets" transferred to Purchaser pursuant to Section 1.7 or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective



Date (“**Turnover Period**”), the Parties shall, within ten (10) business days of receipt, copy and send to the other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the ~~Accounts~~ Receivables, from whatever payor or source of funds, that are received on and after the Effective Time. In the event that payments that constitute a transferred Asset are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) days of notice of the receipt of such payments shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within ten (10) days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the requesting Party’s sole expense, of the bank records and remittance advices of the other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or and underpayment of funds due, the Party owning funds shall, within ten (10) business days, make a payment of such funds to whom they are owed.

10.5 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the “**Post-Effective Time CFO**”) to cooperate with Sellers’ representatives in order to complete the standardized closing of Sellers’ financial records through the Licensure Date including, without limitation, the closing of general ledger account reconciliations (collectively, the “**Closing of Financials**”). Purchaser shall cause the Post-Effective Time CFO to use their good faith efforts to cooperate with Sellers’ representatives in order to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to Sellers for a period of no less than one hundred eighty (180) calendar days after the Closing Date to assist Sellers in the completion of Sellers’ post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO’s other duties.

10.6 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital’s medical staff members in good standing as of the Licensure Date shall maintain medical staff privileges at the Hospital as of the Licensure Date. On and after the Licensure Date, the medical staff will be subject to the Hospital’s Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.7 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates (“**Shared Intangible Assets**”) and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals;

*provided, however*, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

## ARTICLE 11 DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If the Agreement is terminated pursuant to Section 9.1(b), Sellers shall be entitled to retain the Deposit, and Sellers may, in addition thereto, pursue any rights or remedies that Sellers may have under this Agreement or applicable law, including the right to sue for damages or specific performance.

11.2 Sellers Default. If the Agreement is terminated pursuant to Section 9.1(c), Purchaser shall have the right to demand and receive a refund of the Deposit, and Purchaser may, in addition thereto, pursue any rights or remedies that Purchaser may have under applicable law, including the right to sue for damages or specific performance.

### 11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Licensure Date, the Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Licensure Date and shall preserve all such information, records and documents at least until the expiration of any applicable statute of limitations or extensions thereof. The Parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) Solely for purposes of tax reporting, Schedule 11.3 sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the “**Allocation Schedule**”). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such Party. The Parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

### 11.4 Cost Report Matters.

(a) Consistent with Section 4.4, Sellers shall, at Purchaser’s expense, prepare and timely file all cost reports relating to the periods ending prior to the Licensure Date or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the “**Seller Cost Reports**”).

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers' preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser's provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit conferences or meetings. Sellers shall have no obligations after the Licensure Date with respect to Seller Cost Reports except for preparation and filing thereof.

## **ARTICLE 12 MISCELLANEOUS PROVISIONS**

12.1 Further Assurances and Cooperation. Each Party shall execute, acknowledge and deliver to the other Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by such Party at any time and shall take any and all other actions reasonably requested by such Party at any time for the purpose of consummating the transactions hereunder and fulfilling such Party's obligations hereunder. After consummation of the transactions contemplated in this Agreement, the Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the Parties hereto; *provided, however*, that no Party hereto may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other Parties which consent shall not be unreasonably withheld or delayed, except that Purchaser may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date so long as such affiliate was described and was part of the Attorney General application under Section 5.9(c) and provided that any such assignment shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The Parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the Parties.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated

by reference herein. From the Signing Date until the Closing, the Parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of this Agreement merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular obligation, representation or warranty shall be deemed adequately disclosed as an exception with respect to all other obligations, representations or warranties, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other obligation, representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder shall be deemed effectively given when either personally delivered, or when received by telegraphic or other electronic means (including facsimile) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers: Verity Health System of California, Inc.  
601 South Figueroa St., Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With a copies to: Dentons US LLP  
(which copies shall 601 South Figueroa St., Suite 2500  
not constitute notice) Los Angeles, CA 90017-5704  
Attention: Tania Moyron, Esq.  
Telephone: 213-243-6101

If to Purchaser: Prime Healthcare Services, Inc.  
3480 East Guasti Road, 2<sup>nd</sup> Floor  
Ontario, California 91761  
Attention: General Counsel  
Facsimile: 909-235-4316

With a copy to: McDermott Will & Emery LLP  
(which copies shall 2049 Century Park East, Suite 3200  
not constitute notice) Los Angeles, California 90067  
Attention: Jeffrey Reisner, Esq.  
Facsimile: 310-277-4730

or at such other address as one Party may designate by notice hereunder to the other Parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases at least forty-eight (48) hours prior to issuance; *provided, however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either Party's disclosure obligations imposed by law subject to reasonable prior notice to the other Party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word "including" followed by a listing does not limit the preceding words or terms and shall mean "including, without limitation." Any reference in this Agreement to an "affiliate" shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A "Person" shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the Parties' successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers' estate.

12.12 Expenses and Attorneys' Fees. Except as otherwise provided in this Agreement, each Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any Party to enforce any



provision of this Agreement, the prevailing Party shall be entitled to recover its court costs and reasonable attorneys' fees.

12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties hereto. The Parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a Party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the Parties on the subject matter hereof (the "**Superseded Agreements**"), which Superseded Agreements shall be of no further force or effect.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term or condition. The subsequent acceptance of performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

12.18 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR



ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.18. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[REMAINDER OF PAGE IS BLANK]*

**IN WITNESS WHEREOF**, this Agreement has been entered into as of the day and year first above written.

**PURCHASER:**

**Prime Healthcare Services, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**SELLERS:**

**Verity Health System of California, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Verity Holdings, LLC**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**St. Francis Medical Center**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Schedule 1.4(c)**  
**St. Francis Medical Center**

<b>Description</b>	<b>Owner</b>	<b>Address</b>	<b>APN</b>
Hospital Campus (including Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park MOB	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood MOB	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

**Exhibit 1.3(a) to APA**  
**Form of Leaseback Agreement**

*See attached.*

## **SALE LEASEBACK AGREEMENT**

*[Note: This agreement is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This structure is not required.]*

This Sale Leaseback Agreement (the “**Leaseback Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (“**Hospital Newco**,” and collectively with Parent Company, the “**Parent Company Parties**”) on the other hand. The Corporation, Parent Company, and Hospital Newco may be referred to herein individually as a “**Party**,” and collectively as the “**Parties**.”

### **RECITALS**

**A.** On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

**B.** The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

**C.** Parent Company and the Corporation have entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of the assets of the Corporation and related assets (collectively, the “**Assets**”). Capitalized terms not defined in this Leaseback Agreement shall have the meanings given to such terms in the APA.

**D.** The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital’s services are provided (collectively, the “**Hospital Premises**”).

**E.** Parent Company designated its affiliate, Hospital Newco, as the owner of the Corporation’s Assets purchased by Parent Company under the APA (the “**Designation**”), and its affiliate \_\_\_\_\_ (the “**Manager**”) as the operator of the Hospital.

**F.** Pursuant to Section 1.3 of the APA, the Corporation, Parent Company, and the Manager, are entering into that certain Interim Management Agreement (“**IMA**”) of even date herewith, and commencing at the Effective Time, to enable the Manager to manage the day-to-day operations of the Hospital following the Closing until the Manager is issued the Licenses necessary to operate the Hospital (for the avoidance of doubt, that date will occur when the Manager is issued both a license to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy (collectively, the “**New Licenses**”)).

A. Pursuant to the APA, at the Effective Time, Parent Company will purchase the Corporation's Assets, except for the Excluded Assets (as set forth in the APA). Also pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the "**Pharmacy Assets**"), the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the "**Licensure Date Assets**") shall transfer to Parent Company (or its affiliate) as of the Licensure Date.

B. Immediately following the Closing, and until the Manager obtains the New Licenses, the Parent Company Parties desire to lease back or license to the Corporation all of the then-acquired Corporation's Assets used in the operation of the Hospital, and the Corporation desires to so lease or license such Corporation's Assets from the Parent Company Parties on the terms and conditions set forth herein. The Corporation's Assets shall exclude the Licensure Date Assets, which the Corporation shall own until the New Licenses are issued.

## AGREEMENT

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions. Any capitalized term appearing herein that is not defined shall have the same definition ascribed to it under the IMA or the APA (as designated when such term first appears herein).

2. Description of The Leased or Licensed Assets.

2.1 Leased or Licensed Assets. The Parent Company Parties hereby lease or license to the Corporation, and the Corporation leases or licenses from the Parent Company Parties, all of the Corporation's Assets used in the operation of the Hospital, except for the Licensure Date Assets, which the Corporation shall continue to own until the Licensure Date (as defined in the APA) (collectively, the "**Leased or Licensed Assets**"). Specifically, the Leased or Licensed Assets shall include: (a) the Hospital Premises (which shall be leased); (b) tangible personal property, including, but not limited to, fixtures, furnishings, hard copy medical and financial records and equipment (including, but not limited to, hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems) (which shall be leased); and (c) intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Corporation).

2.2 Management of Pharmacy and Use of Pharmacy Assets.

(a) The Corporation shall at all times during the term of this Leaseback Agreement be the owner of the Pharmacy Assets. The Parties acknowledge, however, that under the IMA, the Manager will be managing the Corporation's pharmacy during the Management Period (as defined in the IMA), and the Corporation therefore grants the Manager (i) access to



and authority to use the drugs, dangerous drug delivery devices, or other tangible pharmacy assets, and (ii) a license to use the intangible intellectual property saved or embodied in the pharmacy systems, in each case to the extent necessary for the Manager to fulfill its obligations under the IMA.

(b) Pursuant to the IMA, the Corporation shall be responsible for purchasing drugs and dangerous devices identified by the Manager as necessary for the operations of the Hospital, and the Manager shall reimburse the Corporation for all costs and expenses incurred for such purchases.

3. Term; Termination. This Leaseback Agreement shall have a term coextensive with the Management Period (as defined in the IMA) and shall automatically terminate upon the termination of the IMA.

4. Payments by the Parent Company Parties.

4.1 Utilities. The Parent Company Parties shall pay all utilities and services supplied to the Hospital during the term hereof, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services.

4.2 Taxes. The Parent Company Parties shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon or against the Leased or Licensed Assets, the Hospital, and/or the Corporation, after the Effective Time.

4.3 Insurance. The Parent Company Parties shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation during the term hereof. The Parent Company Parties covenant and agree that the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation are covered as of the date hereof and will be covered at all times by general liability, fire, theft, business interruption, cyber, professional liability, directors and officers insurance, employment practices liability, terrorism, workers' compensation & employers' liability, directors and officers, fiduciary, crime, punitive damages excess liability, physical damage, property liability, automobile, storage tank, helipad and non-owned aviation, sexual misconduct and molestation, medical provider professional liability, and provider capitation stop loss (managed care excess loss) insurance. All such insurance shall name the Parent Company Parties and the Corporation as insureds as their respective interests may appear.

4.4 Repairs and Maintenance: Alterations. During the term of this Leaseback Agreement, the Parent Company Parties shall pay all costs of repairing (including replacement of) and maintaining the Leased or Licensed Assets and Hospital and every part thereof in good and sanitary order, condition and repair during the term hereof, reasonable wear and tear excepted, including, without limitation, all costs of all repairs, replacements and maintenance required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development ("OSHPD"). The Corporation shall not

make any alterations or changes to the Leased or Licensed Assets without prior written approval of the Parent Company Parties, which may be given or withheld in the Parent Company Parties' sole discretion.

**4.5** Payment. Nothing in this Section 4 shall in any way limit, reduce, or otherwise affect Parent Company's payment obligations under the IMA or the APA.

**5.** Use. The Leased or Licensed Assets shall be used for the operation of the Hospital, subject to the terms of the APA and the IMA.

**6.** Risk of Loss.

**6.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Leased or Licensed Assets or Hospital during the term of this Leaseback Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, accident or any other casualty (collectively, "**Casualty**"), and the Parent Company Parties shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

**6.2** If, during the term of this Leaseback Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain or condemnation proceedings, exercise of state authority under an executive order or by deed in lieu thereof (collectively, "**Condemnation**"), the Parent Company Parties, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**6.3** In the event of a Casualty or Condemnation, neither the Parent Company Parties nor the Corporation may terminate this Leaseback Agreement.

**7.** Continued Access. Following termination of this Leaseback Agreement, and until the entry of final decrees closing the Bankruptcy Cases, the Patient Care Ombudsman, appointed by the United States Trustee pursuant to Bankruptcy Code § 333 and approved by the Bankruptcy Court [*see* Docket No. 430], shall have continuing access to the Leased or Licensed Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to the Parent Company Parties, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the chapter 11 plan as approved by the Bankruptcy Court.

**8.** Miscellaneous.

**8.1** Further Assurances. Each of the Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Leaseback Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

**8.2** Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Leaseback Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail,

return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center  
c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.  
(which copy shall not Dentons US LLP  
constitute notice) 601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to the Parent Company  
Parties:

With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Parties in accordance with this Section 8.2.

**8.3** Payment of Expenses. Except for the Parent Company Parties' obligation to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Leaseback Agreement, each Party hereto shall bear its own legal, accounting, and other expenses incurred in connection with the preparation and negotiation of this Leaseback Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

**8.4** Rent. The Corporation has prepaid the sum of One Thousand Dollars (\$1,000.00), the receipt of which is hereby acknowledged by the Parent Company Parties, and the Corporation shall not be required to pay the Parent Company Parties any additional rent under this Leaseback Agreement.

**8.5** Entire Agreement; Amendment; Waiver. This Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement. Nothing in this Leaseback Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court. This Leaseback Agreement may not be modified or amended except in writing signed by the Parties. No waiver of any term, provision or condition of this Leaseback Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Leaseback Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

**8.6** Assignment. Neither this Leaseback Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by the Corporation or the Parent Company Parties without the prior written consent of the other Parties, which may be granted, denied or conditioned in such Party's absolute discretion except that the Parent Company Parties may assign this Leaseback Agreement in connection with any permitted assignment under the IMA. Subject to the foregoing, this Leaseback Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties.

**8.7** Joint Venture; No Third Party Beneficiaries. Nothing contained herein shall be construed as forming a joint venture or partnership among the Parties with respect to the subject matter hereof. The Parties do not intend that any third party shall have any rights under this Leaseback Agreement.

**8.8** Captions. The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

**8.9** Governing Law. This Leaseback Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**8.10** Jurisdiction. The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Leaseback Agreement, and any of the documents or transactions contained in or contemplated by this Leaseback Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Leaseback Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c)

waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.2 hereof

**8.11 Conditions to Effectiveness.** The Parties acknowledge that this Leaseback Agreement is subject to and contingent upon the occurrence of the Closing under the APA. This Leaseback Agreement shall not be effective, nor shall any Party have any obligations hereunder, unless and until the Closing under the APA has occurred.

**8.12 Cooperation on Regulatory Compliance Matters.** The Parent Company Parties understand and acknowledges that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance, as well as the requirements or recommendations of any accrediting agencies. In the event the terms of this Leaseback Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Leaseback Agreement, the Parent Company Parties shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request, recommendation or directive.

**8.13 Transition Services Agreement.** Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will enter into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

**8.14 Fair Meaning.** This Leaseback Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

**8.15 Counterparts.** This Leaseback Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Leaseback Agreement may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**8.16 WAIVER OF JURY TRIAL.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF

**LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.16. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).**

*[Signature Page Follows.]*



**IN WITNESS WHEREOF**, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**Parent Company Parties:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Corporation:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit 1.3(b) to APA**

**Form of Interim Management Agreement**

*See attached.*

## **INTERIM MANAGEMENT AGREEMENT**

*[Note: This IMA is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This IMA is drafted assuming Purchaser is buying hospital's accounts receivable. This structure is not required.]*

This Interim Management Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (the “**Manager**,” and collectively with the Corporation and Parent Company, the “**Parties**” and each individually a “**Party**”) on the other hand.

### **RECITALS**

**A.** On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

**B.** The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

**C.** Parent Company, as purchaser, and the Corporation and certain of its affiliates (collectively, the “**Sellers**” as defined in the APA), as seller, entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of certain assets of the Sellers (collectively, the “**Assets**”). All terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

**D.** The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital's services are provided (collectively, the “**Hospital Premises**”).

**E.** Pursuant to the APA, Parent Company agreed to purchase the Assets, which include certain assets of the Corporation (the “**Corporation's Assets**”).

**F.** Parent Company designated its affiliate, \_\_\_\_\_ (“**Hospital Newco**”) as the owner of the Corporation's Assets, and the Manager as the operator of the Hospital.

**G.** Parent Company and the Manager have requested this Agreement to afford the Manager additional time to obtain its general acute care hospital license from the California Department of Public Health (“**CDPH**”), and its hospital pharmacy permit from the California Board of Pharmacy (together, the “**New Licenses**,” and the date on which the New Licenses are issued is the “**Licensure Date**”).

**H.** Pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Hospital Newco as of the Licensure Date.

**I.** The Corporation shall maintain a possessory interest in the Hospital and the Hospital Premises, and Parent Company and Hospital Newco on the one hand as lessor, and the Corporation, on the other hand as lessee, are entering into that certain Sale Leaseback Agreement of even date herewith, pursuant to which certain of the Corporation’s Assets will be leased back to the Corporation (the “**Leaseback Agreement**”).

**J.** Until Hospital Newco obtains the New Licenses, the Manager desires to assume the management of the Hospital, including its pharmacy, on behalf of the Corporation, and the Corporation desires to avail itself of such management services, upon the terms and conditions set forth in this Agreement.

## **TERMS OF AGREEMENT**

**NOW, THEREFORE,** in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

### **1. Term.**

**1.1** The term of this Agreement (the “**Management Period**”) shall commence as of the Effective Time (as defined in the APA) and shall continue until the earlier of the Licensure Date or [June 30, 2021]. The Parties acknowledge that, during the Management Period, the Corporation shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of the Manager.

### **2. Acknowledgements and Covenants.**

**2.1** As of the Effective Time, Parent Company shall have acquired all of the Corporation’s Assets as set forth in the APA (other than the Licensure Date Assets), which shall be leased back to the Corporation pursuant to the terms of the Leaseback Agreement during the term of this Agreement.

**2.2** Pursuant to Section 1.3 of the APA, contemporaneously with the date the New Licenses are issued and the termination of the Leaseback Agreement, ownership of the Licensure Date Assets shall be transferred to Hospital Newco. Parent Company and the Manager acknowledge that this Agreement and the foregoing subsequent transfer of the Licensure Date Assets are made at the request of Parent Company and the Manager, to provide more time for the Manager to obtain its New Licenses. As such, Parent Company acknowledges, covenants, and agrees that the total Purchase Price (as defined in the APA) shall be paid to the Sellers under the APA as if the Licensure Date Assets were transferred as of the Effective Time.

**2.3** As of the Effective Time, the Corporation shall have ended the employment or engagement of all employees and contractors and, to the extent they received offers of employment or engagement from the Manager (or its affiliates) and accepted such offers, shall have been transferred to the Manager (or its affiliate) as employees or contractors of the Manager (collectively, the “**Hired Employees**”).

**2.4** During the Management Period, the Corporation will (a) assign an individual to oversee the operation of the Hospital and serve as the president of the Corporation, as required by the Centers for Medicare & Medicaid Services, CDPH, and applicable California laws and regulations (the “**Responsible Officer**”), and (b) maintain proper oversight by a board of directors.

### **3. Appointment of Manager.**

**3.1** During the Management Period, the Corporation hereby appoints the Manager as the sole and exclusive provider of the Services (defined below) and hereby grants to the Manager the exclusive right to manage the Hospital under the Corporation’s Licenses (as defined in the APA) as a general acute care hospital, including without limitation, the right to undertake those certain management responsibilities and permitted activities described in Section 4 below. The Manager hereby accepts such appointment for all purposes with respect to the Corporation’s rights, duties, and responsibilities under the Licenses for the Hospital, to the fullest extent permitted by law, and agrees, to the fullest extent permitted by law, to provide management services to the Hospital on behalf of the Corporation (the “**Services**”).

**3.2** The Manager’s Services hereunder shall include management and operation of the Hospital’s pharmacy on behalf of the Hospital, even though the Pharmacy Assets will not be transferred to Hospital Newco pursuant to the APA until the Licensure Date.

**3.3** Upon the Licensure Date, the Manager’s Services provided to the Hospital under the Corporation’s Licenses shall terminate and, thereafter, Hospital Newco (and its affiliates) will be operating the Hospital as the licensee holding its own New Licenses.

**3.4** During the Management Period, the Manager shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Corporation’s provider agreements, payor contracts, and NPI numbers as set forth in Schedule 3.4, attached hereto (collectively, the “**Corporation’s Billing Credentials**”). Because all billing and collecting shall be under the Corporation’s Billing Credentials, payments shall be made in the Corporation’s name and deposited in the Corporation’s bank accounts. The Parties acknowledge and agree that during the Management Period, the Corporation’s bank accounts and lockboxes shall remain under the Corporation’s name and in the Corporation’s control. Consistent with Section 4.5(b), the Manager may transfer the Manager Compensation to its accounts. To the extent the Manager is unable to make such transfers to its own accounts, upon request by the Manager, the Corporation will, at the Manager’s cost, forward to the Manager any payment or reimbursement received during the Management Period.

**3.5** To the extent the Corporation’s lenders continue to have liens, security interests~~claims~~, charges, mortgages, security interests, rights of setoff, recoupment, netting and deductions, rights of first offer, first refusal and any other similar contractual property, legal or

equitable rights, and any successor or successor-in-interest liability theories, or any other encumbrances whatsoever (collectively, “**Encumbrances**”) on the Corporation’s bank accounts or lockboxes as of the Effective Time, the Corporation, Parent Company, and the Manager shall work cooperatively to facilitate termination and release of such Encumbrances.

**3.6** The Corporation shall retain and, upon the Licensure Date, the Manager shall assume, any contracts necessary for the Corporation to continue to be the holder of the Licenses and to bill for Hospital services during the Management Period, in accordance with the APA. Such contracts shall be as set forth in Schedule 3.6, attached hereto (the “**Retained Contracts**”). Parent Company hereby designates each Retained Contract as an Assigned Contract under Section 1.11 of the APA.

#### **4. Management Responsibility.**

**4.1** During the Management Period, the Manager shall, subject to all applicable legal and regulatory requirements and the Corporation’s ultimate oversight and control, have responsibility for the management of the Hospital, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In furtherance thereof, the Manager’s Services shall include, but not be limited to, the following duties, which duties shall be performed at the Manager’s sole cost and expense:

(a) Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH requirements for maintenance of the Licenses in good standing, Medicare conditions of participation and requirements for payment with respect to governmental programs, and the requirements for maintenance of the Hospital’s accreditations;

(b) Employing and managing the Hired Employees and any other non-clinical and clinical personnel (i) deemed necessary by the Corporation for the operation of the Hospital as a general acute care hospital, or (ii) required by law so as to meet all applicable labor laws and regulations, and consistent with orders of the Bankruptcy Court;

(c) Ensuring that the Corporation is able to pay itself out of the Hospital Revenues for the costs and expenses set forth in Sections 4.5(b);

(d) Maintaining and repairing, as needed, the Hospital Premises so as to ensure material compliance with all applicable local, state and federal law, and construction timelines imposed by OSHPD.

(e) Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital Premises;

(f) Affording the Responsible Officer or his or her designee access, during normal business hours, to the Hospital Premises, the books and records at the Hospital Premises or in Manager’s possession, the Hired Employees and any other personnel of Manager or otherwise



who are providing services associated with the operation of the Hospital, and such other access and assistance as reasonably requested by the Responsible Officer;

(g) Upon at least one (1) day's prior written notice to the Manager, providing access, during normal business hours, to the Hospital Premises to lessors of equipment at the Hospital Premises, if any, who have been authorized by order of the Bankruptcy Court to remove their equipment from the Hospital Premises, provided that the Manager shall have full power and authority to require that the removal of such equipment by such lessors does not damage the Hospital Premises;

(h) Providing access, during normal business hours, to the Hospital, the Hospital Premises, the Hospital's books and records, electronic health records, financial information systems, operating systems, laboratory systems, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, to the Corporation, the Corporation's directors, officers and representatives, and the Corporation's successors in interest, including, but not limited to, any plan administrator, liquidating trustee or similar representatives appointed or approved by the Bankruptcy Court, as well as the Patient Care Ombudsman appointed in the Bankruptcy Cases under Section 333 of the Bankruptcy Code (the "**PCO**") [*see* Docket No. 430], for the purpose of winding down the Corporation's affairs, pursuing litigation and adversary proceedings, and to effectuate a plan of liquidation, as approved by the Bankruptcy Court (the "**Plan**"), *provided, however*, that such access does not unreasonably disrupt the Hospital's operations;

(i) Maintaining, all licenses, permits consents, approvals, accreditations, and certifications currently held by the Corporation in good standing, in active status, and in compliance with all applicable local, state, and federal laws, including the timely payment of all applicable fees to support or renew these approvals;

(j) Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital that a prudent hospital operator or owner would maintain, including directors and officers insurance with no less coverage than was maintained for directors and officers just prior to the Effective Time;

(k) Maintaining and obtaining those insurance coverages required under the Leaseback Agreement, for its own account, with the Corporation included as a named insured, and paying all amounts required under the Leaseback Agreement in a timely manner, including rent, utilities, taxes, and insurance premiums;

(l) Opening and forwarding all mail relating to the financial or business affairs of the Corporation to the notice address below;

(m) Periodically reporting to the Corporation (or its designee), either in person or telephonically, the condition of the Hospital and the Hospital Premises;

(n) Coordinating with the governing board and the organized medical staff (each, as established by the Corporation and the Sellers) on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight;

(o) Paying all costs and expenses in connection with and incidental to ownership of the Corporation's Assets and management and operation of the Hospital hereunder, including but not limited to, all the Hospital operating costs, employee-related costs, and taxes, whether or not identified, described, or referenced in this Agreement;

(p) Cooperating with the Corporation in facilitating termination and release of any Encumbrances on the Corporation's bank accounts and lockboxes; and

(q) Performing such other duties and activities as are reasonably necessary for the Manager to fulfill its responsibilities under this Agreement and the APA.

**4.2 Permitted Manager Activities.** During the Management Period, the Manager may do any of the following, in consultation with the Corporation and subject to the requirements of applicable local, state, and federal law, which activities may be performed by the Manager at the Manager's sole cost and expense:

(a) Make alterations, improvements, and repairs to the interior or exterior of the Hospital Premises, including structural alterations, improvements, and repairs;

(b) Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital Premises;

(c) Move into and install furniture, fixtures, equipment, and supplies at the Hospital Premises;

(d) Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and

(e) Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the Licenses, and receiving and retaining for the Manager's own account all revenues and proceeds of any such activities, to the extent they comprise the Manager Compensation.

#### **4.3 Prohibited Manager Activities.**

(a) Notwithstanding anything to the contrary in this Agreement, the Manager shall have no authority to take and shall not take any action with respect to any Excluded Assets or Excluded Liabilities (as such terms are defined in the APA) of the Corporation.

(b) The Manager's authority to manage and operate the Hospital is limited to those actions that Manager is expressly required or permitted to do hereunder.

(c) The Manager shall not (i) take any action that interferes with the Corporation's transfer of funds to pay itself out of the Hospital Revenues as set forth in Section 4.5(b); or (ii) remove, withdraw, or authorize removal or withdrawal of funds from the Corporation's bank accounts or lockboxes to the extent that the Corporation would be unable to fully pay itself as set forth in Section 4.5(b).

#### **4.4 APA Provisions; Transition Services Agreement.**

(a) Nothing herein shall modify the prorations of expenses and utilities set forth in the APA, including specifically as set forth in Section 1.6 of the APA.

(b) None of the information accessed, learned or obtained by Parent Company or the Manager or any of their affiliates in the course of performing their duties hereunder may serve as the basis for payment of less than the full Purchase Price or to otherwise assert a claim against the Sellers.

(c) Nothing herein shall modify the transfer of the Assets from the Sellers to Parent Company as contemplated in the APA, including specifically as set forth in Section 1.7 of the APA.

(d) Nothing herein shall modify the APA in respect of the exclusion from purchase by Parent Company of the Excluded Assets, including specifically as set forth in Section 1.8 of the APA.

(e) Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will be entering into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

#### **4.5 Manager Compensation; Distribution of Revenue.**

(a) As used in this Agreement, the term "**Hospital Revenues**" shall mean all revenues and reimbursement received by the Corporation after the Effective Time, including, but not limited to, cash, accounts, notes, or other accounts receivable, disproportionate share payments, quality assurance fee payments, Seller Cost Report (as defined in the APA) settlements, and capitation premiums, whether payable by Medicare, Medi-Cal or any other commercial or governmental payor, or any health maintenance organization or any other managed care program or any private pay patients, but only to the extent they are not Excluded Assets (as defined in the APA).

(b) As full and complete payment for the Manager's Services, the Manager shall be entitled to receive an amount equal to the Hospital Revenues less the following amounts that will be paid to the Corporation by Manager (the "**Manager Compensation**"):

(i) All costs and expenses incurred by the Corporation for the Corporation's purchase of drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital;

(ii) All salaries, stipends, costs and expenses associated with the employment or engagement of the board of directors of the Corporation and its parent organization, VHS, the Responsible Officer and any other retained employees or contractors of the

Corporation primarily or exclusively providing services necessary for the operation of the Hospital and compliance with applicable laws, if any; and

(iii) All other costs and expenses associated with keeping the Corporation in good standing, maintaining its Licenses and maintaining the Retained Contracts, including, but not limited to, filings with the secretary of state, filing tax returns, board of directors expenses, directors and officers insurance, employment practices liability insurance, compensation, benefits, and such other costs and expenses incurred by a hospital corporation in the normal course of business.

(c) Corporation shall instruct the financial institutions that service its bank accounts or lockboxes to, immediately following the Effective Time and during the Management Period, sweep all Hospital Revenues from the Corporation's bank accounts or lockboxes on a daily basis into an account designated in writing by Manager, and Corporation shall not revise such written instructions without obtaining the prior written consent of Manager.

(d) Under no circumstance shall the Manager seek payment for the Manager's Services from the liquidating trustee, the Corporation, any of the Corporation's officers, directors, agents, contractors, personnel, affiliates or subsidiaries, Verity Health System of California, Inc. ("VHS"), or any of VHS' officers, directors, agents, contractors, personnel, affiliates or subsidiaries.

(e) The Corporation shall issue invoices to the Manager on a weekly basis for the items described in Section 4.5(b) (i), (ii) and (iii), with reasonable supporting detail therefor. The Manager shall pay such invoices within ten (10) business days of receipt of such invoices. If the Manager does not remit payment in respect of such invoices in accordance with the immediately preceding sentence, the unpaid amount of such invoices shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to the Corporation (the "**Invoice Payment Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Invoice Payment Due Date until payment of such invoices and all interest thereon is made to the Corporation.

#### **4.6 Liabilities and Losses.**

(a) Parent Company shall be responsible for all the Hospital liabilities and losses incurred or accrued during the Management Period.

(b) Nothing hereunder shall, or is intended to, modify or supersede Parent Company's responsibility for the Transferred Obligations (as defined in the APA) or the Corporation's responsibility for the Excluded Liabilities (as defined in the APA).

(c) Specifically, with respect to any and all quality assurance fee ("**QAF**") liabilities owed by the Corporation, Parent Company shall pay all QAF fees that become due and owing or are overdue during the Management Period, even though such fees may have been calculated based on data prior to the Effective Time.

(d) If Parent Company (or its affiliate) has designated any health plan capitation agreements to be assigned to Hospital Newco, then Parent Company hereby assumes all liabilities and responsibilities related to managing the members covered by such health plan capitation agreements, including arranging for services from and payment under all related risk pool arrangements, all related arrangements with independent physician associations (IPAs), all downstream provider agreements, and all out-of-network provider arrangements or services, without regard to whether the member services were rendered prior to or after the Effective Time.

**4.7 The Corporation's Ultimate Control.** Notwithstanding anything to the contrary in this Section 4 or in this Agreement more generally, the Corporation, as holder of the Licenses, shall remain ultimately responsible for the operation of the Hospital, and may, at any time and from time-to-time during the Management Period, take any action (at Parent Company's or the Manager's sole cost and expense) necessary to ensure the Corporation's compliance with applicable laws and regulations, even if such action requires the Corporation to intervene in the Manager's performance of the Manager's duties or permitted activities pursuant to this Section 4.

## **5. Continued Responsibility of the Corporation.**

**5.1** During the Management Period, the Corporation shall maintain (at Parent Company's or the Manager's sole cost and expense), and shall not take or voluntarily permit any actions which may adversely affect, the Corporation's corporate existence and its full rights as the licensee under the Licenses. In addition, during the Management Period, the Corporation and its officers shall reasonably cooperate with the Manager (at Parent Company's or the Manager's sole cost and expense) in the Manager's provision of the Services.

**5.2** Notwithstanding the statutory and regulatory authority and responsibility of the Corporation for the continued management of the Hospital during the Management Period, the Parties recognize and acknowledge that under this Agreement, the Manager shall, subject to the ultimate oversight by and approval of the Corporation, be responsible for the day-to-day operation and maintenance of the Hospital as a general acute care hospital. In the event that any violation or alleged violation of or non-compliance with any statute or regulation applicable to the operation or maintenance of the Hospital as a general acute care hospital certified by the Medicare and Medi-Cal programs occurs during the Management Period, then without regard to legal or statutory fault on the part of the Manager or of the Corporation, the Manager shall immediately notify the Corporation of such violation or alleged violation or non-compliance and take reasonable efforts to avoid or minimize any related adverse consequences. Parent Company and the Manager shall be responsible for the costs of any penalty, fine or remediation identified during the Management Period arising out of or relating to any act, omission, event or occurrence connected with the operation of the Hospital after the Effective Time, including, without limitation, the cost of engaging third party consultants or experts to help address or resolve the violation, alleged violation or non-compliance, and shall indemnify and hold the Corporation harmless for the same in accordance with Section 9.2. The Corporation retains the right to join the Manager in contesting said violations upon providing the Manager with notice of its intent to do so.



**5.3** The Corporation shall be responsible for purchasing drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital at the Manager's sole cost and expense, as set forth in Section 4.5(b)(i).

**5.4** The Corporation agrees to execute and deliver to the Manager such documents as the Manager may reasonably request to maintain the hospital license active and in good standing with CDPH and the other Licenses necessary or appropriate to maintain the Hospital as a general acute care hospital and to facilitate the Manager's obtaining of the New Licenses.

**6. The Parties' Cooperation with Regulatory Agencies.** The Manager shall use its best efforts to obtain the New Licenses as expeditiously as possible. The Manager shall provide updates to the Corporation weekly, and as requested by the Corporation, on the status of the Manager's efforts to obtain the New Licenses. To the extent not already submitted prior to the Effective Time, the Manager shall provide a copy of all such initial and supplementary or amended license applications for the New Licenses to Corporation at least two (2) business days prior to submission. The Manager and the Corporation shall cooperate with each other in the event the Corporation requests revisions to a license application for a New License. The Corporation shall, at Parent Company's or the Manager's cost, reasonably cooperate with the Manager's efforts to obtain the New Licenses, and may communicate and coordinate with licensing agencies as necessary in connection with obtaining the New Licenses. Notwithstanding the foregoing, obtaining all governmental consents, approvals, assignments, authorizations, and clearances necessary to obtain the New Licenses shall be solely Parent Company's and the Manager's (and not the Corporation's) responsibility, including payment of any fees, expenses, filing costs or other amounts related thereto.

**7. Risk of Loss.**

**7.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Hospital Premises, Assets or the Hospital during the term of this Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, cyberattack, accident or any other casualty (collectively, "**Casualty**"), and Parent Company shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

**7.2** If, during the term of this Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, "**Condemnation**"), Parent Company, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**7.3** In the event of a Casualty or Condemnation, neither Parent Company nor the Corporation may terminate this Agreement.

**8. Continued Access.** Following the expiration or termination of this Agreement and until the entry of final decrees closing the Bankruptcy Cases, if expressly authorized or directed by the Bankruptcy Court, and only to the extent so authorized or directed, the PCO shall have continuing access to the Corporation's Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to Parent Company or the Manager, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary



proceedings, and to effectuate the Plan.

## **9. Exculpation; Indemnification.**

**9.1** The Corporation and the Corporation's affiliates, members, officers, directors, employees, attorneys, accountants, consultants, agents, representatives, successors and assigns, including the liquidating trustee and responsible officer (collectively the "**Corporation Indemnified Parties**") shall have no liability in contract, tort or otherwise unless and until a Chosen Court finds in a final, non-appealable judgment that any Damages result solely from a Corporation Indemnified Party's gross negligence or willful misconduct.

**9.2** Parent Company and the Manager shall promptly and fully keep and hold the Corporation Indemnified Parties forever harmless from, and shall indemnify and defend the Corporation Indemnified Parties from and against, without regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, awards, liabilities, losses, penalties, claims, costs, demands, damages, expenses, liens, and encumbrances, including investigation costs, time spent in depositions and reasonable attorneys' fees and expenses (collectively, "**Damages**"), whether civil or criminal, direct, indirect or consequential and no matter how arising, in any way related to, connected with, arising or resulting from, or under this Agreement, the APA, the Hired Employees (as defined in the APA), the Manager's performance of the Services, or the operation or management of the Hospital or the Corporation's Assets, in each instance after the Effective Time. Notwithstanding the foregoing, the Parties understand that except as otherwise specifically provided for in the APA, Parent Company and the Manager are not, by virtue of this Agreement or any term or provision herein, assuming any claim, liability, expense, debt or other obligation of the Corporation that both relates to the operation or management of the Hospital or the Corporation's Assets prior to the Effective Time and constitutes an Excluded Liability under the APA.

**10. HIPAA Compliance.** The Manager agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the Corporation agrees not to take or voluntarily permit any actions which violate Privacy Laws with respect to the Hospital or its operations. Toward this end, Parent Company, the Manager, and the Corporation agree to execute and deliver that certain Business Associate Agreement, attached hereto as Exhibit A and incorporated by reference herein, upon execution of this Agreement.

**11. Further Assurances.** Each of the Parties hereto agree to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by any other Party hereto to perfect or evidence their rights hereunder.

**12. Relationship of Parties.** In performing their duties and permitted activities under this Agreement, Parent Company, the Manager, and the Corporation shall, at all times be acting and performing as independent contractors. Parent Company, the Manager, and the Corporation are not partners or joint venturers with each other and nothing herein shall be construed as making

them partners or joint venturers or imposing upon any of them any liability as partners or joint venturers.

**13. Notices and Demands.** All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center  
c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.  
(which copy shall not Dentons US LLP  
constitute notice) 601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to Parent Company  
and/or  
the Manager:

With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Party in accordance with this Section 13.

**14. Expenses.** Except for Parent Company's and the Manager's obligations to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Agreement, each Party to this Agreement shall pay its own expenses in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby, including the fees of any attorneys, accountants, financial advisors, investment bankers or other professionals engaged by such Party.

**15. Entire Agreement.** This Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement, contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement. Nothing in this Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court.

**16. Amendment.** This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by all the Parties.

**17. Waiver.** Waiver by any Party of any breach or failure to comply with any provision of this Agreement by any other Party shall not be construed as or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written notice signed by the waiving Party and delivered, in the manner required for notices generally, to each affected Party.

**18. Severability.** In case any provision of this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

**19. Successors and Assigns.** This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective permitted successors and assigns. The Corporation shall not be permitted to assign its rights or its obligations under this Agreement without the prior consent of Parent Company and the Manager. The Parties further acknowledge and agree that the Manager may subcontract for any of the goods or services required to be provided by the Manager pursuant to this Agreement, and the Manager may assign any of its rights hereunder and/or delegate any of its obligations hereunder, so long as in each case the Manager remains responsible for such subcontracted goods or services and for any of such Manager obligations hereunder.

**20. Attorneys' Fees.** In the event of any litigation or arbitration between the Parties arising out of this Agreement, the prevailing Party therein shall be allowed to recover from the other Party all court costs and reasonable attorneys' fees which shall be fixed by the court or arbitrator.

**21. Headings.** The descriptive headings of sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**23. Jurisdiction.** The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; provided, however, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the “**Chosen Courts**”) shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 13 hereof.

**24. Commencement.** The Parties acknowledge that commencement of the Manager’s Services under this Agreement is subject to and contingent upon the occurrence of the Closing (as defined in the APA). The Management Period shall not commence, and the Parties’ obligations during the Management Period shall not commence, unless and until the Closing has occurred.

**25. Cooperation on Regulatory Compliance Matters.** Parent Company and the Manager understand and acknowledge that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance. In the event the terms of this Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Agreement, Parent Company and the Manager shall cooperate with such amendment and/or supplement to ensure the Corporation’s ability to comply with such guidance, request or directive.

**26. Counterparts.** This Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. It may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**27. WAIVER OF JURY TRIAL.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT,

OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[Signature page follows.]*

**IN WITNESS WHEREOF**, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**MANAGER:**

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CORPORATION:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PARENT COMPANY:**

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**HOSPITAL NEWCO:**

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



**Exhibit A to IMA**

**Business Associate Agreement**

**Schedule 3.4 to IMA**  
**Corporation's Billing Credentials**

**Schedule 3.6 to IMA**

**Retained Contracts**

**Exhibit 1.4(a) to APA**

**Form of Bill of Sale**

*See attached.*

**Exhibit 1.4(b) to APA**

**Form of Real Estate Assignment Agreements**

*See attached.*

**Exhibit 1.4(c) to APA**  
**Form of Quitclaim Deed**

*See attached.*



**Exhibit 1.4(d) to APA**  
**Form of Transfer Agreement**

*See attached.*

**Exhibit 1.4(f) to APA**

**Form of Transition Services Agreements**

*See attached.*

## **TRANSITION SERVICES AGREEMENT**

This Transition Services Agreement (the “**Agreement**”), is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**Verity**”), Verity Holdings, LLC, a California limited liability company (“**Verity Holdings**”), St. Francis Medical Center, a California nonprofit public benefit corporation (“**St. Francis**” and together with Verity and Verity Holdings, collectively the “**Sellers**” and each individually a “**Seller**”) and \_\_\_\_\_ (“**Purchaser**”). The Sellers, the Liquidating Trust, and Purchaser may each be referred to herein as a “**Party**” and collectively as the “**Parties**.”

This Agreement is being entered into in connection with the Asset APA, dated of even date herewith among Sellers and Purchaser (the “**APA**”). Capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in the APA. The Parties have agreed to provide or cause one or more of their respective direct or indirect subsidiaries or affiliates to provide certain services as set forth below. The Party providing services hereunder (together with those of its direct and indirect subsidiaries and affiliates providing services hereunder) is referred to herein as the “**Service Provider**” and the Party receiving services hereunder (together with those of its direct and indirect subsidiaries and affiliates receiving services hereunder) is referred to herein as the “**Service Recipient**”. The Parties agree that this Agreement will be amended to include the Liquidating Trust (as defined below) after its creation, pursuant to the effective date set forth in the plan of liquidation (the “**Plan**”) to be confirmed by the Bankruptcy Court.

## **RECITALS**

A. On August 31, 2018, the Sellers and certain of their affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Purchaser and the Sellers entered into the APA, which provides for the sale of the assets of the Sellers (collectively, the “**Assets**”).

D. Sellers will file a motion with the Bankruptcy Court to approve the APA and upon approval, the Bankruptcy Court will enter a sale order (the “**Sale Order**”).

E. Sellers and certain of their affiliates will file a chapter 11 Plan, pursuant to which a liquidating trust (the “**Liquidating Trust**”) will be created on the effective date of the Plan after confirmation thereof.

F. The primary purpose of the Liquidating Trust is to, among other things, liquidate and distribute assets, which includes assets of the Sellers not sold to Purchaser pursuant to the APA.

G. Following the Closing Date, the Sellers and the Liquidating Trust need access to certain assets, systems, facilities, equipment, and personnel of Purchaser in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers, and Purchaser agrees to provide such access and services in connection therewith.

## AGREEMENT

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

### ARTICLE I SERVICES

#### **Section 1.1** Services to be Provided.

(a) Services to be Provided by the Sellers and/or the Liquidating Trust. Subject to the terms and conditions of this Agreement, the Sellers and/or the Liquidating Trust, as the Service Provider, shall provide or cause to be provided to Purchaser, as the Service Recipient, those services in support of the business of Purchaser on such terms (including payment) as may be mutually agreed upon in writing from time to time by the Sellers and/or the Liquidating Trust and Purchaser (the "**Seller Services**").

(b) Services to be Provided by Purchaser. Subject to the terms and conditions of this Agreement, Purchaser, as the Service Provider, shall provide or cause to be provided to the Sellers and the Liquidating Trust, as the Service Recipient, those services and personnel in support of the business of the Sellers and/or the wind-down and liquidation of the Sellers set forth on Schedule A attached hereto (the "**Purchaser Services**").

#### **Section 1.2** Access to and Use of Assets, Systems, Facilities, and Equipment.

(a) Access. Beginning on the Effective Time and continuing through the termination or expiration of this Agreement in accordance with its terms, Purchaser hereby grants to the Sellers and the Liquidating Trust, reasonable access to and the right to use the hospital assets, systems, facilities, and equipment to the extent reasonably required in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. If any third party to any lease, license or other agreement requires Sellers to sign any documents in order for Sellers to be granted access to, and the right to use, any hospital asset, system, facility or equipment under such lease, license or other agreement, Sellers agree to execute and deliver any such documents; provided, that such documents, leases, licenses or other agreements do not require Sellers to pay any money or take any action, not required by the Sale Order; and provided, further, that if Sellers do not sign such requisite documents, leases, licenses or other agreements, then Purchaser has no obligation to provide Sellers with access and the right to use the associated hospital assets, systems, facilities and equipment provided by such third party; and provided, further, that Purchaser agrees to indemnify, defend and hold harmless each of the Sellers in connection with any obligations under any such documents, leases, licenses or other agreements other than those obligations of Sellers thereunder which are required by the Sale Order.

(b) Office Space. In order to enable the provision of the Seller Services, Purchaser hereby grants to Sellers' and their affiliates' employees and any third-party service providers or subcontractors the right to use and occupy the portion of St. Francis Medical Center identified on Schedule B attached hereto (the "**Premises**") at no cost for use exclusively as office space pursuant to the terms and conditions hereof, and until the termination of this Agreement pursuant to Article IV herein. Sellers shall keep the Premises neat, clean and sanitary and dispose of all garbage. Sellers may terminate its right to occupy the Premises at any time upon five (5) days prior written notice to Purchaser. Upon termination of Sellers' right to occupy the Premises, Sellers shall vacate the Premises in broom-clean condition. Purchaser shall make the Premises available to Sellers 24 hours a day, 7 days a week. Purchaser may access the Premises for purposes of making repairs or improvement or other reasonable purposes upon (except in the case of an emergency) reasonable prior written notice to Sellers; however, Purchaser shall at all times use its commercially reasonable efforts to prevent interference with or interruption of the Sellers' business activities on the Premises. The Sellers use of the Premises shall additionally be subject to the following terms and conditions:

(i) Purchaser shall have the right, on reasonable advance notice (which shall not be less than three (3) business days) to Sellers, to relocate the space covered by the preceding license to similar space in the same area as the original designated Premises, provided the replacement space is reasonably suitable for the same uses as contemplated herein. In the event of any such relocation, references herein to the Premises shall constitute references to such relocated space.

(ii) Sellers shall not make any material alterations, decorations, additions, or improvements in or to the Premises or the Purchaser's other property without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole discretion.

(iii) Sellers shall not do, or permit their representatives to do, anything that would: (a) unreasonably obstruct or materially interfere with the lawful operation of the Premises or other portions of the Purchaser's property by Purchaser and other tenants of the Purchaser's property; or (b) use the Premises for any illegal or unlawful purpose, including without limitation any violations of applicable laws or regulations relating to or regulating hazardous substances.

(iv) The license, occupancy and access rights granted to Sellers under this Agreement shall be effective notwithstanding any ground lease, mortgage, deed of trust, or any other hypothecation or security placed at any time upon the Premises or any of Purchaser's property of which the Premises is a part, and notwithstanding any change in ownership (including any sale and/or leaseback involving any property of which the Premises is a part) .

**Section 1.3** Subcontracting. The Service Provider may, in its sole discretion and without any written notice to the Service Recipient engage one or more parties (including third parties or affiliates of the Service Provider) to provide the Services, whether in whole or in part or subcomponent. Without limiting the preceding, Purchaser will not be required to use the Sellers existing IT and similar systems, but shall have the right to replace IT and other systems, used to provide any of the Purchaser Services provided that the new or replacement systems provide equivalent functionality. Sellers and Purchaser agree to fully cooperate with each other, at Purchaser's sole cost and expense, in connection with any data or other transition steps required in

connection moving any of the functions covered by the Purchaser Services to a new vendor or system.

**Section 1.4** Cooperation; Access. Each Party shall, at reasonable times under the circumstances, make available to any other Party properly authorized personnel for the purpose of consultation and decisions in connection with the Services.

**Section 1.5** Certain Qualifications.

(a) Provided AS-IS. By accepting the use to the Premises and other access rights provided herein, Sellers conclusively shall be deemed, subject to the representations, warranties and obligations expressly set forth in this Agreement, to have (i) accepted the Premises and access to other property of Purchaser “AS IS” and without express or implied warranty; and (ii) is fully aware of and has approved the Premises in its condition existing as of such date.

(b) Limited Representation. Except for the representations, warranties and obligations expressly set forth in this Agreement, Purchaser makes no representations and warranties of any kind, implied or expressed, with respect to the Purchaser Services, including, without limitation, no warranties of merchantability or fitness for a particular purpose, which are specifically disclaimed.

(c) Privacy and Confidentiality Protections. All access provided to Sellers, to the Premises or otherwise as provided herein, shall be permitted only in a manner which protects patient privacy and the confidentiality of patient information under applicable Privacy Laws.

(d) Limitation on Liability. In no event shall any Party have any liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, whether based on statute, contract, tort or otherwise, and whether or not arising from any other Party’s sole, joint, or concurrent negligence, strict liability, criminal liability or other fault.

## ARTICLE II LICENSE GRANT

**Section 2.1** License Grant. Beginning on the Effective Time and continuing through the later of the termination or expiration of this Agreement in accordance with its term or the dissolution of the Sellers and their Businesses, the wind-down of the Liquidating Trust and the completion of the Bankruptcy Cases, Purchaser grants to the Sellers and the Liquidating Trust a royalty free, license to use the name “St. Francis Medical Center,” including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website content, know-how, trade secrets, related to the use of the preceding name, and the corporate or company names of the Sellers and the name of the Hospital, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing, in all respects solely as reasonably needed in connection with the wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. Sellers and the Liquidating Trust shall not assign, transfer or hypothecate any of the rights subject to, and pursuant to, the preceding license and shall not use any such license rights in any manner which



could adversely affect Purchaser's intellectual property rights with respect to the items which are the subject of such license.

### **ARTICLE III PAYMENT**

**Section 3.1** Service Fees. The fee, rate or amount to be charged to the Service Recipient for the Services (the "**Service Fees**") shall be as set forth on Schedule A hereto for the Purchaser Services and as agreed upon in writing from time to time by Sellers and/or the Liquidating Trust and Purchaser for the Purchaser Services. The Service Provider shall issue invoices on a monthly basis to the Service Recipient for the Services, with a statement of such Services and reasonable supporting detail therefor. The Service Recipient shall pay the undisputed portion of such invoices within thirty (30) days of receipt of such invoices. Any dispute relating to the Services shall be resolved in accordance with the dispute resolution procedures set forth in this Agreement.

### **ARTICLE IV TERM AND TERMINATION**

**Section 4.1** Term. Unless a Service is earlier terminated by the Service Recipient in accordance with Section 4.2(b), the Service Provider shall provide each Service to the Service Recipient for the period beginning at the Effective Time (as defined under the APA) and continuing through and including the applicable dates set forth in: (i) Schedule A (with respect to the Purchaser Services); and (ii) any written agreement between Sellers and/or the Liquidating Trust and Purchaser (with respect to the Seller Services) (the "**Applicable Term**"); provided, that in the event a particular Service provided by Purchaser hereunder is required by one or more Sellers to allow such Seller(s) to comply with applicable laws, rules or regulations, the Applicable Term shall be extended for so long as such Service is required to allow such Seller(s) to comply with such laws, rules and regulations; *provided, however*, that notwithstanding any other term herein any Party may, in any case, terminate this Agreement by written notice to any other Party at any time on and after the end of the 18<sup>th</sup> calendar month following the Licensure Date (as defined in the APA). In addition, upon termination or expiration of this Agreement, the Parties may mutually agree in writing to a tail period for any portion of the Services, and the terms of this Agreement shall continue to apply to such ongoing Services until performed in full.

#### **Section 4.2** Termination.

(a) Termination for Material Breach. This Agreement may be terminated by the Sellers and/or the Liquidating Trust on the one hand, or Purchaser on the other hand, upon written notice to any other Party in the event that any other Party materially breaches any provision of this Agreement and fails to remedy such breach within thirty (30) days of its receipt of such written notice, except to the extent such remedy is prevented or not permitted by the Bankruptcy Court; and provided, further, however, that this Agreement may only be terminated under this Section 4.2(a) following approval of such termination by the Bankruptcy Court.

(b) Early Termination. The Service Recipient may terminate any particular Service early by providing not less than thirty (30) days prior written notice to the Service Provider of its intent to terminate early such particular Service. Any such partial termination notice delivered

shall specify in detail (i) the Service or Services to be terminated and (ii) the effective date(s) of such termination (subject to the foregoing sentence). If any such termination of a Service prior to the expiration of its Applicable Term requires any out-of-pocket fee, cost or expense of a similar nature payable to a third party (a “**Termination Fee**”), the Service Provider shall have no obligation to terminate such Service prior to the expiration of its Applicable Term unless the Service Recipient approves in advance such Termination Fee in writing (a “**Termination Fee Approval**”). If the Termination Fee Approval is granted, the Termination Fee shall be billed to and payable by the Service Recipient.

(c) Continued Access. Notwithstanding the termination of any particular Services hereunder, Service Recipient shall continue to have the right, upon reasonable advance notice and consistent with the other provisions herein, to reasonable access data and Service Provider, personnel relating to such Services for reasonable purposes (including compliance with applicable law).

**Section 4.3** Effect of Termination. The termination of this Agreement pursuant to Section 4.2 shall not relieve any Party from liability for any willful and material breach of this Agreement prior to such termination. Further, the provisions of Article II, Article III, this Section 4.3, Article V and Article VI shall survive any termination of this Agreement pursuant to Section 4.2.

## ARTICLE V COORDINATION AND OTHER COVENANTS

**Section 5.1** Coordination. The Parties hereby appoint as of the Effective Time the following representatives responsible for coordinating and managing the provision and receipt of the Services, which representatives shall have authority to act on the applicable Party’s behalf with respect to matters relating to this Agreement:

Sellers’ Representative:

Address:

Telephone:

Facsimile:

Email:

Liquidating Trust Representative:

Address:

Telephone:

Facsimile:

Email:

Purchaser's Representative:

Address:

Telephone:

Facsimile:

Email:

In the event that the Sellers, the Liquidating Trust or Purchaser elect, in their sole discretion, to change their respective representative appointed for purposes of this Section 5.1, the Sellers, the Liquidating Trust or Purchaser (as the case may be) shall deliver written notice thereof to the other promptly following the effective date of appointment of the name and contact information of such new representative. The representatives shall work in good faith to address and attempt to resolve any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof, whether sounding in contract or tort and whether arising during or after termination of this Agreement, including any pricing and other Service related matters.

**Section 5.2** General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute Excluded Assets (as defined in the APA), shall be paid to and received by Sellers, with any payments that constitute Assets (as defined in the APA) transferred to Purchaser pursuant to Section 1.7 of the APA or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective Time ("**Turnover Period**"), the Parties shall, within ten (10) business days, copy and send to any other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the ~~Accounts~~ Receivables (as defined in the APA), from whatever payor or source of funds, that are received on and after the Effective Time. In the event that Assets are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) business days of notice of the receipt of such Assets, shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party, moreover, shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the

requesting Party's sole expense, of the bank records and remittance advices of any other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or an underpayment of funds due, the Party owing funds shall, within five (5) business days, make a payment of such funds to the Party to whom they are owed.

**Section 5.3** HIPAA Compliance. The Parties agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the performance by the Parties of the services and obligations provide herein.

**Section 5.4** Confidentiality.

(a) During the term of this Agreement and thereafter, the Parties shall, and shall instruct their respective Representatives (as defined below) to, maintain in confidence and not disclose any other Party's financial, technical, sales, marketing, development, personnel, and other information, records, or data, including, without limitation, customer lists, supplier lists, trade secrets, designs, product formulations, product specifications or any other proprietary or confidential information, however recorded or preserved, whether written or oral (any such information, "**Confidential Information**"). Each Party hereto shall use the same degree of care, but no less than reasonable care, to protect any other Party's Confidential Information as it uses to protect its own Confidential Information of like nature. Unless otherwise authorized in any other agreement between the Parties, any Party receiving any Confidential Information of any other Party (the "**Receiving Party**") may use Confidential Information only for the purposes of fulfilling its obligations under this Agreement (the "**Permitted Purpose**"). Any Receiving Party may disclose such Confidential Information only to its directors/managing members, managers, officers, employees, consultants, financial advisors, prospective or existing lenders, counsel, accountants and other agents of such Receiving Party (and, in addition, Sellers may disclose such Confidential Information to the creditors committee in the Bankruptcy Cases and its consultants, financial advisors, counsel, accountants and other agents, the Liquidating Trust and its trustee, consultants, financial advisors, counsel, accountants and other agents and any advisory board members and their consultants, financial advisors, counsel, accountants and other agents) ("**Representatives**") who have a need to know such information for the Permitted Purpose and who have been advised of the terms of this Section 5.5 and the Receiving Party shall be liable for any breach of these confidentiality provisions by such persons; *provided, however*, that any Receiving Party may disclose such Confidential Information to the extent such Confidential Information is required to be disclosed by a governmental agency or court order ("**Governmental Order**"), in which case the Receiving Party shall promptly notify, to the extent possible, the disclosing Party (the "**Disclosing Party**"), and take reasonable steps to assist in contesting such Governmental Order or in protecting the Disclosing Party's rights prior to disclosure, and in which case the Receiving Party shall only disclose such Confidential Information that it is advised by its counsel in writing that it is legally bound to disclose under such Governmental Order.

(b) Notwithstanding the foregoing, "Confidential Information" shall not include any information that the Receiving Party can demonstrate: (i) was publicly known at the time of disclosure to it, or has become publicly known through no act of the Receiving Party or its

Representatives in breach of this Section 5.5; (ii) was rightfully received from a third party without a duty of confidentiality; or (iii) was developed by it independently without any reliance on the Confidential Information.

(c) Upon demand by the Disclosing Party at any time, or upon expiration or termination of this Agreement with respect to any Service, the Receiving Party agrees promptly to return or destroy, at the Receiving Party's option, all Confidential Information. If such Confidential Information is destroyed, an authorized officer of the Receiving Party shall certify to such destruction in writing.

## **ARTICLE VI MISCELLANEOUS**

### **Section 6.1** Relationship of the Parties.

(a) The Parties and their respective representatives shall be deemed independent contractors for all purposes under this Agreement.

(b) This Agreement shall not be deemed or construed to create the relationship of employer or employee, partnership or any type of joint venture relationship among the Parties.

(c) The Parties acknowledge and agree that the Parties are not providing legal, accounting or tax advice under this Agreement. The Parties further acknowledge and agree that no fiduciary or other similar relationship is being created among the Parties relating to the Services or otherwise under this Agreement.

(d) Except as expressly set forth herein, neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser or any of its representatives or affiliates, on the other hand, shall have the authority to contract for or assume obligations of any nature in the name of any other Party, as the case may be, without the other's prior written consent.

**Section 6.2** No Set-off. Neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser nor any of its representatives or affiliates, on the other hand, shall have any set-off or other similar rights pursuant to this Agreement.

**Section 6.3** Notices. All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the Party for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation if sent by facsimile; in each case to the Party at the address set forth in Section 5.1, or such other address as may be designated in writing hereafter, in the same manner, by such Party.

**Section 6.4** Amendment, Modification and Waiver. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the Parties, or in the case of a waiver, by the Party



against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

**Section 6.5** Assignment. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, hypothecated, sublicensed, subleased or transferred by any of the Parties, in whole or in part, to any other person without the prior written consent of the non-assigning Party, and any attempted or purported assignment in violation of this Section 6.5 will be null and void; provided, that Sellers may assign their rights hereunder to the Liquidating Trust. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns. Notwithstanding the preceding, however, Purchaser may assign its rights or obligations hereunder to its any of its affiliates and may subcontract with third parties to provide any of the Purchaser Services as provided elsewhere in this Agreement, provided that any such assignment or subcontracting shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

**Section 6.6** Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

**Section 6.7** Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the Parties and their respective successors and permitted assigns.

**Section 6.8** Expenses. In the event of litigation arising from or relating to this Agreement, the non-prevailing Party as determined by a court of competent jurisdiction in a final non-appealable order shall be liable and pay to the prevailing Party the reasonable attorney's fees and expenses incurred in connection with such litigation.

**Section 6.9** Governing Law. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**Section 6.10** WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF



LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.10. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

**Section 6.11 Jurisdiction; Mediation.** The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "Chosen Courts") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 6.3 hereof.

**Section 6.12 Mediation.** If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the Parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation in accordance with the terms of this Agreement. Any such mediation shall take place in Los Angeles, California and be subject to the governing law as set forth in this Agreement.

**Section 6.13 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

**Section 6.14 Ownership of Intellectual Property.** Subject to the provisions of the APA, each of the Parties shall retain all right, title and interest in and to their respective intellectual property and data and other proprietary and other assets.

**Section 6.15 Service Standards.** Service Provider shall use commercially reasonable efforts to provide the Services to be provided by it in accordance with all applicable laws, rules and regulations and in a professional, competent, workman-like and timely manner.

**Section 6.16 Severability.** The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any circumstance, is found by a court or other governmental authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

**Section 6.17 Force Majeure.** No Party shall be liable for nonperformance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, or late performance is due to reasons outside such Party's control (excluding any arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19), including acts of God, war (declared or undeclared), riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, failure of utilities, (or similar nonperformance or late performance of suppliers or subcontractors). In the event of any such nonperformance or late performance, the Service Provider shall use commercially reasonable efforts to restore or resume the Services within a reasonable period of time.

**Section 6.18 Fair Meaning.** This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Signing Date.

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NAME

By: \_\_\_\_\_

VERITY HEALTH SYSTEM OF  
CALIFORNIA, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

VERITY HOLDINGS, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ST. FRANCIS MEDICAL CENTER

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**Schedule A**  
**to TSA**

**Services to be Provided by Purchaser to Sellers**

I. Phase One: [from closing date to 6-9 months thereafter]

A. Description of Services: Purchaser will assist in activities related to the Debtors' efforts in support of its winding down activities, including accounting for monthly transactions, assisting in materials management and purchasing, facilitating voucher and payment of accounts payable and financial reporting. Purchaser will assist Debtors' in additional winding down activities, including facilitating the Debtors' efforts in claims reconciliation, contracts rejections/assumptions, preparing W2s and 1099s, and preparing tax returns.

B. Accounting - TBD

C. Accounts Payable / Supply Chain - TBD

D. Human Resources / Payroll - TBD

E. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

II. Phase Two: [from end of Phase I to two years thereafter]

A. Description of Services: Purchaser will continue to archive and provide access to select data.

B. Accounting / Finance - TBD

C. Human Resources / Payroll - TBD

D. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

**Schedule B**  
**to TSA**

**Office Space for Use by Sellers**

**Exhibit 5.9(c) to APA**

**Accepted Conditions (Attorney General)**

*See attached.*



**Conditions to the Sale of St. Francis Medical Center<sup>21</sup> and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Prime Healthcare Services, Inc. (“Purchaser”)**

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, and St. Francis Medical Center Foundation, a nonprofit public benefit corporation and Purchaser, a Delaware corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

The transaction conditionally approved by the Attorney General consists of \_\_\_\_\_.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General’s approval.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of Purchaser that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Purchaser, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Purchaser shall also be deemed a transfer for purposes of this Condition.

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<sup>21</sup> Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.

For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>32</sup> licensure and designation with the same types and/or levels of services, including the following:

- 46 emergency treatment stations at a minimum;
- Designation as a Level II Trauma Center;
- Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- Psychiatric evaluation team;
- Designation as an Emergency Department Approved for Pediatrics (EDAP);
- Designation as a Paramedic Base Station; and
- Certification as a Primary Stroke Center.

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

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians that are necessary to retain its qualification as a Level II trauma center. The following on-call coverage contracts and/or comparable coverage arrangements are required to retain St. Francis Medical Center's status as a Level II trauma center:

- Neurology;
- Obstetrics/gynecology;
- Ophthalmology;
- Oral or maxillofacial or head and neck;
- Orthopedic
- Plastic surgery;
- Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- Urology.

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

- Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
- Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;

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<sup>32</sup> The term "current" or "currently" throughout this document means as of January 1, 2019.

Women's health services, including women's imaging services;  
Pediatric services, including a designated area with at least five general acute care beds for pediatric services;  
Orthopedic and rehabilitation services;  
Wound care services;  
Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and  
Perinatal services, including a minimum of 50 perinatal beds.

Purchaser shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

For at least five years from the closing date of the Asset Purchase Agreement, Purchaser shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following clinic is subject to this condition:

Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall:

Be certified to participate in the Medi-Cal program at St. Francis Medical Center;

Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

Local Initiative: L.A. Care Health Plan or its successor; and

Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Purchaser questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

For six fiscal years from the closing date of the Asset Purchase Agreement, Purchaser shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$8,000,000 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Purchaser in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>43</sup>

Purchaser's obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

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

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For six fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater

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<sup>43</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as . . . charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

than \$1,139,301 (the “Minimum Community Benefit Services Amount”) exclusive of any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

Southern California Crossroads Program;  
Health Benefit Resource Center;  
Welcome Baby Program;  
Healthy Community Initiatives;  
American Career College access for onsite training;  
Paramedic Training and Education; and  
Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Purchaser’s obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.’s fiscal year.

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

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center’s service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Purchaser shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;  
Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;  
Paramedic Base Hospital Services between the Hospital and Los Angeles County;  
Radiation Therapy Services between the Hospital and Los Angeles County;



Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;

Trauma Center Service Agreement between the Hospital and Los Angeles County; and Paramedic Training Institute Students between the Hospital and Los Angeles County.

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

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall have at St. Francis Medical Center a Local Governing Board of Directors. Purchaser shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

Purchaser shall commit to reserve or expend for St. Francis Medical Center for capital improvements to the hospital over the five-year period from the closing of the Asset Purchase Agreement, the amount of capital that remains unexpended from the \$180 million commitment required of Blue Mountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center. Purchaser understands that such condition has previously been satisfied but will still commit to expend approximately \$35 million on St. Francis Medical Center over the five-year period from the closing of the Asset Purchase Agreement.

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

Purchaser shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the independence of the medical staff.



There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Purchaser's written policies, adhered to, and strictly enforced.

For eleven fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Purchaser shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a Party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

Once the Asset Purchase Agreement is closed, and so long as such actions are consistent with the Asset Purchase Agreement, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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

## Analysis of the Hospital's Service Area

### Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
<b>Sub-Total</b>		<b>16,845</b>	<b>75.4%</b>	<b>75.4%</b>	<b>10.5%</b>	<b>160,828</b>
<b>All Other</b>		5,504	24.6%	100%		
<b>Grand Total</b>		<b>22,349</b>	<b>100%</b>			

Source: OSHPD Discharge Database, CY 2017

**DISCLOSURE SCHEDULES**

**To**

**ASSET PURCHASE AGREEMENT**

**By and Among**

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,**

**and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**(as “Sellers”)**

**and**

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**(as “Purchaser”)**

**Dated [\_\_\_\_\_, 2020]**

**Schedule 1.4.3 - Owned Real Property**

**St. Francis Medical Center**

<b><u>Description</u></b>	<b><u>Owner</u></b>	<b><u>Address</u></b>	<b><u>APN</u></b>
<u>Hospital Campus (including Hospital Patient Tower, Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)</u>	<u>St. Francis Medical Center</u>	<u>3630 East Imperial Highway, Lynwood, CA 90262</u>	<u>6173-021-008</u>
<u>Huntington Park Medical Office Building</u>	<u>St. Francis Medical Center</u>	<u>2700 East Slauson Avenue, Huntington Park, CA 90255</u>	<u>6320-006-069</u>
<u>Maywood Medical Office Building</u>	<u>St. Francis Medical Center</u>	<u>5953 South Atlantic Boulevard 5, Maywood, CA 90270</u>	<u>6313-013-028</u>
<u>Parking lot (St. Francis Medical Center)</u>	<u>Verity Holdings, LLC</u>	<u>3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262</u>	<u>6173-015-047</u>
<u>Ministry Services Building (St. Francis Medical Center)</u>	<u>Verity Holdings, LLC</u>	<u>3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262</u>	<u>6173-019-022</u>
<u>Parking Lot (St. Francis Medical Center)</u>	<u>Verity Holdings, LLC</u>	<u>3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262</u>	<u>6173-015-048</u>
<u>Five Unit Apartment (St. Francis Medical Center)</u>	<u>Verity Holdings, LLC</u>	<u>3570 Brenton Avenue, Lynwood, CA 90057</u>	<u>6191-016-008</u>

**Schedule 1.7(b) – Licenses**

<u>St Francis Medical Center - Accreditation/Certifications/Licenses</u>		
<u>License/Permit/Certificate</u>	<u>License/Permit Number</u>	<u>Expiration date<sup>4</sup></u>
<u>AABB - Certificate of Accreditation for Transfusion Activities</u>		<u>9/30/2021</u>
<u>ACR - for Adult Patients - Revolution EVO - 5</u>		<u>7/7/2020</u>
<u>ACR - for Adult Patients - Revolution EVO - 4</u>		<u>7/7/2020</u>
<u>ACR - ADAC Laboratories TRANSCAM 1994-Accreditation</u>		<u>10/12/2021</u>
<u>ACR - ADAC Laboratories VERTEX 1998 for Planer - Accreditation</u>		<u>10/12/2021</u>
<u>ACR - MRI Siemens AVANTO 2005 -Accreditation</u>		<u>5/19/2021</u>
<u>ACR - Siemens SYMBIA T 2011 for Planar, SPECT, Nuclear Cardiology</u>		<u>10/12/2021</u>
<u>ACR - Mammography - Lorad Medical Systems Dimensions 2012</u>	<u>MAP# 07026-05</u>	<u>8/4/2022</u>
<u>ACR - Mammography - Lorad Medical Systems Dimensions 2012 DBT</u>	<u>MAP# 07026-06</u>	<u>8/4/2022</u>
<u>Hospital Pharmacy Permit</u>	<u>HSP 45706</u>	<u>2/1/2021</u>
<u>California Department of Health – Processing Reportable Sources of Radiation</u>	<u>FAC00007446</u>	<u>6/30/2020</u>
<u>Sterile Compounding License</u>	<u>LSC 100267</u>	<u>2/1/2021</u>
<u>City of Lynwood - Business License - 4 Units</u>	<u>2301342</u>	<u>12/31/2020</u>
<u>City of Lynwood - Business License</u>	<u>2301756</u>	<u>12/31/2020</u>
<u>City of South Gate - Business License</u>	<u>3201</u>	<u>6/30/2020</u>
<u>CLIA Certificate of Waiver</u>	<u>05D0548351</u>	<u>2/27/2021</u>
<u>CLIA Certificate of Waiver</u>	<u>05D0949548</u>	<u>11/1/2021</u>
<u>County of LA Public Health - Public Health Permit - Cafeteria</u>	<u>PR0038667</u>	<u>6/30/2020</u>
<u>Department of Health &amp; Human Services -Mammography Facility</u>	<u>138560</u>	<u>8/4/2022</u>
<u>Clinical Laboratory Certificate of Deemed Status</u>	<u>CDF00000291</u>	<u>12/28/2020</u>
<u>Department of Public Health – Mammography X-Ray Equipment and Facility 2 Dimension</u>	<u>20668</u>	<u>8/4/2022</u>
<u>Department of Public Health –</u>	<u>20669</u>	<u>8/4/2022</u>

<sup>4</sup> Expiration date is subject to being updated.

<a href="#">Mammography X-Ray Equipment and Facility 3 Dimension</a>		
<a href="#">Department of Public Health - Medical Waste Generator Small Quantity</a>	<a href="#">SQG37254</a>	<a href="#">4/16/2020</a>
<a href="#">Department of Public Health - Medical Waste Large Quantity Management Program</a>	<a href="#">No. 289</a>	<a href="#">11/16/2020</a>
<a href="#">Hospital License</a>	<a href="#">930000157</a>	<a href="#">12/31/2020</a>
<a href="#">Tissue Bank License - FLC</a>	<a href="#">CTB 00080570</a>	<a href="#">12/12/2020</a>
<a href="#">Tissue Bank License - Hospital OR</a>	<a href="#">CTB 00080568</a>	<a href="#">12/12/2020</a>
<a href="#">Department of Transportation Division Aeronautics - Heliport(TLOF) Permit</a>	<a href="#">LA-179(H)</a>	
<a href="#">DEA Controlled Substance Registration</a>	<a href="#">BS7805609</a>	<a href="#">2/28/2023</a>
<a href="#">Institute for Medical Quality – Continuing Medical Education Certificate</a>	<a href="#">N/A</a>	<a href="#">12/31/2021</a>
<a href="#">South Coast Air Quality Management District - Rule 2202-On Road Motor Vehicle Mitigation Options</a>	<a href="#">14924</a>	<a href="#">7/15/2020</a>
<a href="#">Conveyance Permit</a>	<a href="#">107436</a>	<a href="#">2/7/2020</a> <a href="#">Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">107437</a>	<a href="#">2/7/2020</a> <a href="#">Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">107438</a>	<a href="#">2/7/2020</a> <a href="#">Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">113252</a>	<a href="#">6/21/2020</a>
<a href="#">Conveyance Permit</a>	<a href="#">113372</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">113373</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process, inspection occurred</a>



		<a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">113374</a>	<a href="#">6/21/2020</a>
<a href="#">Conveyance Permit</a>	<a href="#">113375</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">113401</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">121533</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">121535</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">121557</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">36304</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">36305</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected in April 2020.</a>

<a href="#">Conveyance Permit</a>	<a href="#">90171</a>	<a href="#">2/7/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">99368</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">99562</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">99563</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">99564</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Conveyance Permit</a>	<a href="#">99565</a>	<a href="#">2/8/2020</a> <a href="#">Renewal in process,</a> <a href="#">inspection occurred</a> <a href="#">February 17-19, 2020.</a> <a href="#">New permits expected</a> <a href="#">in April 2020.</a>
<a href="#">Radioactive Material License</a>	<a href="#">0488-19</a>	<a href="#">6/28/2024</a>
<a href="#">The College of America Pathologists Laboratory Certification</a>	<a href="#">2273801</a>	<a href="#">8/22/2021</a>
<a href="#">The Joint Commission - Hospital Accreditation Program</a>	<a href="#">9953</a>	<a href="#">10/27/2021</a>
<a href="#">The Joint Commission - Primary Stroke</a>	<a href="#">9953</a>	<a href="#">6/21/2020</a>
<a href="#">Federal Communications Commission Private Radio Licenses</a>	<a href="#">KUX246</a>	<a href="#">2/9/2024</a>
<a href="#">Federal Communications Commission Private Radio Licenses</a>	<a href="#">KWK570</a>	<a href="#">3/21/2024</a>

<a href="#">Federal Communications Commission Private Radio Licenses</a>	<a href="#">WQHA434</a>	<a href="#">6/11/2027</a>
<a href="#">Federal Communications Commission Private Radio Licenses</a>	<a href="#">WQIG242</a>	<a href="#">1/30/2028</a>
<a href="#">California Department of Tax and Fee Administration Seller's Permit</a>	<a href="#">097962355-10000</a>	
<a href="#">Los Angeles County Department of Mental Health Consolidated Medi-Cal Re-Certification Approval for St. Francis Medical Center Children's Center</a>	<a href="#">N/A</a>	<a href="#">N/A</a>
<a href="#">Baby-Friendly USA Designation as Baby-Friendly Hospital</a>	<a href="#">N/A</a>	<a href="#">12/8/2024</a>
<a href="#">American College of Surgeons VRC Committee on Trauma Verification as Level II Trauma Center</a>	<a href="#">N/A</a>	<a href="#">11/20/2021</a>

<a href="#">Provider Number Listing</a>	
<a href="#">Medicare</a>	<a href="#">Hospital</a>
<a href="#">05-0104</a>	<a href="#">St Francis Medical Center</a>
<a href="#">55-5238</a>	<a href="#">St Francis Medical Center - SNF</a>

<a href="#">Medi-Cal</a>	<a href="#">Hospital</a>
	<a href="#">St Francis Medical Center</a>
<a href="#">HSC30104G</a>	<a href="#">Acute Inpatient Contract</a>
<a href="#">ZZT30104G</a>	<a href="#">Acute Inpatient Non-Contract</a>
<a href="#">ZZT40104G</a>	<a href="#">Outpatient Contract</a>
<a href="#">LTC55238G</a>	<a href="#">SNF Inpatient</a>

<a href="#">OSHPD</a>	<a href="#">Hospital</a>
<a href="#">106190754</a>	<a href="#">St Francis Medical Center</a>

**Schedule 1.7(c)(ii) - Leased Real Property**

<b><u>St. Francis Medical Center as Tenant</u></b>	
1.	<u>Lease Agreement, dated May 1, 2018 between St. Francis Medical and Hopevale Properties, L.P. c/o Reliable Properties for the premises located at 4390 Tweedy Blvd., South Gate, CA 90280 (Expires May 31, 2020).</u>
2.	<u>St. Francis Medical Plaza Office Space Lease, dated January 1, 2006, between St. Francis Medical Center (as Tenant) and St. Francis-Lynwood Medical Plaza L.P. (as Landlord) for the premises located at 3628 E. Imperial Highway, Lynwood, CA 90262, as amended by that certain First Amendment to Lease, dated May 1, 2006, the Second Amendment to Lease, dated February 7, 2007, the Third Amendment to Lease, dated November 29, 2007, the Fourth Amendment to Lease, dated January 1, 2010, between St. Francis Medical Center (as Tenant) and NHP/PMB St. Francis-Lynwood Medical Plaza LLC (as Landlord), the Fifth Amendment to Lease, dated December 31, 2010, the Sixth Amendment to Office Lease and Agreement Regarding Property Tax Protection, dated May 27, 2011, the Seventh Amendment to Lease, dated March 27, 2012, the Eighth Amendment to Lease, dated May 1, 2013, the Ninth Amendment to Lease, dated September 9, 2013, the Consent of Prime Landlord to Sublease, dated April 1, 2014 by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Tenth Amendment to Lease, dated November 20, 2015, the Consent of Prime Landlord to Sublease, dated January 15, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Eleventh Amendment to Lease, dated September 27, 2016, and the Consent of Prime Landlord to Sublease, dated December 1, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC (Expires December 31, 2021).</u>
3.	<u>Standard Multi-Tenant Office Lease-Gross, dated March 1, 2006, between St. Francis Medical Center (as Lessee) and Sunshine Capital Group, LLC (as Lessor) for the premises located at 3680 E. Imperial Hwy Suites 450, 525 and 550, Lynwood, CA 90262, as amended by that certain First Amendment to Office Lease, dated October 23, 2007, the Second Amendment to Lease, dated December 5, 2012, the Third Amendment to Lease, dated June 25, 2013, and the Fourth Amendment to Lease, dated September 17, 2013 (Expired September 30, 2018).<sup>5</sup></u>

<sup>5</sup> Within the Lease Schedules “\*” indicates the lease is currently month-to-month.

**Schedule 1.7(c)(iii) - Tenant Leases**

<b><u>St. Francis Medical Center as Landlord</u></b>	
1.	<u>Parking Space Lease, dated on or about January 7, 2018 between St. Francis Medical Center (as Landlord) and Davita Medical Management (as Tenant) for the premises located at 2700 E. Slauson Avenue, Huntington Park, CA 90255 as amended by that certain First Amendment, dated January 10, 2019 (Expires October 28, 2019).*</u>
2.	<u>Medical Office Building Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain First Amendment to Medical Office Building Ground Lease, dated February 1, 1993, the Second Amendment to Medical Office Building Ground Lease, dated May 1, 1993, the Assignment and Assumption of Leases and Subleases dated, June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee), and the Grant and Reservation of Easements and Parking Covenants by St. Francis Medical Center, dated January 1, 1993 (Expires January 1, 2048).</u>
3.	<u>Parking Garage Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain Assignment and Assumption of Leases and Subleases, dated June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee) (Expires January 1, 2048).</u>
4.	<u>Sublease, dated December 1, 2016, between St. Francis Medical Center (as Sublessor) and Verity Medical Foundation (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 408, Lynwood, CA 90262 (Expires December 31, 2020).</u>
5.	<u>Sublease, dated January 15, 2016, between St. Francis Medical Center (as Sublessor) and St. Francis Multispecialty Medical Group, Inc. (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 303, Lynwood, CA 90262, as amended by that certain First Amendment to Sublease between St. Francis Medical Center (Sublessor) and St. Francis Multispecialty Medical Group, Inc. (Sublessee), dated December 24, 2019. (Expires December 31, 2020).</u>

<u>Verity Holdings, LLC as Landlord</u>	
1.	<u>Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Diane Clark (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. B, Lynwood, CA 90262 *</u>
2.	<u>Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Gregory Slack (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. A, Lynwood, CA 90262 *</u>
3.	<u>Apartment Lease, dated September 1, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Marco Monteon (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. D, Lynwood, CA 90262 *</u>



**Schedule 1.7(d) - Assigned Contracts and Assigned Leases**

<u>Ref #</u>	<u>Debtor</u>	<u>Contract Counterparty</u>	<u>Nature of Contact / Lease</u>	<u>Termination Date</u>	<u>Cure Amount</u>
<u>57</u>	<u>St. Francis Medical Center</u>	<u>AMEDA INC</u>	<u>BREAST PUMP AND ACCESSORIES</u>	<u>10/31/2020</u>	<u>\$1,965.25</u>
<u>65</u>	<u>St. Francis Medical Center</u>	<u>AMERICAN RED CROSS</u>	<u>BLOOD PRODUCTS</u>	<u>11/11/2018</u>	<u>\$247,033.00</u>
<u>94</u>	<u>St. Francis Medical Center</u>	<u>ARJO INC</u>	<u>PATIENT LIFTS</u>	<u>7/31/2021</u>	<u>\$20,516.56</u>
<u>95</u>	<u>St. Francis Medical Center</u>	<u>ARROW INTERNATIONAL INC</u>	<u>HEMODYNAMIC MONITORING PRODUCT</u>	<u>6/30/2020</u>	<u>\$24,438.28</u>
<u>100</u>	<u>St. Francis Medical Center</u>	<u>ASAHI INTECC USA INC</u>	<u>DIC PRODUCTS</u>	<u>6/30/2019</u>	<u>\$3,417.77</u>
<u>136</u>	<u>St. Francis Medical Center</u>	<u>BAUSCH AND LOMB</u>	<u>OPHTHALMOLOGY PRODUCTS</u>	<u>6/30/2020</u>	<u>\$3,316.97</u>
<u>142</u>	<u>St. Francis Medical Center</u>	<u>BAYER MEDICAL CARE LLC</u>	<u>CM INJECTORS AND DISPOSABLES</u>	<u>12/31/2020</u>	<u>\$46,138.51</u>
<u>143</u>	<u>St. Francis Medical Center</u>	<u>BAYER MEDICAL CARE LLC</u>	<u>CONTRAST MEDIA MR</u>	<u>12/31/2020</u>	
<u>157</u>	<u>St. Francis Medical Center</u>	<u>BIO RAD LABORATORIES DIAGNOSTICS</u>	<u>BLOOD BANK ANALYZERS REAGENTS</u>	<u>1/31/2019</u>	<u>\$9,387.74</u>
<u>163</u>	<u>St. Francis Medical Center</u>	<u>BIOVENTUS LLC</u>	<u>BONE AND BONE SUBSTITUTE PRODUCTS</u>	<u>6/30/2021</u>	<u>\$15,189.80</u>
<u>164</u>	<u>St. Francis Medical Center</u>	<u>BIOVENTUS LLC</u>	<u>SYNTHETIC IMPLANTABLE PRODUCTS</u>	<u>6/30/2021</u>	
<u>190</u>	<u>St. Francis Medical Center</u>	<u>BRASSELER USA MEDICAL LLC</u>	<u>ORTHOPEDIC POWER TOOLS</u>	<u>4/30/2019</u>	<u>\$1,224.86</u>
<u>338</u>	<u>St. Francis Medical Center</u>	<u>CAREFUSION</u>	<u>CHLOROHEXADINE GLUCONATE (CHG)</u>	<u>7/31/2020</u>	<u>\$730.96</u>
<u>396</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>SPECIALTY UROLOGY PRODUCTS</u>	<u>12/31/2020</u>	<u>\$60,694.99</u>
<u>397</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>GASTROINTESTINAL ENDOSCOPY</u>	<u>1/31/2019</u>	
<u>398</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>PERIPHERAL AND BILIARY STENTS</u>	<u>1/31/2020</u>	
<u>399</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>DIR PRODUCTS</u>	<u>1/31/2020</u>	
<u>400</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>CARDIAC RHYTHM MANAGEMENT</u>	<u>3/31/2020</u>	
<u>401</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>VENA CAVA FILTERS</u>	<u>7/31/2020</u>	
<u>402</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>HIGH RISK OBGYN PRODS MED/SURG</u>	<u>12/31/2019</u>	
<u>403</u>	<u>St. Francis Medical Center</u>	<u>COOK MEDICAL INC</u>	<u>HIGH RISK OBGYN PROD SPECIALTY</u>	<u>12/31/2019</u>	

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<a href="#">449</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">DAVITA MEDICAL MANAGEMENT LLC</a>	<a href="#">LEASE-AS LANDLORD</a>	<a href="#">2/28/2019</a>	<a href="#">\$0.00</a>
<a href="#">519</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">GRACE MEDICAL</a>	<a href="#">ENT IMPLANTS AND INSTRUMENTS</a>	<a href="#">10/31/2019</a>	<a href="#">\$180.86</a>
<a href="#">525</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">HARDY DIAGNOSTICS</a>	<a href="#">MANUAL MICROBIOLOGY</a>	<a href="#">12/31/2019</a>	<a href="#">\$7,043.31</a>
<a href="#">539</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">HELMER SCIENTIFIC</a>	<a href="#">GENERAL LABORATORY PRODUCTS</a>	<a href="#">3/31/2021</a>	<a href="#">\$131.75</a>
<a href="#">550</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">HOPEVALE PROPERTIES LP (RELIABLE PROPERTIES) FKA CHUNG SUK PU FKA WIN PROPERTY MANAGEMENT</a>	<a href="#">LEASE-AS TENANT</a>	<a href="#">4/30/2019</a>	<a href="#">\$0.00</a>
<a href="#">556</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)</a>	<a href="#">LEASE-AS TENANT</a>	<a href="#">4/30/2019</a>	<a href="#">\$0.00</a>
<a href="#">557</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)</a>	<a href="#">LEASE-AS TENANT</a>	<a href="#">4/30/2019</a>	
<a href="#">625</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">LEICA MICROSYSTEMS INC</a>	<a href="#">HISTOLOGY AND CYTOLOGY</a>	<a href="#">3/31/2021</a>	<a href="#">\$445.41</a>
<a href="#">631</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">LIVANOVA USA INC</a>	<a href="#">PERFUSION PRODUCTS</a>	<a href="#">1/31/2021</a>	<a href="#">\$2,075.00</a>
<a href="#">647</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">Maintex Inc</a>	<a href="#">HOUSEKEEPING SUPPLIES</a>	<a href="#">12/31/2019</a>	<a href="#">\$2,500.00</a>
<a href="#">670</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">MEDCOMP</a>	<a href="#">DIALYSIS PRODUCTS</a>	<a href="#">10/31/2020</a>	<a href="#">\$4,623.00</a>
<a href="#">830</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">MERCEDES MEDICAL INC</a>	<a href="#">HISTOLOGY AND CYTOLOGY</a>	<a href="#">1/31/2021</a>	<a href="#">\$910.00</a>
<a href="#">838</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">MICROTEK MEDICAL (ECOLAB)</a>	<a href="#">OR EQUIPMENT DRAPES</a>	<a href="#">3/31/2019</a>	<a href="#">\$21,008.98</a>
<a href="#">871</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">NEUROSTRUCTURES INC</a>	<a href="#">SPINAL IMPLANTS AND PRODUCTS</a>	<a href="#">6/22/2019</a>	<a href="#">\$3,307.50</a>
<a href="#">896</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">ORASURE TECHNOLOGIES INC</a>	<a href="#">RAPID DIAGNOSTIC TEST KITS</a>	<a href="#">10/31/2021</a>	<a href="#">\$7,270.80</a>
<a href="#">906</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)</a>	<a href="#">LEASE-AS LANDLORD</a>	<a href="#">12/31/2047</a>	<a href="#">\$0.00</a>
<a href="#">907</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)</a>	<a href="#">LEASE-AS LANDLORD</a>	<a href="#">12/31/2047</a>	
<a href="#">919</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">PENUMBRA INC</a>	<a href="#">DIR PRODUCTS</a>	<a href="#">1/31/2020</a>	<a href="#">\$7,985.48</a>
<a href="#">920</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">PENUMBRA INC</a>	<a href="#">NEUROVASCULAR INT RADIOLOGY</a>	<a href="#">8/31/2020</a>	
<a href="#">992</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">SMITH &amp; NEPHEW INC ENDOSCOPY DIV</a>	<a href="#">ARTHROSCOPY SUPPLIES</a>	<a href="#">4/30/2019</a>	<a href="#">\$223,752.45</a>
<a href="#">993</a>	<a href="#">St. Francis Medical Center</a>	<a href="#">SMITH &amp; NEPHEW INC WOUND MANAGEMENT</a>	<a href="#">SKIN INTEGRITY: WOUND CARE</a>	<a href="#">3/31/2020</a>	

		<u>DIV</u>			
<u>994</u>	<u>St. Francis Medical Center</u>	<u>SMITH &amp; NEPHEW INC WOUND MANAGEMENT DIV</u>	<u>SKIN INTEGRITY: SKIN CLENSER</u>	<u>3/31/2020</u>	
<u>995</u>	<u>St. Francis Medical Center</u>	<u>SMITH &amp; NEPHEW INC WOUND MANAGEMENT DIV</u>	<u>SURGICAL WOUND DEBRIDEMENT</u>	<u>5/31/2020</u>	
<u>996</u>	<u>St. Francis Medical Center</u>	<u>SMITH &amp; NEPHEW ORTHOPEDIC</u>	<u>ORTHO TOTAL JOINT IMPLANTS</u>	<u>9/30/2019</u>	
<u>997</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>ARTERIAL BLOOD GAS KITS</u>	<u>11/30/2020</u>	
<u>998</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>SAFETY HUBER NEEDLES</u>	<u>2/28/2021</u>	
<u>999</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>INFUSION DEVICES</u>	<u>1/31/2020</u>	
<u>1000</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>PULSE OXIMETRY AND CAPNOGRAPHY</u>	<u>4/30/2021</u>	
<u>1001</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>SAFETY HYPODERMIC PRODUCTS</u>	<u>9/30/2019</u>	<u>\$6,818.23</u>
<u>1002</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>SAFETY IV CATHETERS</u>	<u>9/30/2019</u>	
<u>1003</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>TRACHEOSTOMY TUBES</u>	<u>9/30/2021</u>	
<u>1004</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>TEMPERATURE MONITORING PRODUCTS</u>	<u>12/31/2018</u>	
<u>1005</u>	<u>St. Francis Medical Center</u>	<u>SMITHS MEDICAL ASD INC</u>	<u>REGIONAL ANESTHESIA TRAYS</u>	<u>1/31/2019</u>	
<u>1018</u>	<u>St. Francis Medical Center</u>	<u>ST JUDE MEDICAL</u>	<u>DIC PRODUCTS</u>	<u>6/30/2019</u>	
<u>1019</u>	<u>St. Francis Medical Center</u>	<u>ST JUDE MEDICAL</u>	<u>CARDIAC RHYTHM MANAGEMENT</u>	<u>11/14/2020</u>	<u>\$567.79</u>
<u>1021</u>	<u>St. Francis Medical Center</u>	<u>ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC</u>	<u>LEASE-AS TENANT</u>	<u>12/31/2021</u>	<u>\$97,282.52</u>
<u>1022</u>	<u>St. Francis Medical Center</u>	<u>St. Francis Multispecialty Clinic</u>	<u>SUBLEASE AGREEMENT</u>	<u>1/31/2018</u>	<u>\$0.00</u>
<u>1059</u>	<u>St. Francis Medical Center</u>	<u>STRYKER ORTHOPEDICS</u>	<u>ORTHOPEDIC TOTAL JOINT PRODUCTS</u>	<u>5/31/2020</u>	
<u>1060</u>	<u>St. Francis Medical Center</u>	<u>STRYKER ORTHOPEDICS</u>	<u>GENERAL ORTHO TRAUMA PRODUCTS</u>	<u>10/31/2019</u>	<u>\$398,744.58</u>
<u>1129</u>	<u>St. Francis Medical Center</u>	<u>Verity Medical Foundation</u>	<u>SUBLEASE AGREEMENT</u>	<u>12/31/2020</u>	<u>\$7,700.00</u>

<u>Ref #</u>	<u>Debtor</u>	<u>Contract Counterparty</u>	<u>Nature of Contact / Lease</u>	<u>Termination Date</u>	<u>Seton Medical Center &amp; Coastside</u>	<u>St. Francis Medical Center</u>	<u>Verity Health System</u>
<u>93</u>	<u>V Hold.</u>	<u>Campus Physical Therapy</u>	<u>Lease-as Landlord</u>	<u>7/31/2027</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>138</u>	<u>V Hold.</u>	<u>Dave, Rajan, MD</u>	<u>Lease-as Tenant</u>	<u>9/30/2017</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>201</u>	<u>V Hold.</u>	<u>Hsiao, Michael</u>	<u>Lease-other</u>	<u>5/10/2017</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>244</u>	<u>V Hold.</u>	<u>Lee, Shu May MD, Inc.</u>	<u>Lease-as Landlord</u>	<u>2/28/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>257</u>	<u>V Hold.</u>	<u>Longar, Susan MD</u>	<u>Lease-as Landlord</u>	<u>3/31/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>266</u>	<u>VHS</u>	<u>Mariposa 2040 LLC</u>	<u>Lease-as Tenant</u>	<u>6/30/2047</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>289</u>	<u>V Hold.</u>	<u>Medicus Integrated Health Services, Inc.</u>	<u>Lease-as Landlord</u>	<u>2/28/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>323</u>	<u>V Hold.</u>	<u>Mulligan, Timothy, MD</u>	<u>Lease-as Landlord</u>	<u>4/30/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>329</u>	<u>V Hold.</u>	<u>Nantworks, LLC</u>	<u>Lease-office space</u>	<u>3/31/2019</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$34,722.48</u>
<u>362</u>	<u>V Hold.</u>	<u>Order of Malta Los Angeles, Free Clinic</u>	<u>Lease-as Landlord</u>	<u>6/30/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>419</u>	<u>V Hold.</u>	<u>Rajan Davie, M.D.</u>	<u>Lease-as Landlord</u>	<u>9/30/2017</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>420</u>	<u>V Hold.</u>	<u>Ranavat, Amritlal MD</u>	<u>Lease-as Landlord</u>	<u>12/31/2017</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>421</u>	<u>V Hold.</u>	<u>Raymond Dugan Velasco, MD, Inc.</u>	<u>Lease-as Landlord</u>	<u>4/30/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>472</u>	<u>V Hold.</u>	<u>Stefan, Michael R., M.D.</u>	<u>Lease-as Landlord</u>	<u>4/14/2022</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>527</u>	<u>V Hold.</u>	<u>Uy, Santos MD</u>	<u>Lease-as Landlord</u>	<u>11/30/2021</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

<a href="#"><u>538</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Verity Medical Foundation</u></a>	<a href="#"><u>Lease-as Tenant</u></a>	<a href="#"><u>7/31/2022</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>561</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Yamamoto, Kenneth MD</u></a>	<a href="#"><u>Lease-as Landlord</u></a>	<a href="#"><u>5/31/2019</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>Added</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>House Ear Institute</u></a>	<a href="#"><u>Tenant Lease</u></a>	<a href="#"><u>2/28/2021</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>Added</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Rolando Mercader, M.D.</u></a>	<a href="#"><u>Tenant Lease</u></a>	<a href="#"><u>7/31/2020</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>Added</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Diane Clark</u></a>	<a href="#"><u>Tenant Lease</u></a>	<a href="#"><u>Monthly</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>Added</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Gregory Slack</u></a>	<a href="#"><u>Tenant Lease</u></a>	<a href="#"><u>Monthly</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>
<a href="#"><u>Added</u></a>	<a href="#"><u>V Hold.</u></a>	<a href="#"><u>Marco Monteon</u></a>	<a href="#"><u>Tenant Lease</u></a>	<a href="#"><u>Monthly</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>	<a href="#"><u>\$0.00</u></a>

**Schedule 1.7(I) - Permitted Exceptions**

None.



Schedule 1.8(bb) - Other Excluded Assets

None.

Schedule 1.9(i) - Other Obligations

None.

**Schedule 2.4 – Seller’s Knowledge of Breach or Default**

None.

**Schedule 2.5 - Brokers and Finders (Sellers)**

Cain Brothers, a division of KeyBanc Capital Markets.

**Schedule 2.7 - Compliance (Sellers)**

See Confidential Side Disclosure Letter, dated of even date herewith.

**Schedule 2.8 - Required Consents (Sellers)**

None, other than those consents required under §365 of the Bankruptcy Code.



**Schedule 2.9(b) - Environmental Matters (Sellers)**

Underground storage tank non-compliance notice issued by Los Angeles Department of Water and Power (LADWP) in September 2016 to Saint Francis Medical Center. Seller removed tank per closure permit issued to Saint Francis Medical Center by LADWP. There was no soil contamination or clean up necessary.

**Schedule 2.11 - Missing Material Licenses (Sellers)**

SFMC timely submitted the laboratory license for renewal and has received confirmation that CDPH Laboratory Field Services has received the renewal, is processing it, and the hospital may continue testing without penalty.

**Schedule 2.13 - Non-Bankruptcy Court Legal Proceedings (Sellers)**

See attached folder “Schedule 2.13 - Non-Bankruptcy Court Legal Proceedings”

**Schedule 2.19 - List of Excluded Individuals (Sellers)**

None.

Schedule 3.4 - No Violation (Purchaser)

None.

**Schedule 3.7 - Legal Proceedings (Purchaser)**

None.

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4" = "1" "DM\_US 165807051-6.079742.0063" ""  
US\_Active\114483166\V-4

DM\_US 165807051-13.079742.0063



**Schedule 5.3 - Hospital Employees**

See attached folder “Schedule 5.3 Hospital Employees”

**Schedule 11.3(b) - Tax Allocation Schedule**

The Parties agree that within sixty (60) days subsequent to the Closing Date (the “**Allocation Date**”), the Purchase Price shall be allocated to the Assets using the residual method and based upon the agreed fair market value of the various Classes of the Assets set forth below, as reasonably determined by the Purchaser and Seller, consistent with Section 1060 of the Internal Revenue Code. In particular, the Parties shall mutually agree upon the tax allocation associated with the Assets of Verity Holdings.

<u><b>Class of Assets</b></u>
<u>Class I Assets (cash and general deposit accounts)</u>
<u>Class II Assets (Publicly traded stock; U.S. Government Securities)</u>
<u>Class III Assets (Accounts Receivable)</u>
<u>Class IV Assets (Inventory)</u>
<u>Class V Assets (Property, Plant and Equipment)</u>
<u>Class VI Assets (Intangibles other than Goodwill)</u>
<u>Class VII Assets (Goodwill)</u>

<u>Employment Practices Liability Litigation</u>		
<u>Plaintiff/Grievant</u>	<u>Venue</u>	<u>Case Number(s)</u>
<u>Ahinasi, Sonnia</u>	<u>San Bernardino County Superior Court</u>	<u>CIVDS1822881</u>
<u>Aliazis, Tricia</u>	<u>EEOC Charge</u> <u>DFEH Charge</u>	<u>37A-2019-03433-C;</u> <u>201903-05587626</u>
<u>Aragon, Jasmine</u>	<u>Los Angeles County Superior Court</u>	<u>BC717447</u>
<u>Brown, Star</u>		<u>Complaint Not Yet Filed</u>
<u>Capizzi, Renee</u>		<u>Mediation</u>
<u>Carcamo, Rosa</u>	<u>Los Angeles County Superior Court</u>	<u>TC029195</u>
<u>Carter, Margena</u>		<u>Right To Sue Letter</u>
<u>Dolmo, Norma</u>	<u>EEOC Charge</u> <u>DFEH Charge</u>	<u>480-2019-01625</u>
<u>Engelman, Ivonne</u> <u>*settlement in process</u>	<u>Los Angeles County Superior Court</u>	<u>BC704524</u>
<u>Harris, Leonard</u>	<u>Los Angeles County Superior Court</u>	<u>19STVC38595</u>
<u>Martin, Joan</u>	<u>EEOC Charge</u>	<u>37A-2018-02446</u>
<u>Nguyen, Diane</u>	<u>Los Angeles County Superior Court</u>	<u>BC713041</u>
<u>Nguyen, Natalie</u>	<u>Los Angeles County Superior Court;</u> <u>EEOC Charge</u>	<u>Small Claims</u> <u>19CMSC01398;</u> <u>480-2019-00050</u>
<u>Raj, Aaron</u>		<u>Notice Of Intent</u>
<u>Rapp, Dwight</u>		<u>Lawsuit Not Yet Filed -</u> <u>SOL of 4/17/20</u>
<u>Sorto, Cynthia</u>	<u>Los Angeles County Superior Court</u>	<u>20STCV04718</u>
<u>Waheed, Wahidi,</u> <u>Ernesto Madrgil, et</u> <u>al</u>	<u>San Mateo Superior Court</u>	<u>18-CIV-03214</u>
<u>Xue, Baoru</u>		<u>Demand Letter</u>
<u>General Liability Litigation</u>		
<u>Plaintiff</u>	<u>Venue</u>	<u>Case Number(s)</u>
<u>Arreola, Maria</u>		<u>Notice Of Intent</u>
<u>Burell, Lisa</u>		<u>Request For Payment</u> <u>(auto-related)</u>
<u>Cortes, Synthia</u>	<u>Los Angeles County Superior Court</u>	<u>BC659504</u>

<a href="#">Hernandez, Iris</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC681228</a>
<a href="#">Khajekarrameddin, Frangis</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC712663</a>
<a href="#">Woolum, Dale</a>		<a href="#">Notice Of Intent</a>
<a href="#">Medical Malpractice (Professional Liability) Litigation</a>		
<a href="#">Plaintiff</a>	<a href="#">Venue</a>	<a href="#">Case Number(s)</a>
<a href="#">Aguirre Huerta, Rafael</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV29922</a>
<a href="#">Allen, III, LeRoy &amp; Perkins, LaTrice</a>		<a href="#">Notice Of Intent</a>
<a href="#">Ancira, Mateo, by and through guardian ad litem Yolanda Frias</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV23682</a>
<a href="#">Arencibia, Vivian</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC673423</a>
<a href="#">Birdsong, Erica</a>		<a href="#">Notice Of Intent</a>
<a href="#">Braun, Brian</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV13074</a>
<a href="#">Bustamante, Marvela</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV22710</a>
<a href="#">Childress, Alberta</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">20STCV00666</a>
<a href="#">Correa, Maximino</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC625271</a>
<a href="#">De Los Angeles, Maria</a>		<a href="#">Notice Of Intent</a>
<a href="#">Durham, Breta</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC680199</a>
<a href="#">Ferguson, William</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV08618</a>
<a href="#">Flores, Luz</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV38243</a>
<a href="#">Fuentes, Federico</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">19STCV08306</a>
<a href="#">Hernandez, Daniel</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC687878</a>
<a href="#">Iniguez, Aida</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC616038</a>
<a href="#">Lopez, Monique</a>	<a href="#">Potentially Compensable Incident</a>	<a href="#">No Complaint, Demand Letter, Or Notice Of Intent At This Time</a>
<a href="#">Mitchell, Alice</a>		<a href="#">Letter To Preserve Record</a>

<a href="#">Morataya, Jessica</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC712998</a>
<a href="#">Navarro, Richard</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC669695</a>
<a href="#">Ramirez, Guadalupe</a>		<a href="#">Notice Of Intent</a>
<a href="#">Robles, Josefina</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">8C697012</a>
<a href="#">Rodriguez, Yolanda by and through, Successor-in-Interest Corinna Jimenez, et al</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29707</a>
<a href="#">Rojas, John</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29868 (SFMC not named or served)</a>
<a href="#">Rubio, Alicia, by and through, guardian ad litem Cariola Rubio</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">18STCV04410</a>
<a href="#">Saleh, Ebtissam</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC718838</a>
<a href="#">Sanchez, Isabel</a>		<a href="#">Notice Of Intent</a>
<a href="#">Sprownson, Tammy</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">5C724114</a>
<a href="#">Vazquez, Eduardo, by and through biological mother, Denia Carolina Alvarado</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC609128</a>
<a href="#">Zavala, Adamari, by and through, guardian ad litem, A11 Adanesne Quiñones</a>	<a href="#">Los Angeles County Superior Court</a>	<a href="#">BC691431</a>

<a href="#">Workers' Compensation Cases</a>		
<a href="#">Grievant</a>	<a href="#">Date of Loss</a>	<a href="#">Case Number(s)</a>
<a href="#">Acosta, Leslie</a>	<a href="#">5/24/2018</a>	<a href="#">ADJ12476569</a>
<a href="#">Navarro Gutierrez, Giselle</a>	<a href="#">10/23/2018</a>	<a href="#">ADJ12149342</a>

<a href="#">Sanders, Valencia</a>	<a href="#">11/17/2016</a>	<a href="#">ADJ10754107</a>
<a href="#">Haith, Leilani</a>	<a href="#">11/17/2016</a>	<a href="#">ADJ1066160</a>
<a href="#">Sutton, Tina</a>	<a href="#">3/5/2013</a>	<a href="#">ADJ11216966</a>
<a href="#">Jean, Marlene</a>	<a href="#">3/2/2010</a>	<a href="#">ADJ7610324</a>
<a href="#">Ponce, Diana</a>	<a href="#">10/19/2015</a>	
<a href="#">Balderas-St. Pierre, Luz</a>	<a href="#">10/17/2015</a>	
<a href="#">Balderas-St. Pierre, Luz</a>	<a href="#">11/18/2016</a>	
<a href="#">Monteon, Marco</a>	<a href="#">9/20/2016</a>	<a href="#">ADJ12088746</a>
<a href="#">Padilla, Rebecca</a>	<a href="#">1/25/2009</a>	
<a href="#">Werner, Wendie</a>	<a href="#">10/17/2010</a>	<a href="#">ADJ7620832</a>
<a href="#">Monteon, Angie</a>	<a href="#">9/5/2012</a>	<a href="#">ADJ9223401</a>
<a href="#">Gardea, Richard</a>	<a href="#">4/26/2004</a>	<a href="#">ADJ11072161</a>
<a href="#">Casey, Rochelle</a>	<a href="#">11/7/2015</a>	<a href="#">ADJ11332260</a>
<a href="#">Bombay, Maura</a>	<a href="#">9/16/2006</a>	<a href="#">ADJ5815856</a>
<a href="#">Anaya, Gloria</a>	<a href="#">3/21/2009</a>	<a href="#">ADJ7228730</a>
<a href="#">Jones, Lisa</a>	<a href="#">1/6/2004</a>	<a href="#">ADJ772382</a>
<a href="#">Herrera, Martha</a>	<a href="#">1/31/2012</a>	<a href="#">ADJ8485301</a>
<a href="#">Gardea, Richard</a>	<a href="#">5/8/2014</a>	<a href="#">ADJ11073773</a>
<a href="#">Silva, Marcelina</a>	<a href="#">1/14/2015</a>	
<a href="#">Silva, Marcelina</a>	<a href="#">4/6/2016</a>	
<a href="#">Anaya, Gloria</a>	<a href="#">8/14/2009</a>	<a href="#">ADJ7228730</a>
<a href="#">Lee, Belinda</a>	<a href="#">1/13/2015</a>	<a href="#">ADJ12991056</a>
<a href="#">Mendez, Maria</a>	<a href="#">4/20/2015</a>	<a href="#">ADJ12209*530</a>
<a href="#">Quiñonez, Maria</a>	<a href="#">7/10/2015</a>	
<a href="#">Hernandez, Lorena</a>	<a href="#">4/8/2013</a>	<a href="#">ADJ8942433</a>
<a href="#">Reed, Charotta</a>	<a href="#">2/18/2010</a>	<a href="#">ADJ7309641</a>
<a href="#">Wang, Xiaoling</a>	<a href="#">1/11/2012</a>	<a href="#">ADJ8180221</a>
<a href="#">Ganzon, Nancy</a>	<a href="#">3/20/2012</a>	<a href="#">ADJ8391108</a>
<a href="#">Martinez, Marina C</a>	<a href="#">2/6/2015</a>	<a href="#">ADJ11955687</a>
<a href="#">Mendez, Maria</a>	<a href="#">2/8/2016</a>	<a href="#">ADJ12209530</a>
<a href="#">Infante, Elida</a>	<a href="#">5/14/2006</a>	<a href="#">ADJ4439918</a>
<a href="#">Harris, Gloria</a>	<a href="#">7/27/1984</a>	<a href="#">ADJ1323480</a>
<a href="#">Wills, Ora</a>	<a href="#">8/17/1989</a>	<a href="#">ADJ2755470</a>
<a href="#">McCoy, Virginia</a>	<a href="#">1/24/2017</a>	<a href="#">ADJ10802194</a>
<a href="#">Maravilla, Fernando</a>	<a href="#">2/15/2017</a>	<a href="#">ADJ10772424</a>
<a href="#">Sears, Andrea</a>	<a href="#">2/28/2017</a>	
<a href="#">Giannelli, Michelle</a>	<a href="#">3/2/2017</a>	
<a href="#">Jornacion, Wilfredo</a>	<a href="#">5/18/2017</a>	<a href="#">ADJ12475946</a>
<a href="#">Martirosyan, Alik</a>	<a href="#">6/6/2017</a>	
<a href="#">Epps, Cleveland</a>	<a href="#">6/23/2017</a>	<a href="#">ADJ11035557</a>
<a href="#">Plaza, Caroline</a>	<a href="#">6/27/2017</a>	<a href="#">ADJ12089432</a>



<a href="#">Elizalde Maria</a>	<a href="#">6/27/2017</a>	<a href="#">ADJ11186591</a>
<a href="#">Harris, Stanley</a>	<a href="#">11/22/2017</a>	<a href="#">ADJ11498006</a>
<a href="#">Espinoza, Ramon</a>	<a href="#">10/10/2017</a>	
<a href="#">Harris, Stanley</a>	<a href="#">5/15/2018</a>	<a href="#">ADJ11498006</a>
<a href="#">Diaz, Gabriela</a>	<a href="#">6/9/2018</a>	
<a href="#">Malone, Veronica</a>	<a href="#">12/21/2017</a>	<a href="#">ADJ12557870</a>
<a href="#">Medal, Sonia</a>	<a href="#">1/9/2018</a>	<a href="#">ADJ11664975</a>
<a href="#">Gardea, Richard</a>	<a href="#">6/30/2016</a>	<a href="#">ADJ11072161</a>
<a href="#">Torres-Olivares, Maria</a>	<a href="#">1/11/2018</a>	<a href="#">ADJ11799845</a>
<a href="#">Dacio, Joicelyne</a>	<a href="#">12/31/2017</a>	
<a href="#">Roots Chandra</a>	<a href="#">1/26/2018</a>	<a href="#">ADJ12964974</a>
<a href="#">King, LaVonda</a>	<a href="#">2/1/2018</a>	
<a href="#">Monteon Marco</a>	<a href="#">2/8/2018</a>	<a href="#">ADJ12088798</a>
<a href="#">Zavala, Mayra</a>	<a href="#">2/28/2018</a>	
<a href="#">Jones, Leatrice</a>	<a href="#">4/5/2018</a>	
<a href="#">Casey, Rochelle</a>	<a href="#">7/18/2018</a>	<a href="#">ADJ11395500</a>
<a href="#">Ramirez, Teresita</a>	<a href="#">8/22/2018</a>	
<a href="#">Smith, Rita</a>	<a href="#">10/1/2018</a>	
<a href="#">Meza, Maria</a>	<a href="#">10/4/2018</a>	<a href="#">ADJ11906361</a>
<a href="#">Scrubb, Jacqueline</a>	<a href="#">11/16/2018</a>	
<a href="#">Chavez, Sandra</a>	<a href="#">12/4/2018</a>	
<a href="#">Boub, Theodore</a>	<a href="#">2/13/2018</a>	<a href="#">ADJ11965517</a>
<a href="#">Armstrong, Gary</a>	<a href="#">2/1/2019</a>	<a href="#">ADJ2488567</a>
<a href="#">Rodriguez, Isaac</a>	<a href="#">2/27/2019</a>	<a href="#">ADJ2050556</a>
<a href="#">Ricketts, Chanel</a>	<a href="#">3/9/2019</a>	<a href="#">ADJ12129607</a>
<a href="#">Cariaso, Sylvester</a>	<a href="#">7/3/2014</a>	
<a href="#">Monteon, Marco Jr</a>	<a href="#">2/25/2019</a>	<a href="#">ADJ12092140</a>
<a href="#">Duffy, Earl</a>	<a href="#">5/23/2019</a>	
<a href="#">Jadraque-Olmos, Anna</a>	<a href="#">6/10/2019</a>	<a href="#">ADJ1271881</a>
<a href="#">Dominguez, Cassidy</a>	<a href="#">5/21/2019</a>	<a href="#">ADJ12411106</a>
<a href="#">Williams, Linda</a>	<a href="#">7/15/2019</a>	
<a href="#">Hill, Larry</a>	<a href="#">5/17/2019</a>	
<a href="#">Palomares, Reyna</a>	<a href="#">7/31/2019</a>	
<a href="#">Pham, Patty</a>	<a href="#">7/26/2019</a>	<a href="#">ADJ12566853</a>
<a href="#">Duran, Monica</a>	<a href="#">8/2/2019</a>	<a href="#">ADJ12795212</a>
<a href="#">Giannelli, Michelle</a>	<a href="#">8/27/2019</a>	
<a href="#">Santos, Grace Mary</a>	<a href="#">9/6/2019</a>	
<a href="#">Morales Silva, Angelita</a>	<a href="#">8/14/2019</a>	<a href="#">ADJ12504328</a>
<a href="#">Morales Silva, Anqelita</a>	<a href="#">8/21/2019</a>	<a href="#">ADJ2505618</a>
<a href="#">Duronslet, Devine</a>	<a href="#">9/21/2019</a>	
<a href="#">Alonza, Kathryn</a>	<a href="#">9/20/2019</a>	

<a href="#">Malone, Veronica</a>	<a href="#">4/19/2019</a>	<a href="#">ADJ12557869</a>
<a href="#">Partida, Aurelio</a>	<a href="#">10/1/2019</a>	
<a href="#">Washington, Shirlee</a>	<a href="#">10/6/2019</a>	<a href="#">ADJ12640087</a>
<a href="#">Plaza, Caroline</a>	<a href="#">5/30/2019</a>	<a href="#">ADJ12748038</a>
<a href="#">Harris, Stanley</a>	<a href="#">11/8/2019</a>	<a href="#">ADJ12983668</a>
<a href="#">Yepez, Consuelo</a>	<a href="#">11/12/2019</a>	
<a href="#">Acosta, Amber</a>	<a href="#">11/1/2019</a>	
<a href="#">Pinks Jeannene</a>	<a href="#">9/11/2019</a>	<a href="#">ADJ12675128</a>
<a href="#">Marin, Solita</a>	<a href="#">12/18/2019</a>	
<a href="#">Marinoble, Tawny</a>	<a href="#">12/31/2019</a>	
<a href="#">Roots, Chandra</a>	<a href="#">10/15/2019</a>	<a href="#">ADJ12964974</a>
<a href="#">Roots, Chandra</a>	<a href="#">2/26/2018</a>	<a href="#">ADJ13012642</a>
<a href="#">Appeals</a>		
<a href="#">Certain Medicare and Medicaid Group Appeals Handled By Two Law Firms: Stephenson, Aquisto &amp; Coleman; And Hooper, Lundy and Bookman</a>		
<a href="#">Union</a>	<a href="#">Grievant/Case Name</a>	<a href="#">Grievance Number</a>
<a href="#">United Nurses Associations of CA/Union of Health Care Professionals</a>	<a href="#">Carcamo, Rosa</a>	<a href="#">SM 04-18</a>
<a href="#">Labor Grievances</a>		
<a href="#">Union</a>	<a href="#">Grievant/Case Name</a>	<a href="#">Grievant Number</a>
<a href="#">SEIU</a>	<a href="#">Class Action - for SEIU Bargaining Unit</a>	
<a href="#">SEIU</a>	<a href="#">Class Action - for SEIU Bargaining Unit</a>	
<a href="#">UNAC</a>	<a href="#">Employee given Corrective Action Plan (CAP) without union representative</a>	<a href="#">SFMC SB 01-20</a>
<a href="#">UNAC</a>	<a href="#">Union grieved and written/verbal warning given to employee</a>	<a href="#">SM 04-20</a>
<a href="#">UNAC</a>	<a href="#">Union grieved disciplinary action and employee received written warning. Union position is that written warning should have been a CAP</a>	<a href="#">SM 07-20</a>
<a href="#">UNAC v. SFMC</a>	<a href="#">National Labor Relations Board - Region 21</a>	<a href="#">ULP-21-CA-231856</a>

<u>UNAC</u>	<u>Union grieved and CAP</u>	<u>SM 06-20</u>
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## Esposito, Zach

---

**To:** Joel Richlin (PHMI)  
**Subject:** RE: EXTERNAL: FW: Prime/St. Francis- Revised APA

**From:** Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>  
**Sent:** Wednesday, April 1, 2020 2:05 PM  
**To:** Moyron, Tania M. <[tania.moyron@dentons.com](mailto:tania.moyron@dentons.com)>; Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>; David Galfus <[dgalfus@thinkbrg.com](mailto:dgalfus@thinkbrg.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>; Garms, R. Matthew <[matthew.garms@dentons.com](mailto:matthew.garms@dentons.com)>; Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>; Moloney, Jim (<[JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)>) <[JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)>; John Schlant [ThinkBRG] <[jschlant@thinkbrg.com](mailto:jschlant@thinkbrg.com)>; Koffroth, Nick <[nick.koffroth@dentons.com](mailto:nick.koffroth@dentons.com)>; Montgomery, Claude D. <[claudemontgomery@dentons.com](mailto:claudemontgomery@dentons.com)>; Maizel, Samuel R. <[samuel.maizel@dentons.com](mailto:samuel.maizel@dentons.com)>; Adcock, Rich <[RichAdcock@verity.org](mailto:RichAdcock@verity.org)>; Beith, Carsten <[cbeith@cainbrothers.com](mailto:cbeith@cainbrothers.com)>; Project Phoenix (<[project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)>) <[project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)>  
**Cc:** Gertler, Gary <[ggertler@mwe.com](mailto:ggertler@mwe.com)>; Olson, Christopher <[Colson@mwe.com](mailto:Colson@mwe.com)>; Reisner, Jeffrey <[Jreisner@mwe.com](mailto:Jreisner@mwe.com)>  
**Subject:** Prime/St. Francis- Revised APA  
**Importance:** High

Hi All,

Attached is Prime's revised APA with a redline off of Verity's most recent draft. We apologize for the delay but as you may be aware, we were monitoring the hearing this morning and wanted to get that insight in crafting certain provisions, and we did consider the Court's rulings today in making our edits. The key changes I will call to your attention are: (1) no longer pre-paying for QAF (Seller still gets to keep QAF so no change in net value to Seller, but reduced cash consideration at close); (2) revised AR formula to address expected COVID losses and supplemental payments (as discussed on our call); (3) compromise language on Material Adverse Effect; and (4) certain bid protections such as minimum overbid and bid increments. Also attached is an updated valuation for the AR, payroll, and PTO based on most recent schedules in the data room.

We think that the most efficient next steps would be for us to have a quick call to walk you through these edits and our thinking. Please let us know if you would like to jump on a call and a good time. Once you understand the edits, we can set up a follow up call with principals.

Joel

**A. Joel Richlin, Esq.**  
*Vice President, Deputy General Counsel, & Chief Litigation Counsel*  
3480 E. Guasti Road, Ontario, CA 91761  
Direct: 909-235-4235 | Facsimile: 909-235-4316  
Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



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\*\*\*\*\*

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## Esposito, Zach

---

**From:** Paul, Elspeth <ElspethPaul@verity.org>  
**Sent:** Thursday, April 2, 2020 1:33 PM  
**To:** Joel Richlin (PHMI); Moloney, Jim; Beith, Carsten  
**Cc:** Steve Aleman (PHMI); Chadwick, Peter (VHS)  
**Subject:** RE: [External Email] St. Francis APA

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1pm is great. I'll send dial in to everyone on this email. Thanks!

Elspeth Paul  
General Counsel  
**Verity Health System**  
**NEW ADDRESS:**  
601 S. Figueroa Street, Suite 4050  
Los Angeles, CA 90017  
Office: (424) 367-0733  
Cell: (310) 387-3433

---

**From:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Sent:** Thursday, April 02, 2020 11:30 AM  
**To:** Paul, Elspeth <ElspethPaul@verity.org>; Moloney, Jim <JMoloney@cainbrothers.com>; Beith, Carsten <cbeith@cainbrothers.com>  
**Cc:** Steve Aleman (PHMI) <SAleman2@primehealthcare.com>; Chadwick, Peter (VHS) <pchadwick@thinkbrg.com>  
**Subject:** RE: [External Email] St. Francis APA

Hi All,

Haven't heard back. I thought the urgency was coming from Cain so we were just trying to accommodate here. Did we want to just all talk at 1pm when Elspeth and Peter were going to call Steve and I?

### **A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*  
3480 E. Guasti Road, Ontario, CA 91761  
Direct: 909-235-4235 | Facsimile: 909-235-4316  
Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



---

**From:** Joel Richlin (PHMI)  
**Sent:** Thursday, April 2, 2020 10:34 AM  
**To:** Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>; Moloney, Jim <[JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)>; Beith, Carsten <[cbeith@cainbrothers.com](mailto:cbeith@cainbrothers.com)>



Cc: Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>

Subject: RE: [External Email] St. Francis APA

Elspeth, Jim, Carsten,

I understand that Jim and Carsten have just talked to Dr. Reddy. Dr. Reddy has asked me to get on the phone with you all immediately to discuss final deal points. Are you available now?

Joel

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

3480 E. Guasti Road, Ontario, CA 91761

Direct: 909-235-4235 | Facsimile: 909-235-4316

Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



---

From: Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>

Sent: Thursday, April 2, 2020 9:58 AM

To: Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>

Cc: Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>

Subject: RE: [External Email] St. Francis APA

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Thanks for your flexibility.

---

From: Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>

Sent: Thursday, April 02, 2020 9:56 AM

To: Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>

Cc: Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>

Subject: RE: [External Email] St. Francis APA

Sure, I understand that Jim is talking to Dr. Reddy now.

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

3480 E. Guasti Road, Ontario, CA 91761

Direct: 909-235-4235 | Facsimile: 909-235-4316

Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



**From:** Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>  
**Sent:** Thursday, April 2, 2020 9:55 AM  
**To:** Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>  
**Cc:** Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>  
**Subject:** RE: [External Email] St. Francis APA

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Joel & Steve:

Is it possible to reschedule our time for this afternoon? Cain is looking to talk to Dr. Reddy this morning. Would 1 pm work for you? Peter and I can be available later, too, if that is better for you.

Thanks, Elspeth

Elspeth Paul  
General Counsel  
**Verity Health System**  
**NEW ADDRESS:**  
601 S. Figueroa Street, Suite 4050  
Los Angeles, CA 90017  
Office: (424) 367-0733  
Cell: (310) 387-3433

---

**From:** Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>  
**Sent:** Wednesday, April 01, 2020 7:25 PM  
**To:** Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>  
**Cc:** Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>  
**Subject:** [External Email] St. Francis APA

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Elspeth,

I spoke to management and have feedback on our discussion. Let me know once you have feedback on your end and can talk. I think we need to have a discussion about AR where I need Steve to join and we probably need BRG on your end, or whoever you deem best.

Thank you,

Joel

**A. Joel Richlin, Esq.**  
*Vice President, Deputy General Counsel, & Chief Litigation Counsel*  
3480 E. Guasti Road, Ontario, CA 91761  
Direct: 909-235-4235 | Facsimile: 909-235-4316  
Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



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## Esposito, Zach

---

**From:** Paul, Elspeth <ElspethPaul@verity.org>  
**Sent:** Thursday, April 2, 2020 7:15 PM  
**To:** Joel Richlin (PHMI)  
**Subject:** EXTERNAL:RE: [External Email] FW: EXTERNAL:COVID \$

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Looks good. Adding it to APA. Do you have the MAE language?

---

**From:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Sent:** Thursday, April 02, 2020 4:25 PM  
**To:** Paul, Elspeth <ElspethPaul@verity.org>  
**Subject:** [External Email] FW: EXTERNAL:COVID \$

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---

Elspeth,

I like your edits, I propose only one slight addition for clarity, see below in **yellow highlight**.

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

3480 E. Guasti Road, Ontario, CA 91761

Direct: 909-235-4235 | Facsimile: 909-235-4316

Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



---

**From:** Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>  
**Sent:** Thursday, April 2, 2020 3:29 PM  
**To:** Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>  
**Subject:** EXTERNAL:COVID \$

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Joel: With your new definition of accounts receivable and receivables, I'm thinking the edit is simply to move where the COVID \$ is referenced:

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, , in each case arising from the rendering of services or provision of goods,

products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source and all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19 (collectively, "Accounts Receivable"); and (ii) ~~all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19,~~ trauma payments, disproportionate share payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the "Other Receivables" and together with the Accounts Receivable, the "Receivables");

Cash payment of Sixty-One Million Dollars (\$61,000,000) (the "**A/R Target Amount**") as consideration for the Accounts Receivable transferred at Closing (subject to adjustment in Section 1.12);

1.12(d)(i): if the Final A/R Collected is more than the A/R Target Amount, then such excess amount shall be paid by Purchaser to Sellers within ten (10) business days of Purchaser's delivery of the accounting of the Final A/R Collected to Sellers, provided that, in no event, shall amounts of any governmental grants or awards directly or indirectly related to COVID-19 be paid to Sellers under this Section 1.12(d)(i); For the avoidance of doubt, any amounts of any governmental grants or awards directly or indirectly related to COVID-19 must be removed from the calculation of the Final A/R Collected to determine whether Purchaser owes to Sellers any amount above the A/R Target Amount;

If this looks ok to you, I'll have Dentons add it to the APA we are working on. If you want to wait to get everything at once, that is fine, too. Just trying to move in real time.

LMK, Elspeth

**Elsbeth D. Paul**

*General Counsel*

**Verity Health System**

**NEW ADDRESS:**

601 S. Figueroa Street, Suite 4050

Los Angeles, CA 90017

Office: (424) 367-0733

Efax: (310) 878-0254

[ElsbethPaul@Verity.org](mailto:ElsbethPaul@Verity.org)



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## Esposito, Zach

---

**From:** Moyron, Tania M. <vania.moyron@dentons.com>  
**Sent:** Friday, April 3, 2020 11:31 AM  
**To:** Joel Richlin (PHMI); Paul, Elspeth; dgalfus; Chadwick, Peter (VHS); Garms, R. Matthew; Moloney, Jim (JMoloney@cainbrothers.com); John Schlant [ThinkBRG]; Koffroth, Nick; Montgomery, Claude D.; Maizel, Samuel R.; Adcock, Rich; Beith, Carsten; Project Phoenix (project\_phoenix@keybank.com)  
**Cc:** Gertler, Gary; Olson, Christopher; Reisner, Jeffrey; Steve Aleman (PHMI)  
**Subject:** EXTERNAL:RE: Prime/St. Francis- Redline of Sale Order

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Thanks, Joel. Dentons has been brought up to speed on the discussions that occurred with you and others through late yesterday. We are working with our team and Elspeth to incorporate those points into the APA. Best.

 **Tania M. Moyron**  
Partner

D +1 213 243 6101 | M +1 310 402 4284 | US Internal 36101  
[tania.moyron@dentons.com](mailto:tania.moyron@dentons.com)  
[Bio](#) | [Website](#)

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**From:** Joel Richlin (PHMI) <JRichlin@primehealthcare.com>  
**Sent:** Friday, April 03, 2020 9:26 AM  
**To:** Moyron, Tania M. <vania.moyron@dentons.com>; Paul, Elspeth <ElspethPaul@verity.org>; David Galfus <dgalfus@thinkbrg.com>; Chadwick, Peter (VHS) <pchadwick@thinkbrg.com>; Garms, R. Matthew <matthew.garms@dentons.com>; Moloney, Jim (JMoloney@cainbrothers.com) <JMoloney@cainbrothers.com>; John Schlant [ThinkBRG] <jschlant@thinkbrg.com>; Koffroth, Nick <nick.koffroth@dentons.com>; Montgomery, Claude D. <claudemontgomery@dentons.com>; Maizel, Samuel R. <samuel.maizel@dentons.com>; Adcock, Rich <RichAdcock@verity.org>; Beith, Carsten <cbeith@cainbrothers.com>; Project Phoenix (project\_phoenix@keybank.com) <project\_phoenix@keybank.com>  
**Cc:** ggertler@mwe.com; Colson@mwe.com; Jreisner@mwe.com; Steve Aleman (PHMI) <SAleman2@primehealthcare.com>  
**Subject:** RE: Prime/St. Francis- Redline of Sale Order  
**Importance:** High

[External Sender]

Hi All,

Prime stands ready to quickly review and finalize the redline APA, but we don't have it yet, so I think this goes without saying that we are running a serious risk at this point of not having time to meet the deadline. What is also clear is we will not have time for further back and forth with any deviation from the agreements we reached yesterday.

I'm at my desk if anyone wants to talk and otherwise I'm waiting for the redline.

Joel

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

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**From:** Joel Richlin (PHMI)

**Sent:** Thursday, April 2, 2020 10:01 PM

**To:** Moyron, Tania M. <[tania.moyron@dentons.com](mailto:tania.moyron@dentons.com)>; Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>; David Galfus <[dgalfus@thinkbrg.com](mailto:dgalfus@thinkbrg.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>; Garms, R. Matthew <[matthew.garms@dentons.com](mailto:matthew.garms@dentons.com)>; Moloney, Jim ([JMoloney@caibrothers.com](mailto:JMoloney@caibrothers.com)) <[JMoloney@caibrothers.com](mailto:JMoloney@caibrothers.com)>; John Schlant [ThinkBRG] <[jschlant@thinkbrg.com](mailto:jschlant@thinkbrg.com)>; Koffroth, Nick <[nick.koffroth@dentons.com](mailto:nick.koffroth@dentons.com)>; Montgomery, Claude D. <[claudemontgomery@dentons.com](mailto:claudemontgomery@dentons.com)>; Maizel, Samuel R. <[samuel.maizel@dentons.com](mailto:samuel.maizel@dentons.com)>; Adcock, Rich <[RichAdcock@verity.org](mailto:RichAdcock@verity.org)>; Beith, Carsten <[cbeith@caibrothers.com](mailto:cbeith@caibrothers.com)>; Project Phoenix ([project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)) <[project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)>

**Cc:** [ggertler@mwe.com](mailto:ggertler@mwe.com); [Colson@mwe.com](mailto:Colson@mwe.com); [Jreisner@mwe.com](mailto:Jreisner@mwe.com); Steve Aleman (PHMI) <[SAleman2@primehealthcare.com](mailto:SAleman2@primehealthcare.com)>

**Subject:** Prime/St. Francis- Redline of Sale Order

Hi All,

Attached is a clean and redline of the template Sale Order. My understanding is that Dentons is working on a redline that reflects the parties' negotiations and agreements today. I reviewed the AR language with Elspeth and that should be good to go. I also sent Elspeth the language for the structure of the MAE provision and my understanding is that Cain has agreed on the calculation methodology with Steve and Cain is drafting that. So we are waiting in Cain's draft of that calculation and otherwise waiting on Dentons to turn a redline of the rest.

Please let me know if anything is in our court. We are otherwise prepared for the wire transfer and will be ready to review and finalize the redline in the morning. We can also review tonight if available.

Joel

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*



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**ASSET PURCHASE AGREEMENT**

**By and Among**

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,  
and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**(as “Sellers”)**

**and**

**PRIME HEALTHCARE SERVICES, INC.**

**(as “Purchaser”)**

**Dated \_\_\_\_\_, 2020**

## INDEX OF SCHEDULES & EXHIBITS

### Schedules

<a href="#">Schedule 1.1(a)(i)</a>	<a href="#">Base Price Adjustment</a>
Schedule 1.4(c)	Owned Real Property
Schedule 1.7(b)	Licenses
Schedule 1.7(c)(ii)	Leased Real Property
Schedule 1.7(c)(iii)	Tenant Leases
Schedule 1.7(d)	Assigned Contracts and Assigned Leases
Schedule 1.8(bb)	Certain Other Excluded Assets
Schedule 1.9(i)	Other Obligations
Schedule 2.4	Seller's Knowledge of Breach or Default
Schedule 2.5	Brokers and Finders (Sellers)
Schedule 2.6	Compliance (Sellers)
Schedule 2.7	Required Consents (Sellers)
Schedule 2.8	Legal Proceedings (Sellers)
Schedule 2.9(b)	Environmental Matters (Sellers)
Schedule 2.11	Missing Material Licenses (Sellers)
Schedule 2.13	Non-Bankruptcy Court Legal Proceedings (Sellers)
Schedule 2.19	List of Excluded Individuals (Seller)
Schedule 3.4	No Violation (Purchaser)
Schedule 3.7	Legal Proceedings (Purchaser)
Schedule 5.3	"Hospital Employees"
Schedule 11.3(b)	Tax Allocation Schedule

### Exhibits

<i>No.</i>	<i>Description</i>	<i>Status</i>
Exhibit 1.2	Escrow Agreement	to come
Exhibit 1.3(a)	Leaseback Agreement	Attached
Exhibit 1.3(b)	Interim Management Agreement	Attached
Exhibit 1.4(a)	Bill of Sale	to come
Exhibit 1.4(b)	Real Estate Assignment Agreements	to come
Exhibit 1.4(c)	Quitclaim Deeds	to come
Exhibit 1.4(d)	Transfer Agreement	to come
Exhibit 1.4(f)	Transition Services Agreement	Attached
Exhibit <del>5.9</del> <a href="#">5.8(c)</a>	Accepted Conditions (Attorney General Conditions)	to come

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”) by and among St. Francis Medical Center, a California nonprofit public benefit corporation (“**SFMC**”), Verity Holdings, LLC (“**Verity Holdings**”), a California limited liability company and Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**VHS**” and, together with SFMC and Verity Holdings, the “**Sellers**” and each individually a “**Seller**”) and Prime Healthcare Services, Inc., a Delaware corporation (“**Purchaser**” and, together with the Sellers, the “**Parties**” and each individually a “**Party**”).

### RECITALS

A. SFMC engages in the business of operating a hospital known as St. Francis Medical Center (“**St. Francis**”) in the City of Lynwood, California, including the hospital pharmacy, laboratory and emergency department as well as through the medical office buildings and clinics owned or operated by SFMC (with St. Francis, collectively referred to herein, as the “**Hospital**”).

B. VHS is the sole member of SFMC and Verity Holdings. Verity Holdings owns and rents certain properties on or near the Hospital campus.

C. Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, the assets described in Section 1.7 below for the consideration and upon the terms and conditions contained in this Agreement.

D. On August 28, 2018, Sellers filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, before the Honorable Ernest M. Robles (the “**Bankruptcy Court**”), which are jointly administered with their affiliates under Case No. 18-20151 (the “**Bankruptcy Cases**”).

E. On February 10, 2020, Sellers filed the *Debtors’ Notice of Motion and Motion for the Entry of (I) an Order (1) Approving Form of Asset Purchase Agreement; (2) Approving Auction Sale Format, Bidding Procedures and Stalking Horse Bid Protections; (3) Approving Form of Notice to be Provided to Interested Parties; (4) Scheduling a Court Hearing to Consider Approval of the Sale to the Highest Bidder; and (5) Approving Procedures Related to the Assumption of Certain Executory Contracts and Unexpired Leases; and (II) an Order (A) Authorizing the Sale of Property Free and Clear of All Claims, Liens and Encumbrances; Memorandum Of Points And Authorities In Support Thereof* [Docket No. 4069] (the “**Bidding Procedures Motion**”) which was approved by an order of the Bankruptcy Court (the “**Bidding Procedures Order**”) [Docket No. 4165] and pursuant thereto the Parties have entered into this Agreement.

F. The Parties intend to effectuate the transactions contemplated by this Agreement through a sale of the Assets pursuant to the Bidding Procedures and as approved by the Bankruptcy Court pursuant to Sections 363 and 365 of the Bankruptcy Code.

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained in this Agreement, and for their mutual reliance and incorporating into this Agreement the above recitals, the Parties hereto agree as follows:

### ARTICLE 1 SALE AND TRANSFER OF ASSETS; CONSIDERATION; CLOSING

#### 1.1 Purchase Price.

(a) Subject to the terms and conditions of this Agreement, the aggregate consideration shall be as follows:

(i) ~~Cash payment to Sellers of Two Hundred Million Dollars (\$200,000,000) (“Base Price”);~~ Payment to Sellers of a cash base purchase price (“Base Price”) as follows: Two Hundred Million Dollars (\$200,000,000); provided, that in the event at Closing the Annualized Normalized EBITDA (as defined in Schedule 1.1(a)(i)) is more than Fifty Million Dollars (\$50,000,000) less than the Prior Period Annualized Normalized EBITDA (as defined in Schedule 1.1(a)(i)), the Purchaser shall offset from the portion of the remaining QAF V net receipts collected after Closing (but not by more than an aggregate of Thirty Million Dollars (\$30,000,000)) one dollar for every dollar of difference between Prior Period Annualized Normalized EBITDA and Annualized Normalized EBITDA over Fifty Million Dollars (\$50,000,000) up to Eighty Million Dollars (\$80,000,000). **NEED TO DETERMINE MECHANISM FOR DELIVERY AND REVIEW OF ANNUALIZED NORMALIZED EBITDA;**

(ii) Sellers shall retain, as an Excluded Asset, ~~an estimated amount of the QAF V Payments (defined below) and the QAF VI Seller Net Payments (defined below) as described in Section 1.8(b), which are currently estimated at~~ Twenty-Nine Million Dollars (\$29,000,000) in connection with ~~the QAF V payments~~ Payments and Eighty-Three Million Dollars (\$83,000,000) in connection with ~~QAF VI payments (subject to adjustment as described in Section 1.8(b))~~ the QAF VI Seller Net Payments;

(iii) Cash payment of Sixty-One Million Dollars (\$61,000,000) (the “**A/R Target Amount**”) as consideration for the Accounts Receivable transferred at Closing (subject to adjustment in Section 1.12);

(iv) Cash payment for Sellers’ payroll liabilities at Closing (the “**Payroll Amount**”) (which as of October 31, 2019, had an aggregate value of approximately Five Million Dollars (\$5,000,000));

(v) Cash payment for accrued vacation and other paid time-off of Sellers' employees at Closing (the "**PTO Amount**") (which as of October 31, 2019, had an aggregate value of approximately Ten Million Dollars (\$10,000,000));

(vi) An amount equal to the Cure Costs (defined below) associated with outstanding liabilities of Sellers under any Assigned Leases and/or Assigned Contracts; and

(vii) An amount determined in accordance with Section 1.6.

(b) At the Closing, Purchaser shall pay to Sellers, by wire transfer of immediately available funds to the accounts specified by Sellers to Purchaser in writing, an aggregate amount equal to the Base Price, *plus* the A/R Target Amount, *plus* the Cure Cost Amount, *plus* the PTO Amount, *plus* the Payroll Amount (collectively, the "**Purchase Price**"), *minus* the Deposit (defined below).

(c) For purposes of this Agreement, the "**QAF Program**" means the California Department of Health Care Services ("**DHCS**") Hospital Quality Assurance Fee Programs V ("**QAF V**") and VI ("**QAF VI**"). During the period prior to the Closing, Sellers shall pay or permit DHCS to offset from amounts owed to St. Francis any fees due and owing prior to the Closing under QAF V and QAF VI (such payments or offsets shall be included in the formula described in Section 1.8(b)), and Sellers shall be entitled to retain all payments received under QAF V and QAF VI.

(d) Separate from, and in addition to, the Purchase Price, Purchaser commits to invest Forty-Seven Million Dollars (\$47,000,000) in capital expenditures for St. Francis (including NPC-3 seismic compliance responsibilities).

1.2 Deposit. Purchaser has deposited an amount equal to ~~ten percent (10%) of the Purchase Price~~ \$27,725,342.48 (the "**Initial Deposit**") by wire transfer to Chicago Title Insurance Company ("**Escrow Agent**") pursuant to that certain Escrow Agreement attached hereto as Exhibit 1.2. Within two (2) business day after the date of the conclusion of the auction for the Assets, if any, if Purchaser is the Prevailing Bidder (as defined below) and as a result of such auction has opted to increase the Purchase Price (the "**Auction Purchase Price**"), Purchaser shall deposit an additional amount with the Escrow Agent such that the total amount deposited with the Escrow Agent is equal to ten percent (10%) of the Auction Purchase Price (the Initial Deposit and any additional amount deposited with the Escrow Agent (if any) referred to collectively as the "**Deposit**") by wire transfer to the Escrow Agent. All fees of the Escrow Agent shall be paid by Purchaser. The Deposit shall be non-refundable in all events, except in the event the Closing does not occur due to Purchaser's termination of the Agreement pursuant to Sections 9.1 (a), (c)(i), (d), (f), (g), (h) or (i) hereof. Upon Closing, the Deposit will be credited against the Purchase Price.

1.3 Closing Date. The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Dentons US LLP, 601 South Figueroa St., Suite 2500, Los Angeles, CA 90017-5704 (the day on which Closing actually

occurs, the “**Closing Date**”) within three (3) business days following the satisfaction or waiver of the conditions set forth in ARTICLE 7 and ARTICLE 8, and other than those conditions that by their nature are to be satisfied at Closing but subject to fulfillment or waiver of those conditions. The Closing shall be deemed to occur and to be effective as of 12:00 a.m. pacific time on the day immediately after the Closing Date (the “**Effective Time**”). Purchaser and Sellers agree that because the change of ownership and regulatory approval process may take an extended period of time, at the Effective Time, the Assets (less any Assets constituting drugs or pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (as such terms are defined below)) will be sold to Purchaser and immediately leased back to Sellers (substantially in the form of the Leaseback Agreement attached hereto as Exhibit 1.3(a), the “**Leaseback Agreement**”), with a concurrent management arrangement (substantially in the form of the Interim Management Agreement attached hereto as Exhibit 1.3(b), the “**IMA**”). On the effective date that Purchaser obtains a general acute care hospital license from the California Department of Public Health (“**CDPH**”) and a hospital pharmacy permit from the California State Board of Pharmacy (“**BOP**”) (i) the Leaseback Agreement and IMA will terminate and (ii) the drugs and pharmacy assets, the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements will be transferred to Purchaser (without payment of any additional Purchase Price) (the “**Licensure Date**”). For the avoidance of any doubt, the Licensure Date shall be the date the Purchaser’s hospital license and pharmacy permit are effective, even if they are not actually issued until a later date. The Licensure Date may be determined based on oral assurances from CDPH and the BOP.

1.4 Items to be Delivered by Sellers at Closing. At or before the Closing, Sellers shall deliver, or cause to be delivered, to Purchaser the following:

(a) a Bill of Sale substantially in the form of Exhibit 1.4(a) attached hereto (the “**Bill of Sale**”), duly executed by each Seller;

(b) Real Estate Assignment Agreements (the “**Real Estate Assignments**”) in the form of Exhibit 1.4(b) attached hereto with respect to (i) the Leased Real Property, and (ii) the Tenant Leases, each duly executed by the applicable Sellers;

(c) Quitclaim Deeds in the form of Exhibit 1.4(c) attached hereto with respect to the real property listed in Schedule 1.4(c), together with all plant, buildings, structures, installments, improvements, fixtures, betterments, additions and constructions in progress situated thereon (the “**Owned Real Property**”) duly executed by SFMC and Verity Holdings as applicable;

(d) an Assigned Contract Transfer Agreement (the “**Transfer Agreement**”) in the form of Exhibit 1.4(d) attached hereto, duly executed by the applicable Sellers;

(e) evidence of payment of all Cure Costs;

(f) the Transition Services Agreement (the “**Transition Services Agreement**”) in form attached hereto as Exhibit 1.4(f), duly executed by the applicable Sellers;



(g) the Leaseback Agreement and IMA, duly executed by SFMC;

(h) favorable certificates of good standing, of each Seller, issued by the State of California, dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(i) a duly executed certificate of an officer of each Seller certifying to Purchaser (i) the incumbency of the officers of such Seller on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (ii) the due adoption and text of the resolutions or consents of the Board of Directors of such Seller authorizing (I) the transfer of the Assets and transfer of the Transferred Obligations by such Seller to Purchaser and (II) the due execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(j) a certified copy of the Sale Order (as defined below);

(k) non-foreign affidavits of SFMC and Verity Holdings, as applicable, dated as of the Closing Date, in the form of Exhibit 1.4(k); and

(l) Any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.5 Items to be Delivered by Purchaser at Closing. At or before the Closing, Purchaser shall deliver or cause to be delivered to Sellers the following:

(a) payment of the Purchase Price, minus the Deposit;

(b) a duly executed certificate of the Secretary of Purchaser certifying to Sellers (a) the incumbency of the officers of Purchaser on the Signing Date and on the Closing Date and bearing the authentic signatures of all such officers who shall execute this Agreement and any additional documents contemplated by this Agreement and (b) the due adoption and text of the resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement and all additional documents contemplated by this Agreement, and that such resolutions have not been amended or rescinded and remain in full force and effect on the Closing Date;

(c) favorable certificate of good standing, of Purchaser, issued by the California Secretary of State dated no earlier than a date which is fifteen (15) calendar days prior to the Closing Date;

(d) the Transition Services Agreement, duly executed by Purchaser;

(e) the Leaseback Agreement and IMA, duly executed by Purchaser;

(f) the Bill of Sale, duly executed by Purchaser;

- (g) the Real Estate Assignment(s), duly executed by Purchaser;
- (h) the Transfer Agreement, duly executed by Purchaser;
- (i) Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Owned Real Property, duly executed by Purchaser; and
- (j) any such other instruments, certificates, consents or other documents which Purchaser and Sellers mutually deem reasonably necessary to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

1.6 Prorations and Utilities. All items of income and expense listed below with respect to the Assets shall be prorated in accordance with the principles and the rules for the specific items set forth hereafter:

(a) All transfer, conveyance, sales, use, stamp, similar state and local taxes arising from the sale of the Assets hereunder shall be the responsibility of, and allocated to, Purchaser.

(b) Other than the Utility Deposits (defined below), which are governed by Section 1.8(n), and other than with respect to Cure Costs, the following costs and expenses shall be prorated based upon the payment period (*i.e.*, calendar or other tax fiscal year) to which the same are attributable: (i) all real estate and personal property lease payments, real estate and personal property taxes, real estate assessments and other similar charges against real estate, (ii) power and utility charges, (iii) payments made by Sellers for information technology software or services for periods after the Effective Time, (iv) payments made by Sellers in association with Licenses or dues paid to government and non-governmental agencies for calendar year 2020, and (v) other similar costs for items or services which continue past the Effective Time (collectively, the “**Prorated Charges**”). Sellers shall pay at or prior to the Closing (or Purchaser shall receive credit for) any unpaid Prorated Charges attributable to periods or portions thereof occurring prior to the Effective Time, and Purchaser shall be responsible for or, to the extent previously paid by Sellers, pay to Sellers at the Closing all Prorated Charges attributable to periods or portions thereof occurring from and after the Effective Time. In the event that as of the Closing Date the actual tax bills for the tax year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used. The Parties agree that if the real estate and personal property tax prorations are made based upon the taxes for the preceding tax period, the prorations shall be re-prorated after the Closing. As to power and utility charges, “final readings” as of the Closing Date shall be ordered from the utilities; the cost of obtaining such “final readings,” if any, shall be paid by Purchaser.

(c) Sellers shall be entitled to all rents and other payments under Tenant Leases accruing for the period prior to the Effective Time (“**Pre Effective Time Lease Amounts**”), and Purchaser shall be entitled to all rents and other payments under tenant leases accruing for the period after the Effective Time (“**Post Effective Time Lease Amounts**” and together with the Pre Effective Time Lease Amounts, the “**Lease Amounts**”). All Lease Amounts that are collected prior to the Closing shall be prorated as of the Closing in accordance

with the immediately preceding sentence. All Lease Amounts that are accrued but unpaid as of the Closing (including, without limitation, rents and other payments accrued prior to the Closing but payable in arrears after the Closing) (collectively, the “**Unpaid Amounts**”) shall belong to Sellers, and Purchaser shall, upon receipt of said rents and other payments, receive the same in trust for Sellers and shall promptly remit any of such amounts to Sellers within ten (10) days after Purchaser’s receipt of same.

(d) If Purchaser requests that Sellers transfer electronic medical records in a specific electronic format due to the Sellers’ electronic medical record (“**EMR**”) system and Purchaser’s EMR system not being interoperable, then Purchaser shall reimburse, on the Closing Date, all amounts paid or to be paid by Sellers to transfer electronic medical records to Purchaser in such different electronic format.

(e) All prorations and payments to be made under the foregoing provisions shall be agreed upon by Purchaser and Sellers prior to the Closing and shall be binding upon the Parties; *provided, however*, with respect to the Unpaid Amounts, in the event any proration, apportionment or computation shall prove to be incorrect for any reason, then either Sellers or Purchaser shall be entitled to an adjustment to correct the same, provided that said Party makes written demand on the Party from whom it is entitled to such adjustment within fifteen (15) calendar days after the erroneous payment or computation was made, or such later time as may be required, in the exercise of due diligence, to obtain the necessary information for proration.

(f) This Section 1.6 shall survive Closing.

1.7 Transfer of Sellers Assets. On the Closing Date, subject to the terms and conditions of this Agreement and except as otherwise contemplated in Section 1.3, Sellers shall sell, assign, transfer, convey and deliver to Purchaser, free and clear of all interests, including but not limited to all liens, privileges, pledges, security interests, rights of first refusal, options, defects in title and encumbrances (“**Encumbrances**”) other than the Permitted Exceptions (defined below), and Purchaser shall acquire, all of Sellers’ right, title and interest in and to only the following assets and properties, as such assets shall exist on the Closing Date, to the extent not included among the Excluded Assets, such transfer being deemed to be effective at the Effective Time (the “**Assets**”):

(a) all of the tangible personal property owned by Sellers, or to the extent assignable or transferable by Sellers, and used by Sellers in the operation of the Hospital, including equipment, furniture, fixtures, machinery, vehicles, office furnishings and leasehold improvements (the “**Personal Property**”);

(b) subject to Section 1.7(e), all of Sellers’ rights, to the extent assignable or transferable, to all licenses, permits, approvals, certificates of exemption, franchises, accreditations and registrations and other governmental licenses, permits or approvals issued to Sellers for use in the operation of the Hospital (the “**Licenses**”), including, without limitation, the Licenses set forth on Schedule 1.7(b), except to the extent Purchaser elects, in its discretion, not to take assignment of any such Licenses;

(c) all of Sellers' interest in and to the Owned Real Property and all of Sellers' interest, to the extent assignable or transferable and that have been designated by Purchaser, in and to all of the following (the "**Assigned Leases**"): (i) the real property leases for all real property leased by Sellers and set forth on Schedule 1.7(c)(i) (the "**Leased Real Property**"), and (ii) the real property leased or subleased by Sellers to a third party and set forth on Schedule 1.7(c)(ii) (the "**Tenant Leases**");

(d) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Effective Time, to the extent assignable or transferable, all contracts and agreements (including, but not limited to, purchase orders) that have been designated by Purchaser as an Assigned Contract, pursuant to Section 1.11 and appearing on Schedule 1.7(d);

(e) all of Sellers' interest in, from and after the Licensure Date, to the extent assignable or transferable, the Hospital's Medicare Provider Agreement (and provider number) and the Hospital's Medi-Cal Provider Agreement (and provider number) (collectively, the "**Medicare/Medi-Cal Agreements**");

(f) all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's managed care, pre-paid, capitated or other full-risk health plan agreements (collectively, the "**Managed Care Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Managed Care Agreements**");

(g) subject to Section 4.6, all of Sellers' interest in, and all of Sellers' obligations due under, from and after the Licensure Date, to the extent assignable or transferable, in and to any of the Hospital's services, participation or provider agreements with private health plans, insurers or other third party payors (collectively, the "**Private Payor Agreements**") that have been designated by Purchaser as an Assigned Contract pursuant to Section 1.11 (to the extent so designated, the "**Transferred Private Payor Agreements**"), *provided that*, Private Payor Agreements shall not include any "risk-sharing" agreements with independent physician associations;

(h) to the extent assignable or transferable, all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables (i) located at the Hospital or (ii) used in the operation of the Hospital (the "**Inventory**") except as set forth in Sections 1.3 and 1.8(i);

(i) other than Utility Deposits, all prepaid rentals, deposits, prepayments and similar amounts relating to the Assigned Contracts and/or the Assigned Leases, which were made with respect to the operation of the Hospital (the "**Prepays**");

(j) to the extent assignable or transferable, all of the following that are not proprietary to Sellers and/or owned by or proprietary to Sellers' affiliates: operating manuals, files and computer software with respect to the operation of the Hospital, including, without limitation, all patient records, medical records, employee records, billing records, financial records, equipment records, construction plans and specifications, and medical and

administrative libraries; *provided, however*, that any electronic medical records may be transferred in paper or “pdf” if Sellers’ EMR system and Purchaser’s EMR system are not interoperable;

(k) to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor in connection with the Personal Property;

(l) all right, title and interest in and to the name “St. Francis Medical Center,” including any associated Hospital trademarks, service marks, trade names, logos and domain names but excluding the domain <https://stfrancis.verity.org> and content therein;

(m) all goodwill of the Hospital evidenced by the Assets;

(n) to the extent transferable or assignable, Sellers’ right or interest in the telephone and facsimile numbers used with respect to the operation of the Hospital;

(o) to the extent assignable or transferable, Sellers’ lock box account(s) associated with Medicare or Medi-Cal fee-for-service receivables (the “**Lockboxes**”) on or after the Licensure Date;

(p) (i) all accounts and interest thereupon, notes and interest thereupon and other receivables of Sellers, including, without limitation, accounts, notes or other amounts receivable, and all claims, rights, interests and proceeds related thereto, including all accounts and other receivables, , in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital, billed and unbilled, recorded and unrecorded (including any such amounts that were written-off by Sellers for any reason), for services, goods, products and supplies provided by Sellers prior to the Licensure Date whether payable by Medicare, Medi-Cal, Medicaid, or any other payor (including an insurance company), or any health care provider or network (such as a health maintenance organization, preferred provider organization or any other managed care program) or any fiscal intermediary of the foregoing, private pay patients, private insurance or by any other source (~~collectively, “Accounts Receivable”~~); ~~and (ii)~~ and all claims, rights, interests and proceeds relating to any grant or governmental awards directly or indirectly related to COVID-19,19 (~~collectively, “Accounts Receivable”~~); and (ii) trauma payments, disproportionate share payments (subject to Section 1.8(c)), California Health Foundation & Trust payments, cost report, claim, EHR or other similar appeals and Seller Cost Report settlements in each case arising from the rendering of services or provision of goods, products or supplies to inpatients and outpatients at the Hospital (the “Other Receivables” and together with the Accounts Receivable, the “Receivables”);

(q) all documents, records, correspondence, work papers and other documents, other than patient records, primarily relating to the Receivables;

(r) all QAF payments due to the Hospital from the State of California or any of its administrative entities or other entitles, including without limitations, Medi-Cal managed care plans, that are both received on and after the Licensure Date and attributable to QAF VI and any subsequent QAF Program, regardless of the state fiscal year for which the payments are made in reference to and regardless of the state fiscal year for which the data was derived to



calculate eligibility for such payments, other than the QAF payments received prior to Closing or specifically excluded pursuant to Section 1.8(b) as QAF VI Seller Net Payments;

(s) except as set forth in Section 1.8(l) (i.e., certain causes of action), all claims, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment of Sellers against third parties related to or associated with the physical condition of any of the Assets; and

(t) to the extent assignable or transferable, any other assets owned by Sellers (which are not otherwise specifically described above in this Section 1.7) that are used primarily in the operation of the Hospital.

As used herein, the term “**Permitted Exceptions**” means (i) the Transferred Obligations; (ii) liens for taxes not yet due and payable; (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (iv) imperfections of title or encumbrances identified in the Title Commitments (defined below) other than those specifically identified in Schedule 1.7(I); and (iv) other imperfections of title or encumbrances, if any, which are not monetary in nature and that are not, individually or in the aggregate, material to the business of the Hospital.

1.8 Excluded Assets. Notwithstanding anything to the contrary in Section 1.7, Sellers shall retain all interests, rights and other assets owned directly or indirectly by it (or any of Sellers’ affiliates) which are not among the Assets, including, without limitation, the following interests, rights and other assets of Sellers (collectively, the “**Excluded Assets**”):

(a) cash, cash equivalents and short-term investments;

(b) all QAF payments received prior to Closing under any QAF ~~program~~Program and, in addition, ~~with respect to the QAF VI Program, (I)~~ the Excluded Assets shall include ~~the~~ “all payments received or to be received by the Hospital with respect to QAF V (the “QAF V Payments”), and (II) with respect to QAF VI, the Excluded Assets shall include the “QAF VI Seller Net Payments” which shall be, with respect to the Hospital, an amount equal to the product of: (A) all payments received or to be received by the Hospital under the QAF ~~VI~~ Program in respect of QAF VI minus all payments already made, required to be made in the future or to be offset by the government with respect to ~~the QAF VI Program, including payments to the California Health Foundation & Trust~~QAF VI, multiplied by (B) the Closing Date Percentage. The “**Closing Date Percentage**” shall mean the percentage derived by dividing the total number of days between July 1, 2019 and the Effective Time, by 915;

(c) all Disproportionate Share Hospital Payments (“**DSH**”) received on or after the Effective Time but calculated based on data from periods prior to the Effective Time (whether received before or after the Effective Time and whether paid to Sellers or Purchaser);

(d) all Sellers Plans (defined below) and the assets of all Sellers Plans and any asset that would revert to the employer upon the termination of any Sellers Plan, including, without limitation, any assets representing a surplus or overfunding of any Sellers Plan;

(e) all contracts that are not Assigned Contracts and all risk sharing agreements with independent physician associations (“IPAs”);

(f) any Private Payor Agreement that is not a Transferred Private Payor Agreement and any Managed Care Agreement that is not a Transferred Managed Care Agreement;

(g) all collective bargaining agreements or other arrangements with unions representing Sellers’ employees;

(h) all leases that have not been designated as Assigned Leases, and all Contracts that have not been designated as Assigned Contracts and all rents, deposits, prepayments, and similar amounts relating thereto;

(i) the portions of Inventory, Prepaids, and other assets disposed of, expended or canceled, as the case may be, by Sellers after the Signing Date and prior to the Effective Time in the ordinary course of business;

(j) assets owned by vendors of services or goods to the Hospital;

(k) all of Sellers’ organizational or corporate record books, minute books and tax records;

(l) Except as set forth in Section 1.7(k) or 1.7(s) hereof (*i.e.*, rights under warranties and physical condition claims), all claims, counterclaims and causes of action of Sellers or Sellers’ bankruptcy estate (including parties acting for or on behalf of Sellers’ bankruptcy estate, including, but not limited to, the official committee of unsecured creditors appointed in the Bankruptcy Case), including, without limitation, (A) causes of action arising out of any claims and causes of action under chapter 5 of the Bankruptcy Code (“**Avoidance Claims**”), (B) any claims, counterclaims and causes of action under applicable non-bankruptcy law (including claims, counterclaims and causes of action against any health plan or other third party payors related to services provided prior to the Effective Time), and (C) any rights to challenge liens asserted against property of the Sellers’ bankruptcy estate (including, but not limited to, liens attaching to the Purchase Price paid to the Sellers), and the proceeds from any of the foregoing; *provided, however*, that Purchaser shall acquire and be deemed to release and waive as of the Effective Time all Avoidance Claims against counterparties to Assigned Contracts and Assigned Leases solely to the extent such avoidance claims arise from, or are in connection with, executory contracts and unexpired leases assigned by the Sellers to Purchaser pursuant to Section 1.11 hereof;

(m) Except as set forth in Section 1.7(s), all insurance policies and contracts and coverages obtained by Sellers or listing Sellers as insured party, a beneficiary or loss payee, including prepaid insurance premiums, and all rights to insurance proceeds under any of the foregoing, and all subrogation proceeds related to any insurance benefits arising from or relating to (i) Assets prior to the Licensure Date and/or (ii) Excluded Assets whether prior to or after the Licensure Date;



(n) all deposits made with any entity that provides utilities to the Hospital (the “**Utility Deposits**”);

(o) all unclaimed property of any third party as of the Effective Time, including, without limitation, property which is subject to applicable escheat laws;

(p) all bank accounts of Sellers, other than the Lockboxes as set forth in Section 1.7(o);

(q) all writings and other items that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other cognizable privilege or protection;

(r) the rights of Sellers to receive mail and other communications with respect to Excluded Assets or Excluded Liabilities;

(s) all tax refunds and tax assets of Sellers;

(t) all documents, records, operating manuals and film pertaining to the Hospital that the Parties agree that Sellers is required by law to retain;

(u) all patient records and medical records which are not part of any electronic medical record software transferred to Purchaser and are not required by law (including Section 351 of the Bankruptcy Code) to be maintained by Purchaser as of the Effective Time;

(v) any rights or documents relating to any Excluded Liability or other Excluded Asset;

(w) all deposits or other prepaid charges and expenses paid in connection with or relating to any other Excluded Assets and/or Excluded Liabilities;

(x) any rights or remedies provided to Sellers under this Agreement and each other document executed in connection with the Closing and the actions necessary to complete the sale of the Hospital pursuant to this Agreement;

(y) any rights or remedies, including deposits, against any individual or entity arising pursuant to (including in connection with Sellers’ termination of) or relating to that certain Asset Purchase Agreement dated January 8, 2019 between, *inter alia*, Sellers and Strategic Global Management, Inc.;

(z) any (i) personnel files for employees of Sellers who are not hired by Purchaser; (ii) all documents, records, correspondence (including with respect to any employees), work papers, patient records or other books and records that Sellers is required by Law to retain; *provided, however*, that except as prohibited by Law and subject to ARTICLE 5, Purchaser shall have the right to make copies of any portions of such retained books and records that relate to the business of the Hospital as conducted before the Closing or that relate to any of the Assets; (iii) documents which Sellers is not permitted to transfer pursuant to any contractual obligation owed to any third party; (iv) documents primarily related to any Excluded Assets; and (v) documents

necessary to prepare tax returns (Purchaser shall be entitled to a copy of such documents). With respect to documents necessary to prepare cost reports, Purchaser shall receive the original document and Sellers shall be entitled to retain or request a copy of such documents;

(aa) any and all rights and entitlements of Sellers in respect of that certain Settlement Agreement, executed as of April 29, 2019, by and between, on the one hand, Premier, Inc., Premier Services, LLC (“**Premier GP**”), Premier Healthcare Alliance, L.P. (“**Premier LP**”), Premier Healthcare Solutions, Inc. (“**PHSI**”) and each of Premier, Inc.’s other subsidiaries (collectively and including Premier GP, Premier LP and PHSI, “**Premier**”), and on the other hand, VHS, as approved by the Bankruptcy Court by order entered on May 29, 2019 [Docket No. 2461], including but not limited to the right to convert and exchange partnership interests arising under that certain Amended and Restated Limited Partnership Agreement, effective as of October 1, 2013, as amended, by and among Premier LP, Premier GP and the limited partners of Premier LP party thereto (including VHS); and

(bb) any assets identified in Schedule 1.8(bb).

For the avoidance of doubt, Purchaser is not acquiring any asset owned by any affiliate of Sellers.

1.9 Transferred Obligations. Purchaser is not assuming any liabilities of Sellers. Instead, on and after the Closing Date, Purchaser shall be responsible for and agrees to discharge, perform and satisfy fully, on and after the Effective Time, the following liabilities and obligations (collectively, the “**Transferred Obligations**”):

(a) the Assigned Contracts, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(b) the Assigned Leases, after Sellers pay the Cure Costs from the proceeds of the Purchase Price;

(c) all liabilities and obligations arising out of or relating to any act, omission, event or occurrence connected with the use, ownership or operation by Purchaser of the Hospital or any of the Assets on or after the Effective Time;

(d) all liabilities and obligations related to the Hired Employees arising on or following the Effective Time (which for avoidance of doubt, does not include any duties, obligations or liabilities arising from or related to employment-related documentation required to be maintained by such Seller prior to the Effective Time, including but not limited to, documentation of I-9 compliance for Sellers’ employees and any alternative work schedule compliance duties, obligations or liabilities that relate to Sellers’ employees);

(e) all unpaid real and personal property taxes, if any, that are attributable to the Assets after the Effective Time, subject to the prorations provided in Section 1.6;

(f) all liabilities and obligations relating to utilities being furnished to the Assets, subject to the prorations provided in Section 1.6;

- (g) any documentary, sales and transfer tax liabilities of Sellers incurred as a result of the consummation of the transaction contemplated by this Agreement;
- (h) all liabilities or obligations provided for in Section 5.3; and
- (i) any other obligations and liabilities identified in Schedule 1.9(i).

1.10 Excluded Liabilities. Purchaser shall have those duties, obligations and liabilities set forth in this Agreement, the IMA, the Leaseback Agreement, the Transition Services Agreement, the Bill of Sale, the Transfer Agreement and the Real Estate Assignment(s) and shall be responsible for the Transferred Obligations. However, except as expressly set forth herein, Purchaser is not assuming any liabilities of Sellers related to the Assets, Sellers' employees or the Hospitals, is purchasing the Assets free and clear of the Encumbrances except the Permitted Exceptions (defined herein) and shall not be deemed a successor to Sellers or their estates by reason of any theory of law or equity with respect to any claims or liens against Sellers or the Assets (the "**Excluded Liabilities**").

1.11 Designation of Assigned Contracts and Assigned Leases. Each Seller will assign to Purchaser the Assigned Leases and such other contracts and leases as are subject to evaluation by Purchaser for assumption or rejection (collectively "**Evaluated Contracts**"). At the later of (i) 5:00 p.m. pacific time on the day that is seven (7) calendar days prior to the date of the auction for the Assets and (ii) the date the Purchaser submits its bid for the Assets: (A) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be assigned to Purchaser (the "**Assigned Contracts**") and (B) Purchaser shall notify Seller in writing signed and dated by Purchaser of which Evaluated Contracts are to be rejected by Seller (the "**Rejected Contracts**"); provided, that Purchaser shall have the right to designate any contracts on the Assigned Contract list as a Rejected Contract on or prior to 5:00 p.m. pacific time on the day that is thirty (30) days prior to Closing Date, and Sellers shall have the absolute right to remove any Evaluated Contract from the list of Assigned Contracts in order to preserve avoidance claims; provided, however, that notwithstanding anything to the contrary, and to enable Sellers to comply with the terms of the Bidding Procedures Order with respect to UnitedHealthcare Insurance Company ("**UnitedHealthcare**"), Purchaser shall irrevocably designate all UnitedHealthcare agreements as Assigned Contracts or Rejected Contracts by the date that is two (2) calendars days after the Bankruptcy Court enters the Sale Order. The final list of Assigned Contracts at Closing will appear on Schedule 1.7(d).

1.12 Accounts Receivable Reconciliation.

(a) Sellers and Purchaser have mutually agreed that the target Accounts Receivable amount that will be transferred from Sellers to Purchaser as of the Effective Time is the A/R Target Amount. In connection with the Account Receivable reconciliation process, Purchaser shall collect the Accounts Receivable during the one hundred thirty-five (135) day period immediately following the Closing Date (collectively, the "**Final A/R Collected**"), and within the thirty (30) day period thereafter, Purchaser shall provide Sellers, in good faith, a schedule which provides an accounting of the Final A/R Collected (the "**A/R Accounting Schedule**"), together with reasonably detailed schedules and data supporting such accounting.

(b) After receipt of the A/R Accounting Schedule, Sellers shall have sixty (60) days to review the A/R Accounting Schedule and the Final A/R Collected as proposed by Purchaser, together with the work papers used in the preparation thereof, and have their representatives and advisors review such A/R Accounting Schedule and proposed Final A/R Collected. In connection with the review of the A/R Accounting Schedule and proposed Final A/R Collected, Purchaser shall give, and shall cause its representatives and advisors to give, to Sellers and their representatives and advisors reasonable access, upon reasonable prior notice, to the books, records and other materials and the personnel of, and work papers prepared by or for, Purchaser and its representatives and advisors, including to such historical financial information relating to the Sellers and the Accounts Receivable as Sellers or their representatives or advisors may request, in each case, in order to permit the timely and complete review of the A/R Accounting Schedule and proposed Final A/R Collected in accordance with this Section 1.12(b) and so long as such access does not unreasonably interfere with the operations of the Purchaser.

(c) If Sellers disagree with the A/R Accounting Schedule and/or proposed Final A/R Collected, they shall notify Purchaser in writing within sixty (60) days after the date on which Purchaser delivers such A/R Accounting Schedule and proposed Final A/R Collected to Sellers, which shall include the items as to which they disagree and their calculation of such disputed amounts with reasonable supporting detail (the “Statement of Objections”). Purchaser and Sellers shall reasonably cooperate to resolve any such disagreements. If Purchaser and Seller are unable to resolve all such disagreements on or before the date which is thirty (30) days following notification by Sellers of any such disagreements, such disagreements shall be submitted to the Bankruptcy Court for resolution. The A/R Accounting Schedule and Final A/R Collected shall become final on the earlier of (i) failure by Sellers to deliver a Statement of Objections within the time period required by this section; (ii) mutual written agreement by Sellers and Purchaser; or (iii) a determination by the Bankruptcy Court.

(d) Once the A/R Accounting Schedule and Final A/R Collected have become final in accordance with Section 1.12(c), the following shall occur:

(i) if the Final A/R Collected is more than the A/R Target Amount, then such excess amount shall be paid by Purchaser to Sellers within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers, provided that, in no event shall amounts of any governmental grants or awards directly or indirectly related to COVID-19 be paid to Sellers under this Section 1.12(d)(i) (for the avoidance of doubt, any amounts of any governmental grants or awards directly or indirectly related to COVID-19 must be removed from the calculation of the Final A/R Collected to determine whether Purchaser owes to Sellers any amount above the A/R Target Amount);

(ii) if the Final A/R Collected is less than the A/R Target Amount, then such deficit amount shall be paid by Sellers to Purchaser within ten (10) business days of Purchaser’s delivery of the accounting of the Final A/R Collected to Sellers (and if not paid, Purchaser shall have ~~collateral rights in~~ the right to offset such amounts against Seller’s QAF VI Seller Net Payments); or

(iii) if the Final A/R Collected is equal to the A/R Target Amount, then no adjusting payments in respect of the Accounts Receivable shall be required by either

Purchaser or Sellers.

(e) During the one hundred thirty-five (135) day period immediately following the Closing Date Purchaser shall (i) use good faith, commercially reasonable best efforts to collect the Accounts Receivable (including at least the efforts used by Purchaser to collect its other receivables) within the one hundred thirty-five (135) day period immediately following the Closing Date; (ii) not take any action for the purpose of or which would be reasonably likely to result in any of the Accounts Receivable not being collected in a timely manner and within the one hundred thirty-five (135) day period immediately following the Closing Date; and (iii) provide Sellers with weekly written updates on its collection of the Accounts Receivable.

1.13 Disclaimer of Warranties; Release.

(a) THE ASSETS TRANSFERRED TO PURCHASER WILL BE SOLD BY SELLERS AND PURCHASED BY PURCHASER IN THEIR PHYSICAL CONDITION AT THE EFFECTIVE TIME, "AS IS, WHERE IS AND WITH ALL FAULTS AND NONCOMPLIANCE WITH LAWS" WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, USAGE, WORKMANSHIP, QUALITY, PHYSICAL CONDITION, OR VALUE, AND ANY AND ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED, AND WITH RESPECT TO THE LEASED REAL PROPERTY WITH NO WARRANTY OF HABITABILITY OR FITNESS FOR HABITATION, INCLUDING, WITHOUT LIMITATION, THE LAND, THE BUILDINGS AND THE IMPROVEMENTS. ALL OF THE PROPERTIES, ASSETS, RIGHTS, LICENSES, PERMITS, PRIVILEGES, LIABILITIES, AND OBLIGATIONS OF SELLERS INCLUDED IN THE ASSETS AND THE TRANSFERRED OBLIGATIONS ARE BEING ACQUIRED OR RECEIVED "AS IS, WHERE IS" ON THE CLOSING DATE AND IN THEIR PRESENT CONDITION, WITH ALL FAULTS. ALL OF THE TANGIBLE ASSETS SHALL BE FURTHER SUBJECT TO NORMAL WEAR AND TEAR AND NORMAL AND CUSTOMARY USE OF THE INVENTORY AND SUPPLIES IN THE ORDINARY COURSE OF BUSINESS UP TO THE EFFECTIVE TIME.

(b) Purchaser acknowledges that Purchaser has examined, reviewed and inspected all matters which in Purchaser's judgment bear upon the Purchase Price, the Assets, the Sellers, the Hospital, the businesses of the Hospital and their value and suitability for Purchaser's purposes and, except for Sellers representations and warranties in ARTICLE 2, is relying solely on Purchaser's own examination, review and inspection of the Assets and Transferred Obligations. Purchaser hereby releases Sellers and their affiliates from all responsibility and liability regarding the condition, valuation, salability or utility of the businesses of the Hospital or the Assets, or their suitability for any purpose whatsoever. Purchaser further acknowledges that the representations and warranties of Sellers contained in ARTICLE 2 of this Agreement are the sole and exclusive representations and warranties made by Sellers to Purchaser (including with respect to the Hospital, the Assets and the Transferred Obligations) and shall expire, and be of no further force or effect at the Closing.



## ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller hereby represents, warrants and covenants to Purchaser, severally (and not jointly) with respect to such Seller that the following matters are true and correct as of the Signing Date, except as would not have a Material Adverse Effect (as defined below) upon the Assets, and except as disclosed in the disclosure schedule, as may be amended pursuant to the terms of this Agreement (the “**Disclosure Schedule**”), provided that the representations and warranties set forth in Sections 2.1 (Authorization), 2.2 (Binding Agreement), 2.3 (Organization and Good Standing; No Violation), 2.7 (Compliance with Legal Requirements), 2.8 (Required Consents), 2.10 (Title) and 2.13 (Legal Proceedings) (the “**Sale Order Date Representations**”) shall also be made as of immediately prior to the entry of the Sale Order (the “**Sale Order Date**”):

The term “**Material Adverse Effect**” means any event, change or occurrence that, individually or in the aggregate with other events, changes or occurrences, has had or would reasonably be expected to have, a material adverse effect on the Sellers’ financial condition, ~~operation or Assets in excess of Fifty Million Dollars (\$50,000,000); provided, that if such threshold is exceeded, then in lieu of Purchaser’s right of termination, the Parties shall negotiate in good faith to reduce the Purchase Price as may be appropriate and any dispute will be resolved by the Bankruptcy Court as to the determination of any reasonable reduction provided, that in determining whether a Material Adverse Effect has occurred, any degradation in earnings and/or Receivables shall be excluded.~~

2.1 Authorization. Such Seller has all necessary corporate power and authority to enter into this Agreement and, subject to Bankruptcy Court approval, to carry out the transactions contemplated hereby.

2.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Sellers and, assuming due and valid execution by Purchaser, this Agreement constitutes a valid and binding obligation of Sellers enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect (including, without limitation approval of the Bankruptcy Court) and (b) limitations on the enforcement of equitable remedies.

2.3 Organization and Good Standing; No Violation.

(a) Each of SFMC and VHS is a non-profit corporation duly organized, validly existing and in good standing under the laws of the State of California. Verity Holdings is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each Seller has all necessary power and authority to own, operate and lease its properties and to carry on its businesses as now conducted.

(b) Neither the execution and delivery by such Seller of this Agreement nor the consummation of the transactions contemplated hereby by such Seller nor compliance with any of the material provisions hereof by such Seller, will violate, conflict with or result in a



breach of any material provision of such Seller's articles of incorporation or bylaws or any other organizational documents of such Seller.

2.4 Contracts. Except as set forth in Schedule 2.4, upon entry of the Sale Order and payment of the Cure Costs, to Sellers' knowledge, Sellers are not in breach or default of the Assigned Contracts or Assigned Leases. No provision of this Section 2.4 shall apply to any failure to obtain consents to the assignment of the Assigned Contracts and/or Assigned Leases from third parties in connection with the assignment of such Assigned Contracts and/or Assigned Leases to Purchaser (the "**Contract and Lease Consents**").

2.5 Brokers and Finders. Except as set forth on Schedule 2.5, neither such Seller nor any affiliate thereof, nor any officer or director thereof, have engaged or incurred any liability to any finder, broker or agent in connection with the transactions contemplated hereunder.

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

2.7 Compliance with Legal Requirements. Except as set forth in Schedule 2.7, to the knowledge of Sellers: each Seller, with respect to the operation of the Hospital, is in material compliance with all applicable laws, statutes, ordinances, orders, rules, regulations, licenses, certificates, judgments or decrees of all judicial or governmental authorities (federal, state, local, foreign or otherwise) (collectively, "**Legal Requirements**"). Except as set forth in Schedule 2.7, to the knowledge of Sellers, none of the Sellers, with respect to the operation of the Hospital, has been charged in writing with or been given written notice of any material violation or any obligation to take material remedial action under, any applicable Legal Requirements.

2.8 Required Consents. Except as set forth in Schedule 2.8, and other than in connection with any Licenses, any provider agreements (including any such agreements with a governmental authority) and the Attorney General, Sellers are not a party to or bound by, nor are any of the Assets subject to, any mortgage, or any material lien, deed of trust, material lease, or material contract or any material order, judgment or decree which, after giving effect to the Sale Order (a) will require the consent of any third party to the execution of this Agreement or (b) will require the consent of any third party to consummate the transactions contemplated by this Agreement.

2.9 Environmental Matters

(a) Sellers have provided Purchaser with the Phase I Environmental Site Assessments in Seller's electronic data room.

(b) Except as disclosed in Schedule 2.9(b), to the knowledge of Sellers, the operations of the Hospital are not in material violation of any applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or any other governmental authority.

(c) For the purposes of this Section, the term “**Environmental Laws**” shall mean all state, federal or local laws, ordinances, codes or regulations relating to Hazardous Substances or to the protection of the environment, including, without limitation, laws and regulations relating to the storage, treatment and disposal of medical and biological waste. For purposes of this Agreement, the term “**Hazardous Substances**” shall mean (i) any hazardous or toxic waste, substance, or material defined as such in (or for the purposes of) any Environmental Laws, (ii) asbestos-containing material, (iii) medical and biological waste, (iv) polychlorinated biphenyls, (v) petroleum products, including gasoline, fuel oil, crude oil and other various constituents of such products, and (vi) any other chemicals, materials or substances, exposure to which is prohibited, limited or regulated by any Environmental Laws.

2.10 Title. Sellers have delivered at their own expense for all Owned Real Property (i) preliminary title reports issued by Chicago Title Insurance Company (the “**Title Commitments**”) and (ii) copies of or access to all material underlying title documents listed on the Title Commitments.

2.11 Certain Other Representations with Respect to the Hospitals.

(a) Except as set forth in Schedule 2.11, all Licenses which are material and necessary to the operation of the Hospital by SFMC are valid and in good standing and SFMC is in compliance with the terms and conditions of all such Licenses in all material respects, in each case except where the failure to be valid and in good standing or in compliance would not have a Material Adverse Effect on the Assets. Except as set forth in Schedule 2.11, as of the Closing Date, SFMC will have all material Licenses required under Legal Requirements to operate the Hospital as presently operated by SFMC, except where the failure to have any such License would not have a Material Adverse Effect on the Assets. To the knowledge of Sellers, no loss of any License is pending or threatened.

(b) SFMC is certified for participation in the Medicare, Medi-Cal and TRICARE programs and any other federal or state health care reimbursement programs in which SFMC participates, and has current and valid provider agreements with each such program, except where the failure to be so certified or have such provider agreements would not have a Material Adverse Effect.

(c) SFMC has not been excluded from Medicare, Medi-Cal or any federal or state health care reimbursement program, and, to the knowledge of Sellers, there is no pending or threatened exclusion action by a governmental authority against SFMC.

2.12 Financial Statements.

(a) Sellers have provided to Purchaser: (i) the unaudited balance sheets of the Sellers as of June 30, 2018; (ii) unaudited income statements of the Sellers for the twelve-month periods ended June 30, 2018; (iii) the audited consolidated income statements of Sellers for the years ended 2016 and 2017; and (iv) the unaudited consolidated balance sheet of Sellers as of June 30, 2018 (collectively, the “**Historical Financial Statements**”).

(b) the income statements contained in the Historical Financial Statements

present, fairly in all material respects the results of the operations of the Sellers as of and for the periods covered therein and the balance sheets contained in the Historical Financial Statements (i) are true, complete and correct in all material respects; (ii) present, fairly in all material respects the financial condition of the Sellers as of the dates indicated thereon; and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered, except as disclosed therein.

2.13 Legal Proceedings. Except as set forth on Schedule 2.13, and except for any and all cases and/or pleadings filed or to be filed in the Bankruptcy Court, which shall be available through Sellers' claims and noticing agent's website at <http://www.kccllc.com/VERITYHEALTH/>, to the knowledge of Sellers, there are no material claims, proceedings or investigations pending or threatened with respect to the ownership of the Assets or the operation of the Hospital or the Hospital by Sellers before any governmental authority. Except as set forth on Schedule 2.13, and other than any action or proceeding brought in the Bankruptcy Court, to the knowledge of Sellers, Sellers are not subject to any government order with respect to the ownership or operation by SFMC of the Hospital and SFMC is in substantial compliance with respect to any such government order.

2.14 Employee Benefits. Sellers have provided Purchaser with a list of (i) each pension, profit sharing, bonus, deferred compensation, or other retirement plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee pension benefit plan" as defined in Section 3(2) of ERISA, (ii) each medical, health, disability, insurance or other plan or arrangement of Seller with respect to the operation of the Hospital, whether oral or written, which constitutes an "employee welfare benefit plan" as defined in Section 3(1) of ERISA, and (iii) each other employee benefit or perquisite provided by Seller with respect to the operation of the Hospital, in which any employee of Seller participates in his/her capacity as such (collectively, the "**Seller Plans**").

2.15 Personnel. Sellers have provided Purchaser with a complete list (as of the date set forth therein) of names, positions and current annual salaries or wage rates and scheduled bonus, and the accrued paid time off pay of all employees of Sellers (including employees of the Hospital and employees of VHS and Verity Holdings) immediately prior to March 31, 2020, whether such employees are full time employees, part-time employees, on short-term or long-term disability or on leave of absence pursuant to Sellers's policies, the Family and Medical Leave Act of 1993 or other similar Legal Requirements (the "**Hospital Employees**") and indicating whether the Hospital Employee is full- time or part-time. Sellers shall provide an updated list to Purchaser no later than five (5) Business Days before the date scheduled for the Closing.

2.16 Insurance. Sellers have provided Purchaser with a list of all material insurance maintained by Sellers with respect to the Assets, as of the Signing Date.

2.17 Receivables. To the knowledge of Sellers, all Receivables included in the Assets at Closing result from the bona fide provision of products or services in the ordinary course of business. All proceeds of Sellers' Receivables are currently deposited, either electronically or manually, into those bank accounts provided to Purchaser in Seller's electronic data room.

2.18 Payor Contracts. To the knowledge of Sellers, and subject to Section 365 of the Bankruptcy Code, Sellers have provided Purchaser with a complete list of all written contracts with private third-party payors including insurance companies and HMOs. Sellers have provided Purchaser with a true and correct copy of all material Payor Contracts.

2.19 Excluded Individuals. Except as set forth on Schedule 2.19, to the knowledge of Sellers: neither Sellers, Hospital nor any director, officer or employee of Sellers or Hospital (a) was, is or is proposed to be, suspended, excluded from participation in, or sanctioned under, any federal or state health care program (including, without limitation, Medicare and Medicaid) (an “**Excluded Individual**”); (b) has been convicted of any criminal offense related to the delivery of any medical or health care services or supplies, or related to the neglect or abuse of patients; (c) has failed to maintain its current License to provide the services required to be provided by it to or on behalf of Sellers and Hospital; or (d) is unable to obtain or maintain liability insurance consistent with commercially reasonable industry practices.

2.20 Seller Knowledge. References in this Agreement to “Sellers’ knowledge” or “the knowledge of Sellers” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of the applicable Seller, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.\_\_

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER

As an inducement to Sellers to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Purchaser hereby represents and warrants to Sellers as to the following matters as of the Signing Date and as of the Closing Date:

3.1 Authorization. Purchaser has full power and authority to enter into this Agreement and has full power and authority to perform its obligations hereunder and to carry out the transactions contemplated hereby. No additional internal consents are required in order for Purchaser to perform its obligations and agreements hereunder.

3.2 Binding Agreement. This Agreement has been duly and validly executed and delivered by Purchaser and, assuming due and valid execution by Sellers, this Agreement constitutes a valid and binding obligation of Purchaser enforceable in accordance with its terms subject to (a) applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors’ rights generally from time to time in effect, and (b) limitations on the enforcement of equitable remedies.

3.3 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, is or will be duly authorized to transact business in the State of California, and has full power and authority to own, operate and lease its properties and to carry on its business as now conducted.

3.4 No Violation. Except as set forth in Schedule 3.4, neither the execution and delivery by Purchaser of this Agreement nor the consummation of the transactions contemplated

hereby nor compliance with any of the material provisions hereof by Purchaser will (a) violate, conflict with or result in a breach of any material provision of the Articles of Incorporation, Bylaws or other organizational documents of Purchaser or any contract, lease or other instrument by which Purchaser is bound; (b) require any approval or consent of, or filing with, any governmental agency or authority, (c) violate any law, rule, regulation, or ordinance to which Purchaser is or may be subject, or (d) violate any judgment, order or decree of any court or other governmental agency or authority to which Purchaser is subject.

3.5 Brokers and Finders. Neither Purchaser nor any affiliate thereof nor any officer or director thereof has engaged any finder or broker in connection with the transactions contemplated hereunder.

3.6 Representations of Sellers. Purchaser acknowledges that it is purchasing the Assets on an “AS IS, WHERE IS” basis (as more particularly described in Section 1.12), and that Purchaser is not relying on any covenant, representation, warranty (expressed or implied, oral or otherwise) made by or on behalf of Sellers, or any other provision of this Agreement, in entering into and performing under this Agreement. Purchaser further acknowledges that Sellers are not making any covenants, representations or warranties herein relating to the Assets or the operation of the Hospital on or after the Effective Time.

3.7 Legal Proceedings. Except as described on Schedule 3.7, there are no claims, proceedings or investigations pending or, to the best knowledge of Purchaser, threatened relating to or affecting Purchaser or any affiliate of Purchaser before any court or governmental body (whether judicial, executive or administrative) in which an adverse determination would adversely affect Purchaser’s ability to consummate the transactions contemplated hereby. Neither Purchaser nor any affiliate of Purchaser is subject to any judgment, order, decree or other governmental restriction specifically (as distinct from generically) applicable to Purchaser or any affiliate of Purchaser which would adversely affect Purchaser’s ability to consummate the transactions contemplated hereby.

3.8 No Knowledge of Sellers’ Breach. Neither Purchaser nor any of its affiliates has knowledge of any breach of any covenant, representation or warranty by Sellers or of any condition or circumstance that would give Purchaser a right to terminate this Agreement pursuant to Section 9.1(c). If information comes to Purchaser’s attention on or before the Closing Date (whether through Sellers or otherwise and whether before or after the Signing Date) which indicates that Sellers have breached any of their covenants, representations, warranties or any other provision or condition under this Agreement, then the effect shall be as if the covenants, representations and warranties or any other provision or condition of this Agreement had been modified in accordance with the actual state of facts existing prior to the Effective Time such that there will be no breach under Sellers’ covenants, representations and warranties or any other provision or condition of this Agreement in relation to such information; provided, further, that Purchaser must immediately notify Sellers if any such breach comes to its attention on or before the Closing Date, and Purchaser’s failure to so notify Sellers shall constitute a waiver by Purchaser of Sellers’ breach, if any, of this Agreement or any ancillary agreements entered into pursuant to this Agreement. Upon written request of Sellers, Purchaser shall promptly confirm and remake this representation in writing.



3.9 Ability to Perform. Purchaser has the ability to obtain funds and at the Closing shall have cash in amounts necessary to consummate the transactions contemplated by this Agreement by means of cash, credit facilities or otherwise. Upon the earlier of ten (10) days after satisfaction of Section 8.3 or five (5) days prior to the Closing Date, Purchaser shall have delivered to Sellers true, correct and complete copies of (i) executed commitment letter(s) from one or more banks or other lending institutions or sources (the “**Debt Commitment Letter**”), pursuant to which, and subject to the terms and conditions thereof, the lender parties thereto have committed to lend the amounts set forth therein to Purchaser for the purpose of funding the transactions contemplated by this Agreement and (ii) any executed equity commitment letter(s) (the “**Equity Commitment Letter**” and, together with the Debt Commitment Letter, the “**Financing Commitments**”). The Financing Commitments provide sufficient funds to consummate the transactions contemplated by this Agreement.

3.10 Investigation. Purchaser has been afforded reasonable access to, and has been provided adequate time to review, the books, records, information, operations, facilities and personnel of Sellers and the Hospital for purposes of conducting a due diligence investigation of Sellers and the Hospital. Purchaser has conducted a reasonable due diligence investigation of Sellers and the Hospital and has received satisfactory answers to all inquiries it has made respecting Sellers and the Hospital and has received all information it considers necessary to make an informed business evaluation of Sellers and the Hospital. In connection with its due diligence investigation of Sellers and the Hospital, Purchaser has not relied upon any books, records, information, operations, facilities and personnel provided by Sellers, including in making its determination to enter into this Agreement and/or consummate the transactions contemplated hereby. Purchaser has completed all of its due diligence of Sellers and the Hospital and this Agreement is not subject to any further due diligence of Sellers and the Hospital by Purchaser.

3.11 Purchaser Knowledge. References in this Agreement to “Purchaser’s knowledge” or “the knowledge of Purchaser” means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Purchaser, without independent research. No constructive or imputed knowledge shall be attributed to any such individual by virtue of any position held, relationship to any other Person or for any other reason.

## ARTICLE 4 COVENANTS OF SELLERS

### 4.1 Access and Information; Inspections.

(a) From the Signing Date through the Effective Time, (a) Sellers shall afford to the officers and agents of Purchaser (which shall include accountants, attorneys, bankers and other consultants and authorized agents of Purchaser) reasonable access during normal business hours at Sellers’ corporate headquarters in Los Angeles, California to, and the right to inspect, the books, accounts, records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital and the plant and property of the Hospital at the Hospital and (b) Sellers shall furnish Purchaser with such additional financial and operating data and other information in Sellers’ possession as to the businesses and properties of the Hospital as Purchaser or its representatives may from time to time reasonably request; *provided, however,*



that Sellers are not obligated to disclose information which is proprietary to Sellers and would not be essential to the ongoing operation of the Hospital by Purchaser; *provided, further*, that all disclosures of information shall be consistent with the confidentiality agreements and any other non-disclosure agreements entered into (or to be entered into) among Purchaser, its representatives and Sellers or their representatives. Purchaser's right of access and inspection shall be exercised in such a manner as not to interfere unreasonably with the operations of Sellers or the Hospital.

(b) Notwithstanding anything contained herein, Sellers shall not be required to provide Purchaser or its representatives or agents access to or disclose information where such access or disclosure would violate the rights of its patients, jeopardize the attorney-client or similar privilege with respect to such information or contravene any law, judgment, fiduciary duty or contract entered into prior to or on the date of this Agreement with respect to such information.

#### 4.2 Cooperation.

(a) The Parties shall reasonably cooperate with each other and their respective authorized representatives and attorneys in: (a) all efforts to obtain all consents, approvals, authorizations, clearances and licenses required to carry out the transactions contemplated by this Agreement (including, without limitation, those of governmental and regulatory authorities), (b) the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated in this Agreement, and (c) Purchaser's efforts to effectuate the assignment of Assigned Contracts to Purchaser as of the Closing Date.

(b) Except as may be otherwise requested by Sellers in order to comply with applicable law or regulatory guidance, notwithstanding anything contained herein, other than Bankruptcy Court orders and authorizations, it shall be Purchaser's sole responsibility (including payment of any fees, expenses, filing costs or other amounts) to obtain the Contract and Lease Consents, as well as all governmental consents, approvals, assignments, authorizations, clearances and licenses required to (x) carry out the transactions contemplated by this Agreement and/or (y) transfer any of the Assets, including any Licenses, Transferred Managed Care Agreements and/or Transferred Private Payor Agreements, not including the application required to be submitted to the California Attorney General and the transfer of the Medicare Provider Agreement and the Medi-Cal Provider Agreement, which are dealt with in Sections 5.95.8(c) and 4.5 hereto respectively. Upon request, Sellers shall provide Seller-specific information that may be needed by Purchaser to obtain such Contract and Lease Consents and such governmental consents, approvals, assignments, authorizations, clearances and licenses.

(c) Notwithstanding any provision to the contrary contained in this Agreement, Sellers shall not be obligated to obtain the approval or consent to the assignment, to Purchaser, of any Assigned Contracts or Assigned Leases, from any party to any of the Assigned Contracts or Assigned Leases even if any such contract or lease states that it is not assignable without such party's consent.

4.3 Sellers' Efforts to Close. Sellers shall use their reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to their or Purchaser's obligations under this Agreement to the extent that Sellers' action or inaction can control or materially influence the satisfaction of such conditions; *provided, however*, that Sellers shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person (other than any filing or application fees to the extent Sellers are responsible therefor under this Agreement).

4.4 Termination Cost Reports. Sellers shall file all Medicare, Medi-Cal and any other termination cost reports required to be filed as a result of the consummation of (a) the transfer of the Assets to Purchaser and (b) the transactions contemplated by this Agreement, provided that Purchaser shall fund reasonable costs and expenses of preparation, filing and audit of such reports. Purchaser shall permit Sellers access to all Hospital books and records to prepare such reports and shall assist Sellers in the process of preparing, filing, and reviewing the termination cost reports. All such termination cost reports shall be filed by Sellers in a manner that is consistent with current laws, rules and regulations. Sellers shall be responsible for filing governmental cost reports for all periods through the day immediately preceding the Licensure Date. Purchaser shall be responsible for their own cost report filings relating to the Hospital beginning on the Licensure Date.

4.5 Medicare and Medi-Cal Enrollment. Sellers shall make commercially reasonable efforts to expeditiously enter into settlement agreements with the Centers for Medicare and Medicaid Services ("CMS"), with respect to the Medicare Provider Agreement, and the California Department of Health Care Services ("DHCS"), with respect to the Medi-Cal Provider Agreement or, alternatively, obtain Bankruptcy Court rulings and Final Orders that the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement may be transferred without the consent of CMS or DHCS, as applicable, free and clear of Encumbrances and Excluded Liabilities and without successor liability, to enable such agreements to be assigned to Purchaser. Between the Closing Date and the Licensure Date, Purchaser may bill and collect for patient services under Seller's health plan agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.6 Transferred Private Payor Agreements. For purposes of this Section 4.6, the following terms shall have the meanings set forth herein: (a) "**Payor**" means the non-debtor counter-party to a Transferred Private Payor Agreement; (b) "**Overpayment**" means an overpayment made by a Payor to SFMC on account of a Contracted Payment; (c) "**Contracted Payment**" means the contractual reimbursement due from a Payor to SFMC under a Transferred Private Payor Agreement for covered services rendered by Hospital under such agreement with a date of service on or prior to the Effective Time. Purchaser agrees that, as a condition to the assignment of any Transferred Private Payor Agreement on the Licensure Date, it shall honor any defenses to the payment of, and shall permit recoupment against, an Account Receivable due from Payor to Purchaser based on an Overpayment under such agreement, *provided that*, the determination and allowance of any Overpayment shall remain subject to the terms and conditions of the relevant Transferred Private Payor Agreement. Without limiting the scope of the foregoing sentence, Purchaser acknowledges and agrees that (a) the Sale Order shall authorize a Payor to continue to exercise its defenses to the payment to Purchaser of an Account Receivable based on an Overpayment, and (b) Overpayments do not constitute Cure Costs under

this Agreement. This Section 4.6 shall satisfy the requirements under Sections 365(b) and (f) of the Bankruptcy Code. Following the Licensure Date, pursuant to Section 365(k) of the Bankruptcy Code, the SFMC shall be relieved and released from any obligation to any Payor on account of any Overpayment or otherwise.

4.7 Hospital Operations. From the date of the Sale Order until the Closing, Sellers shall, with respect to the operation of the Hospital, use commercially reasonable efforts (in each case subject to actions relating to and impacts arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19) to:

(a) without regard to negative financial impacts or any Material Adverse Effect, carry on Sellers' operation of the Hospital consistent with past practice, but subject to the Bankruptcy Cases and Sellers' obligations and actions in connection therewith;

(b) without regard to Material Adverse Effect, maintain in effect the insurance coverages with respect to the Assets;

(c) without regard to Material Adverse Effect, perform Sellers' material obligations under all Assigned Contracts with respect to the Assets in compliance with the Bankruptcy Code;

(d) with respect to material deficiencies, if any, cited by any governmental authority or accreditation body in the most recent surveys conducted by each, develop and implement a plan of correction (without regard to Material Adverse Effect) that is reasonably acceptable to such governmental authority or such accreditation body, but excluding any deficiencies cited (i) by the Attorney General or (ii) with respect to seismic or OSHPD-related requirements; *provided, however*, that Sellers may appeal any material deficiency citations under applicable laws if a plan of correction is not accepted by the applicable governmental authority or accreditation body which appeal shall satisfy Sellers obligations under this subsection;

(e) following entry of the Sale Order, permit and allow reasonable access by Purchaser and its representatives to make offers of post-Closing employment to any of Sellers' personnel and to establish relationships with physicians, medical staff and others having business relations with Sellers, provided, that any written materials shall be approved by Sellers prior to being sent, and provided further that such actions by Purchaser do not unreasonably interfere with Sellers' operation of the Hospital;

(f) timely file or cause to be filed all material reports, notices and tax returns required to be filed and pay all required taxes as they come due, unless such failure would not have a Material Adverse Effect; and

(g) without regard to Material Adverse Effect, maintain all existing material approvals, permits and environmental permits relating to the Hospital.

4.8 Interim Collections. Purchaser may bill and collect for patient services rendered by Hospital between the Closing Date and the Licensure Date under Seller's Private Payor

Agreements and Transferred Managed Care Agreements, pursuant to the terms of the IMA and Leaseback Agreement.

4.9 Contract With Unions. ~~Representatives~~

(a) Promptly following the Signing Date, representatives of Sellers who are parties to St. Francis related collective bargaining agreements and of the Purchaser, respectively, shall meet and confer from time to time as reasonably requested by either Party to discuss strategic business options ~~and alternative approaches in negotiating each~~ including terms contained under all operative collective bargaining ~~agreement~~ agreements. The applicable Sellers and Purchaser shall each participate in all ~~union~~ negotiations related to ~~any the potential modification and assignment of~~ specific Seller's collective bargaining ~~agreement.~~ Promptly following the Signing Date, agreements to Purchaser. ~~The~~ applicable Sellers shall use commercially reasonable efforts to initiate discussions with Purchaser and unions and conduct discussions to renegotiate each collective bargaining agreement currently in effect with each applicable union. The applicable Sellers will not unreasonably withhold, condition or delay Bankruptcy Court approval ~~or implementation~~ of any successfully renegotiated collective bargaining agreement. The Parties recognize that Seller's failure to conclude a successor collective bargaining agreement shall not be a breach of Sellers' obligation under this Agreement, ~~provided that if the unions refuse to negotiate, or otherwise are not timely, reasonable or realistic in negotiating modified or new collective bargaining agreements during the period between the Signing Date and the Closing Date, Sellers and Purchaser will jointly consider, and negotiate mutually in good faith, alternative approaches that may be available and/or necessary to reduce Sellers' labor cost structure, including, but not limited to, seeking to reject the~~ or otherwise excuse Purchaser's obligations under this Agreement.

(b) On or before the date that is thirty (30) days after the Sale Order Date, the negotiations pursuant to Section 4.9(a) shall have resulted in each, such labor unions, agreeing to either (i) either modification of the St. Francis related collective bargaining agreements under terms that are to be substantially consistent with the Purchaser's existing and most current collective bargaining agreements with each such respective labor union, and that settle all liabilities under the existing Seller collective bargaining agreements that shall be assigned to Purchaser, provided that there are shall be no cure obligations to the Sellers or (ii) enter into new collective bargaining agreements that are substantially consistent with the Purchaser's existing collective bargaining agreement(s), agreements with each such respective labor union; provided, that if Purchaser and each labor union have not entered into such agreements described in (i) or (ii) above, or have entered into an agreement under (ii), then Sellers shall have the absolute right to file or take any other action to reject and terminate any such collective bargaining agreement and, in such event, the Bankruptcy Court shall have entered an order granting Sellers' requested rejection of such collective bargaining agreement prior to the Closing Date.

4.10 Consulting Services. Subject to compliance with applicable Legal Requirements and after entry of the Sale Order if the Purchaser is the Prevailing Bidder:

(a) Purchaser shall provide consulting services to the Hospital for the period prior to the Closing Date;

(b) the consulting services provided by Purchaser may include, but not be limited to, reviewing and advising SFMC regarding accounting and financial records, contracting, billing and collection activities, compliance with law, any of the plans or actions proposed in the following sentence, and other functions;

(c) Sellers shall consider and implement any mutually reasonably agreed upon plans and actions proposed by Purchaser to (a) assist the Hospital in meeting any seismic compliance deadlines, (b) stabilize and improve the operations of the Hospital or (c) develop and implement turnaround plans for the long-term viability of the Hospital; and

(d) Purchaser shall have reasonable access to the business office and records of the Hospital, which shall include reasonable access to the Hospital's chief executive officer, chief financial officer, chief operations officer or other equivalent personnel of the Hospital reasonably necessary for Purchaser to perform the aforementioned consulting services.

Notwithstanding the foregoing, VHS, SFMC and their boards of directors shall at all times retain ultimate control and governance over the assets and operation of the Hospital. Neither VHS nor SFMC shall delegate to Purchaser any of the powers, duties and responsibilities required to own or operate the Hospital or those that are retained by VHS and/or SFMC under law (including all certificates and licenses issued under authority of law for ownership or operation of the Hospital). For the period of time during which such consulting services are provided, Hospital and VHS shall have the non-exclusive, royalty-free, unlimited license to use any implemented Purchaser-owned intellectual property. Purchaser shall not charge Sellers any consulting fee for providing the services described in this Section 4.11.

4.11 Cure Costs. On or about the Closing Date, Sellers (from the proceeds of the Purchase Price) shall pay an amount equal to the Cure Costs to each counter party to an Assigned Contract and Assigned Lease so that each such Assigned Contract and Assigned Lease may be assumed by Sellers and assigned to Purchaser in accordance with the provisions of Section 365 of the Bankruptcy Code. For purposes of this Agreement, "**Cure Costs**", means all amounts that must be paid and all obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code in connection with the assumption and/or assignment of the Assigned Contracts and Assigned Leases to Purchaser as provided herein.

## **ARTICLE 5**

### **COVENANTS OF PURCHASER**

5.1 Purchaser's Efforts to Close. Purchaser shall use its reasonable commercial efforts to satisfy all of the conditions precedent set forth in ARTICLE 7 and ARTICLE 8 to its or Sellers' obligations under this Agreement to the extent that Purchaser's action or inaction can control or materially influence the satisfaction of such conditions.

5.2 Consents. Purchaser shall be entitled, but not obligated, to seek to obtain the Contract and Lease Consents. Purchaser shall be entitled, but not obligated, to solicit and seek to obtain estoppel certificates from any third party to any Leased Real Property. Purchaser's failure to obtain any or all of the Contract and Lease Consents or estoppel certificates as of the Closing



Date shall not be a condition precedent to either Party's obligation to consummate the Closing and perform all transactions contemplated by this Agreement.

5.3 Certain Employee Matters.

(a) Purchaser agrees to make offers of employment, effective as of the Effective Time, to substantially all persons (whether such persons are full time employees, part-time employees, on short-term or long-term disability or on leave of absence, military leave or workers compensation leave) who, immediately prior to the Effective Time are: (i) employees of SFMC; or (ii) employed by another Seller or affiliate and are listed on Schedule 5.3 (collectively, the "**Hospital Employees**"). For the avoidance of doubt, the Hospital Employees shall not include any employees of VHS or any other affiliate of Sellers unless such individual is listed on Schedule 5.3. Any of the Hospital Employees who accept an offer of employment with Purchaser as of or after the Effective Time shall be referred to in this Agreement as the "**Hired Employees**." All employees who are Hired Employees shall cease to be employees of Sellers or its affiliates as of the Closing Date.

(b) After the Closing Date, Purchaser's human resources department will give reasonable assistance to Sellers and their affiliates with respect to Sellers' and Sellers' affiliates' post-Closing administration of Sellers' and Sellers' affiliates' pre-Closing employee benefit plans for the Hospital Employees. Within five (5) days after the Closing Date, Purchaser shall provide to Sellers a list of all the Hospital Employees who were offered employment by Purchaser but refused such employment along with a list of all Hired Employees (which such list Purchaser shall periodically update).

(c) With respect to any collective bargaining agreements or labor contract with respect to any union employees, Purchaser shall comply with the applicable laws, or to the extent applicable, Bankruptcy Court orders relating to collective bargaining agreements or labor contracts.

(d) The provisions of this Section 5.3 are solely for the benefit of the Parties, and no employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing herein shall be construed as an amendment to any employee benefit plan for any purpose.

5.4 Waiver of Bulk Sales Law Compliance. Purchaser hereby waives compliance by Sellers with the requirements, if any, of Article 6 of the Uniform Commercial Code as in force in any state in which the Assets are located and all other laws applicable to bulk sales and transfers.

5.5 Conduct Pending Closing. Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Sellers shall otherwise consent in writing, Purchaser shall not take any action or fail or omit to take any action which would cause any of Purchaser's representations and warranties set forth in ARTICLE 4 to be inaccurate or untrue during the term of this Agreement and as of the Closing.



5.6 Resale Certificate. Purchaser agrees to furnish to Sellers any resale certificate or certificates or other similar documents reasonably requested by Sellers to comply with or obtain an exemption from pertinent excise, sales and use tax laws.

5.7 Operating Covenant. Purchaser shall act in good faith in fulfilling its obligations under this Agreement.

5.8 Governmental Approvals.

(a) Best Efforts. Purchaser (a) shall use its best efforts to secure, as promptly as possible after the Signing Date, all consents, approvals (or exemptions therefrom), authorizations, clearances and licenses required to be obtained from governmental and regulatory authorities in order to carry out the transactions contemplated by this Agreement and to cause all of its covenants and agreements to be performed, satisfied and fulfilled, and (b) will provide such other information and communications to governmental and regulatory authorities as Sellers or such authorities may reasonably request. Purchaser is responsible for all filings with and requests to governmental authorities necessary to enable Purchaser to operate the Hospital at and after the Licensure Date. Purchaser acknowledges that Sellers may independently contact governmental and regulatory authorities as part of this process.

(b) Change of Ownership Applications. Purchaser shall, promptly, but no later than ten (10) business days after the entry of the Sale Order, or sooner if required by applicable governmental or regulatory authorities, file all applications, licensing packages and other documents with all applicable governmental and regulatory authorities which are necessary for the operation of a hospital and the consummation of the transactions hereunder, including the hospital license change of ownership application with CDPH, the hospital pharmacy change of ownership application with the BOP, and the Medicare and Medi-Cal change-of-ownership applications.

(c) Attorney General Application. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the California Attorney General (the “**Attorney General**”), the application and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to Title 11, Division 1, Chapter 15, Section 999.5 of the California Code of Regulations (“**Section 999.5**”), which application and report forms and supplemental information will comply in all material respects with the requirements of such regulations and shall state that Purchaser agrees to close the transactions contemplated by this Agreement so long as any conditions imposed by the Attorney General are not materially more burdensome than the conditions attached hereto as Exhibit 5.95.8(c) (the “**Accepted Conditions**”). Purchaser shall pay all fees (including, without limitation, attorneys’ fees) required of Purchaser or Sellers with respect to the preparation and submission of the application, hearings, expert reports, Attorney General attorney review time, reports and other requirements of the Attorney General under Section 999.5. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, the Attorney General, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, the Attorney General. Purchaser shall take such action

as may be required by the Attorney General in order to resolve with the minimum practicable delay any objections the Attorney General may have to the transactions contemplated by this Agreement under Section 999.5. For any late submission of the Attorney General application, at Seller's election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

(d) HSR Filing. Purchaser and Sellers shall, promptly, but no later than five (5) business days after the date of the Sale Order, file with the Federal Trade Commission and the Department of Justice the notification and report forms required for the transactions contemplated hereby and any supplemental information that may be reasonably requested in connection therewith pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), which notification and report forms and supplemental information will comply in all material respects with the requirements of the HSR Act. Purchaser shall pay all filing fees required of Purchaser or Sellers with respect to the notification, report and other requirements of the HSR Act. Each of Purchaser and Sellers shall furnish to the other such information and assistance as the other shall reasonably requires in connection with the preparation and submission to, or agency proceedings by, any governmental authority under the HSR Act, and each of Purchaser and Sellers shall keep the other promptly apprised of any communications with, and inquires or requests for information from, such governmental authorities. Purchaser shall take such action (including divestitures or hold separate arrangements) as may be required by any governmental authority in order to resolve with the minimum practicable delay any objections such governmental authorities may have to the transactions contemplated by this Agreement under the HSR Act. For any late submission of the application under the HSR Act, at Seller's election, either the Purchase Price shall be increased by an amount equal to One Thousand Dollars (\$1,000) per day or Sellers may terminate this Agreement.

## ARTICLE 6 BANKRUPTCY COURT APPROVAL

### 6.1 Bankruptcy Court Approval.

(a) Sellers and Purchaser acknowledge that this Agreement has been solicited in conformity with the Bidding Procedures approved by the Bankruptcy Court on February 26, 2020 [Docket No. 4165] (the "**Bid Procedures Order**"), and that the sale of the Assets and the assignment of the Assigned Contracts and Assigned Leases remain subject to Bankruptcy Court approval. Purchaser further acknowledges that this Agreement and the transactions contemplated hereby are subject to Sellers' right and ability to consider higher or better competing bids with respect to the Assets subject to the terms of the Bid Procedures Order. Pursuant to the Bid Procedures Order, Purchaser shall, if its bid is determined to be the second highest bid, serve as a back-up bidder (the "**Back-up Bidder**") and, subject to the provisions of the Bid Procedures Order with respect to the retention of the Deposit, keep Purchaser's bid to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in any auction under the Bid Procedures Order) open and irrevocable until the earlier of (i) (a) 5:00 p.m. pacific time on the date which is thirty (30) days after the entry by the Bankruptcy Court of the Sale Order; or (b) 5:00 p.m. pacific time on May 31, 2020 (the "**Outside Back-up Date**"), or (ii) the

date of closing of an alternative transaction with the bidder who prevails at the auction (the “**Prevailing Bidder**”). Following the entry of the Sale Order and prior to the Outside Back-up Date, if the Prevailing Bidder breaches or fails to perform its obligations under the terms and conditions of its respective transaction documents and Sellers terminate such agreement with the Prevailing Bidder, the Back-up Bidder will be deemed to have the new prevailing bid, and the Bankruptcy Court order approving the sale to the Prevailing Bidder shall provide that Sellers will be authorized, without further order of the Bankruptcy Court, to consummate the transactions contemplated by this Agreement on the terms and conditions set forth in this Agreement (as the same may be modified with the written consent of Purchaser in the auction) with the Back-up Bidder.

(b) Purchaser further acknowledges that this Agreement is subject to termination, up to the time of entry of the Sale Order, except to the extent otherwise provided in the Bid Procedures Order, in the event Sellers in the reasonable exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers’ Assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code.

(c) Sellers shall, at any hearing to consider approval of this Agreement (the “**Sale Hearing**”), exercise reasonable efforts to expeditiously obtain a ~~Final~~ “Sale Order” approving this Agreement subject to the reasonable exercise of their fiduciary duties to consider and accept a higher and better offer for Sellers’ assets in accordance with the Bankruptcy Code and this Agreement. For purposes of this Agreement, the term “**Sale Order**” shall mean an order of the Bankruptcy Court in form and substance ~~set forth in Exhibit [ ] and~~ reasonably acceptable to Purchaser, authorizing the sale of the Assets pursuant to Section 363(b) of the Bankruptcy Code (including the Sellers’ assumption and assignment to Purchaser of the Assigned Contracts and Assigned Leases pursuant to Section 365 of the Bankruptcy Code) on the terms and conditions set forth herein, free and clear of all Encumbrances (other than Permitted Exceptions) and Excluded Liabilities, including, for the avoidance of doubt, any successor liability, to the maximum extent permitted by the Bankruptcy Code. ~~(d) — For purposes of this Agreement, “Final Order” means an order, ruling, or judgment of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing, in form and substance satisfactory to Purchaser or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous Bankruptcy Rule or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.~~ For the avoidance of doubt, in the event the Sale Order is not in form and substance reasonably acceptable to Purchaser, Purchaser may, at its sole election, terminate the transaction proposed hereby.

(d) ~~(e)~~ Sellers agree, subject to the reasonable exercise of their fiduciary duties, to expeditiously seek a Bankruptcy Court determination that Purchaser is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code and in good faith to file such declarations and other evidence as may be required to support a determination.

(e) ~~(f)~~ Sellers shall seek expeditiously an order from the Bankruptcy Court retaining jurisdiction over all matters relating to claims against Sellers, whether or not arising in connection with this Agreement, solely in the Bankruptcy Court.

6.2 Appeal of Sale Order. In the event an appeal is taken or a stay pending appeal is requested from the Sale Order, Sellers shall immediately notify Purchaser of such appeal or stay request and shall provide to Purchaser promptly a copy of the related notice of appeal or order of stay. Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any appeal from either of such orders. In the event of an appeal of the Sale Order, Sellers shall be primarily responsible for drafting pleadings and attending hearings as necessary to defend against the appeal.

6.3 Bidding Procedures. Sellers and Purchaser shall comply with the terms of the Bid Procedures Order. Sellers shall sign this Agreement as and when permitted pursuant to the Bid Procedures Order and the Sale Order. ~~Notwithstanding anything to the contrary herein or in the Bid Procedures Order, once approved the Sale Order shall not be materially modified absent the written consent of Purchaser, unless such modification has no substantive effect on Purchaser. In the event that the Sale Order is modified in contravention of this provision, Purchaser may, at its sole election, terminate the transaction proposed hereby.~~

~~(a) — Provided that there is a Competing Bidder and a competitive sale of the Assets is conducted rather than a sale outright to Purchaser without a further sale process, the initial overbid over the Purchase Price shall be Twenty Million Dollars (\$20,000,000.00) and each subsequent bid shall be in increments of Ten Million Dollars (\$10,000,000.00). Any Competing Bidders must be a Qualified Bidder under the conditions set forth in the Bid Procedures without waiver thereof. Purchaser is irrevocably deemed to be a Qualified Bidder.~~

~~(b) — The Sellers shall provide to Purchaser, immediately upon receipt/determination, each of the following: (i) notice of the determination of which others have been determined to be Qualified Bidders (as defined in the Bid Procedures Order), (ii) notice of which bidders have been determined to not have submitted Qualified Bids, and (iii) provide to Purchaser copies of all bids.~~

## ARTICLE 7

### CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Assets and to close the transactions as contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Sellers in whole or in part at or prior to the Closing:

7.1 Signing and Delivery of Instruments. Purchaser shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

7.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

7.3 Governmental Submissions. Purchaser shall have submitted the hospital license change of ownership application to CDPH and the hospital pharmacy change of ownership application to the BOP.

7.4 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5-95.8(c).

7.5 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

7.6 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

## ARTICLE 8 CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

Purchaser's obligation to purchase the Assets and to close the transactions contemplated by this Agreement shall be subject to the satisfaction of each of the following conditions on or prior to the Closing Date unless specifically waived in writing by Purchaser in whole or in part at or prior to the Closing.

8.1 Signing and Delivery of Instruments. Sellers shall have executed and delivered all documents, instruments and certificates required to be executed and delivered pursuant to the provisions of this Agreement.

8.2 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated in this Agreement shall have been issued by any court of competent jurisdiction or any other governmental body and remain in effect on the Closing Date.

8.3 Attorney General Approval. The Attorney General shall have approved the transactions contemplated by this Agreement, or the Debtors shall have obtained a ~~Final Order~~Bankruptcy Court order or orders providing for the transfer of the Debtors' assets on conditions which are not materially more burdensome than those forth in Exhibit 5-95.8(c). In the event the Attorney General imposes conditions on the transactions contemplated by this Agreement, or on Purchaser in connection therewith which are materially more burdensome than the Purchaser Approved Conditions set forth on Exhibit 5-95.8(c) (the "Additional



**Conditions**”), Sellers shall file a motion with the Bankruptcy Court seeking the entry of an order (“**Supplemental Sale Order**”) finding that the Additional Conditions are an “interest in property” for purposes of 11 U.S.C. § 363(f), and that the Assets can be sold free and clear of the Additional Conditions without the imposition of any other conditions, which would adversely affect the Purchaser, ~~and such Order shall have become Final~~. For purposes of this Section 8.3, Additional Conditions which individually or collectively impose a direct or indirect cost to Purchaser of Five Million Dollars (\$5,000,000), or more, shall be conclusively deemed to be “materially more burdensome.” If Sellers fail to obtain such ~~Final~~ Supplemental Sale Order within sixty (60) days of the Attorney General’s imposition of Additional Conditions, Purchaser (at its sole discretion) shall be entitled to terminate this Agreement and receive the return of its Deposit or elect to extend such sixty (60) day period. Upon the entry of such an order ~~becoming a Final Order from the Bankruptcy Court~~, and so long as such order ~~remains in full force and effect~~ is not stayed, Purchaser shall be required to consummate the transactions contemplated by this Agreement. If Sellers do not obtain such an order, or such order does not relieve the Additional Conditions to the satisfaction of Purchaser ~~or such order does not become Final within the applicable time period~~, Purchaser shall not be required to consummate the transactions contemplated by this Agreement.

8.4 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order and made a finding that Purchaser is a “good faith” purchaser, and such order shall ~~be in full force and effect and~~ not subject to any stay ~~requested or obtained within the period in which such stay may be so requested or obtained~~.

8.5 HSR Act. The applicable waiting period under the HSR Act shall have expired or been earlier terminated.

8.6 Medicare and Medi-Cal Provider Agreement. Following consultation with Purchaser, Sellers shall have obtained agreements with CMS and DHCS or ~~a Final Order by a court having proper jurisdiction shall have been entered~~ an order from the Bankruptcy Court that has not been stayed with respect to the transfer of the Medicare Provider Agreement and/or the Medi-Cal Provider Agreement, such that (a) all liabilities, obligations and Encumbrances under the Medicare/Medi-Cal Agreements are fully satisfied, discharged, and released with regard to any claims under the Medicare/Medi-Cal Agreements, whether known or unknown, that CMS or DHCS has against the Sellers or Purchaser for liabilities and obligations arising under the Medicare/Medi-Cal Agreements before the Effective Time, and (b) the Medicare/Medi-Cal Agreements will be transferred to Purchaser as of the Effective Time free and clear of such pre-Closing liabilities, obligations and Encumbrances; provided, however, that Purchaser acknowledges and agrees that it may be treated by CMS and DHCS as the successor to the quality history associated with the relevant Medicare/Medi-Cal Agreements assigned and, for purposes of survey and certification issues associated with such quality history, Purchaser may be treated as if it is the relevant Seller and no change of ownership occurred.

8.7 Collective Bargaining Agreements and Labor Contracts. ~~Purchaser agrees to close the transactions contemplated by this Agreement, so long as (a) after good faith negotiations with the applicable St. Francis labor unions, such labor unions agree to either (i) modify the St. Francis collective bargaining agreements to be substantially consistent with the Purchaser’s existing new collective bargaining agreements with each such respective labor union, and settle~~



~~all liabilities under the existing agreements, or (ii) enter into new collective bargaining agreements that are substantially consistent with the Purchaser's existing collective bargaining agreements with each such respective labor union, and settle all liabilities under the existing agreements, or (b) the Bankruptcy Court takes action to reject any such collective bargaining agreement that is not substantially consistent or where the union has not agreed to settle all liabilities under the agreement. In the event Purchaser and the respective St. Francis labor union are unable to agree to a modified or new collective bargaining agreement that is substantially consistent with the Purchaser's existing collective bargaining agreement with the respective labor union, as well as a settlement of all liabilities under the existing agreements, and the Bankruptcy Court does not reject such collective bargaining agreement pursuant to a final order, then Purchaser shall not be required to consummate the transactions contemplated by this Agreement.~~ Sellers shall have satisfied, in all material respects, their obligations set forth in Section 4.9(b).

## ARTICLE 9 TERMINATION

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

- (a) by the mutual written consent of the Parties;
- (b) by Sellers if a material breach of this Agreement has been committed by Purchaser and such breach has not been (i) waived in writing by Sellers or (ii) cured by Purchaser to the reasonable satisfaction of Sellers within fifteen (15) business days after Sellers provide Purchaser of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Sellers shall not be permitted to terminate this Agreement pursuant to this Section 9.1(b) if Sellers are also in material breach of this Agreement;
- (c) by Purchaser if Purchaser has complied with Section 3.8 and a material breach of this Agreement has been committed by Sellers, which material breach has resulted, or would more likely than not result, in a Material Adverse Effect on the Assets taken as a whole, and such breach has not been (i) waived in writing by Purchaser or (ii) cured by Sellers to the reasonable satisfaction of Purchaser within fifteen (15) business days after Purchaser provides Sellers of a written notice which describes the nature of such breach and acceptable cure actions; *provided, however*, Purchaser shall not be permitted to terminate this Agreement pursuant to this Section 9.1(c) if Purchaser is also in material breach of this Agreement;
- (d) by Purchaser if satisfaction of any condition in ARTICLE 8 is or becomes impossible and Purchaser has not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i) through the failure of Purchaser to comply with its obligations under this Agreement or (ii) Sellers' failure to provide their closing deliveries on the Closing Date as a result of Purchaser not being ready, willing and able to close the transaction on the Closing Date);
- (e) by Sellers if satisfaction of any such condition in ARTICLE 7 is or becomes impossible and Sellers have not waived such condition in writing (provided that the failure to satisfy the applicable condition or conditions has occurred by reason other than (i)

through the failure of Sellers to comply with their obligations under this Agreement or (ii) Purchaser's failure to provide its closing deliveries on the Closing Date as a result of Sellers not being ready, willing and able to close the transaction on the Closing Date);

(f) by either Purchaser or Sellers if the Bankruptcy Court enters an order dismissing the Bankruptcy Case prior to the sale closing or fails to approve the sale of the Assets to Purchaser;

(g) by Sellers in the event Sellers in the exercise of their fiduciary duties determine that they have received a higher and better offer for Sellers' assets and the Bankruptcy Court has authorized the Sellers to accept and implement the terms of such offer in accordance with the Bankruptcy Code;

(h) by Purchaser in the event that its Back-Up Bidder status has expired in accordance with the Bid Procedures Order and/or the terms of this Agreement; and

(i) by either Purchaser or Sellers if the Closing has not occurred (other than through the failure of any Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before September 1, 2020 (the "**Termination Date**"); provided, that the Termination Date shall be extended in the event the conditions set forth in Section 7.4 and Section 8.3 have not been satisfied (but the conditions to Closing in Article 7 and Article 8 have otherwise been satisfied other than such conditions that are to be satisfied by payments and deliveries to be made at the Closing) to the earlier of (A) ten (10) business days after the satisfaction of the conditions set forth in Section 7.4 and Section 8.3 or (B) December 31, 2020.

9.2 Termination Consequences. If this Agreement is terminated pursuant to Section 9.1: (a) all further obligations of the Parties under this Agreement shall terminate, other than Purchaser's right to receive a return on the Deposit in accordance with Section 1.2 and a break-up fee in accordance with the Bidding Procedures, and provided that the provisions of ARTICLE 11 shall survive, and (b) each Party shall pay the costs and expenses incurred by it in connection with this Agreement; *provided, however*, that in the case of any termination based on Section 9.1(b) or Section 9.1(c), the consequences of such termination shall be determined in accordance with ARTICLE 11 hereof. Each Party acknowledges that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement, that without these agreements such Party would not have entered into this Agreement.

9.3 Additional Termination Consequences. In the event that Purchaser is not the winning bidder as defined in the Bidding Procedures order, Purchaser shall be paid the Stalking Horse Bidder Protections in accordance with the Bidding Procedures Order.

~~(a) — In the event that (i) a bid from a purchaser other than Purchaser for all or any part of the Assets in accordance with the Bid Procedures Order (a "**Competing Bid**") is consummated, or (ii) this Agreement is terminated for any reason other than a material breach of Purchaser, in consideration for the Purchaser having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of assets of Sellers, and without the requirement of any notice or demand from~~

~~Purchaser or any other application to or order of the Bankruptcy Court, (A) the Deposit shall be returned to Purchaser in accordance with the Bid Procedures Order (if not previously returned pursuant to the Bid Procedures Order because Purchaser is neither the Winning Bidder (as defined in the Bid Procedures Order) nor the Back-Up Bidder (as defined in the Bid Procedures Order)) and (B) Sellers shall jointly and severally, pay (or cause to be paid to) Purchaser, in accordance with the terms hereof, a termination payment solely in the event of a successful Competing Bid in an amount equal to two and one-half percent (2.5%) of the Purchase Price (the “Stalking Horse Bidder Protections”). Sellers shall pay such Stalking Horse Bidder Protections in immediately available funds in the event of termination pursuant to Section 9.3(a)(ii), or upon consummation of a Competing Bid pursuant to Section 9.3(a)(i), to such account or accounts as may be specified in writing by Purchaser. The Stalking Horse Bidder Protections shall constitute an allowed administrative expense claim of Sellers’ estates under sections 503(b) and 507 of the Bankruptcy Code and notwithstanding the prior entry of any order of the Bankruptcy Court relating to the use of cash collateral, be paid on the second (2nd) business day following the date of consummation of a Competing Bid or termination of this Agreement under Section 9.1(a), (c), (d), (f), (g), (h) or (i) if no material breach by Purchaser of this Agreement has occurred. The Sale Order shall provide, although not required for the enforceability hereof, for payment by Sellers of the Stalking Horse Bidder Protections as and when such amounts are due and payable hereunder. Nothing in this Section 9.3(a) shall relieve Purchaser or Sellers of any liability for a breach of this Agreement prior to the date of termination.~~

~~(b) — Each of the Parties acknowledges and agrees that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the other Parties would not enter into this Agreement. Each of the Parties further acknowledges that the payment by Sellers of the Stalking Horse Bidder Protections is not a penalty, but rather liquidated damages in a reasonable amount that will compensate Purchaser, in the circumstances in which such Stalking Horse Bidder Protection is payable, for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision. The obligation to pay the Stalking Horse Bidder Protections in accordance with the provisions of this Agreement will (i) be binding upon and enforceable jointly and severally against each Seller and (ii) survive the subsequent termination of this Agreement, solely to the extent permitted by applicable law. The obligation to pay the Stalking Horse Bidder Protections as and when required under this Agreement, are intended to be, and are, binding upon (A) each Seller, (B) any successors or assigns of any Seller and (C) any trustee, examiner or other representative of a Seller’s estate (each of (A) through (C), a “Successor”) as if such Successor were a Seller hereunder.~~

## ARTICLE 10 POST-CLOSING MATTERS

10.1 Excluded Assets. Subject to Section 10.2 hereof, any Excluded Asset (or proceeds thereof) (a) pursuant to the terms of this Agreement, (b) as otherwise determined by the Parties’ mutual written agreement or (c) absent such agreement, as determined by adjudication by the Bankruptcy Court, which comes into the possession, custody or control of Purchaser (or its respective successors-in-interest, assigns or affiliates) shall, within ~~thirty~~ten (30~~10~~) business days

following receipt, be transferred, assigned or conveyed by Purchaser (and its respective successors-in-interest, assigns and affiliates) to Sellers without imposing any charge to Sellers for Purchaser's transfer, storage, handling or holding of same on and after the Effective Time. Purchaser (and its respective successors-in-interest, assigns and affiliates) shall have neither the right to offset amounts payable to Sellers under this Section 10.1 against, nor the right to contest its obligation to transfer, assign and convey to Sellers because of, outstanding claims, liabilities or obligations asserted by Purchaser against Sellers. If Purchaser does not remit any monies included in the Excluded Assets (or proceeds thereof) to Sellers in accordance with the first sentence of this Section 10.1, such withheld funds shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to Sellers (the "**Excluded Asset Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Excluded Asset Due Date until payment of the Excluded Assets and all interest thereon is made to Sellers.

10.2 Preservation and Access to Records After the Closing.

(a) From the Licensure Date until seven (7) years after the Licensure Date or such longer period as required by law (the "**Document Retention Period**"), Purchaser shall keep and preserve all medical records, patient records, medical staff records and other books and records which are among the Assets as of the Effective Time, but excluding any records which are among the Excluded Assets. Purchaser will afford to the representatives of Sellers, any of their affiliates, the Official Committee of the Unsecured Creditors of the Sellers, Sellers' estate representative or any liquidating trustee of the Sellers' bankruptcy estate ("**Seller Parties**"), including their counsel and accountants, full and complete access to, and copies (including, without limitation, color laser copies) of, such records with respect to time periods prior to the Licensure Date (including, without limitation, access to records of patients treated at the Hospital prior to the Licensure Date) during normal business hours after the Licensure Date, to the extent reasonably needed by any Seller Party for any lawful purpose. Purchaser acknowledges that, as a result of entering into this Agreement and operating the Hospital, it will gain access to patient records and other information which are subject to rules and regulations concerning confidentiality. Purchaser shall abide by any such rules and regulations relating to the confidential information it acquires. Purchaser shall maintain the patient and medical staff records at the Hospital in accordance with applicable law and the requirements of relevant insurance carriers. After the expiration of the Document Retention Period, if Purchaser intends to destroy or otherwise dispose of any of the documents described in this Section 10.2(a), Purchaser shall provide written notice to Sellers of Purchaser's intention no later than forty-five (45) calendar days prior to the date of such intended destruction or disposal. Any of the Seller Parties shall have the right, at its sole cost, to take possession of such documents during such forty-five (45) calendar day period. If any of the Seller Parties do not take possession of such documents during such forty-five (45) calendar day period, Purchaser shall be free to destroy or otherwise dispose of such documentation upon the expiration of such forty-five (45) calendar day period.

(b) Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall give full cooperation to the Seller Parties and their insurance carriers in connection with the administration of Sellers' estate, including, without limitation, in connection with all claims, actions, causes of action or audits relating to the Excluded Assets, Excluded Liabilities or

pre-Closing operation of the Sellers or the Hospital that any Seller Party may elect to pursue, dispute or defend, in respect of events occurring prior to the Licensure Date with respect to the operation of the Hospital. Such cooperation shall include, without limitation, making the Hired Employees available for interviews, depositions, hearings and trials and other assistance in connection with the administration of Sellers' estate and such cooperation shall also include making all of its employees available to assist in the securing and giving of evidence and in obtaining the presence and cooperation of witnesses (all of which shall be done without payment of any fees or expenses to Purchaser or to such employees. In addition, Sellers and Sellers' affiliates shall be entitled to remove from the Hospital originals of any such records, but only for purposes of pending litigation involving the persons to whom such records refer, as certified in writing prior to removal by counsel retained by Sellers or any of Sellers' affiliates in connection with such litigation. Any records so removed from the Hospital shall be promptly returned to Purchaser following Sellers' or its applicable affiliate's use of such records.

(c) In connection with (i) the transition of the Hospital pursuant to the transaction contemplated by this Agreement, (ii) Sellers' rights to the Excluded Assets, (iii) any claim, audit, or proceeding, including, without limitation, any tax claim, audit, or proceeding and (iv) the Sellers' obligations under the Excluded Liabilities, Purchaser shall after the Effective Time give Sellers access during normal business hours to Purchaser's books, personnel, accounts and records and all other relevant documents and information with respect to the assets, liabilities and business of the Hospital as representatives of Sellers and Sellers' affiliates may from time to time reasonably request, all in such manner as not to unreasonably interfere with the operations of the Hospital.

(d) Purchaser and its representatives shall be given access by Sellers during normal business hours to the extent reasonably needed by Purchaser for business purposes to all documents, records, correspondence, work papers and other documents retained by Sellers pertaining to any of the Assets prior to the Effective Time (excluding confidential employee information, privileged materials and patient records), all in such manner as to not interfere unreasonably with Sellers. Such documents and other materials shall be, at Sellers' option, either (i) copied by Sellers for Purchaser at Purchaser's expense, or (ii) removed by Purchaser from the premises, copied by Purchaser and promptly returned to Sellers.

(e) Purchaser shall comply with, and be solely responsible for, all obligations under the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164) promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 and any and all corresponding California state law requirements with respect to the operation of the Hospital on and after the Licensure Date.

(f) Purchaser shall cooperate with Sellers, on a timely basis and as reasonably requested by Sellers, in connection with the provision of all data of the Hospital and other information required by Sellers for reporting purposes, including without limitation QAF or DSH reporting.

(g) To the maximum extent permitted by law, if any Person requests or demands, by subpoena or otherwise, any documents relating to the Excluded Liabilities or Excluded Assets, including without limitation, documents relating to the operations of any of the



Hospital or any of the Hospital's committees prior to the Licensure Date, prior to any disclosure of such documents, Purchaser shall notify Sellers and shall provide Sellers with the opportunity to object to, and otherwise coordinate with respect to, such request or demand.

10.3 Provision of Benefits of Certain Contracts. Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract or Assigned Lease, if, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, an attempted assignment thereof, without the consent of the third party thereto, would constitute a breach thereof or in any way negatively affect the rights of Sellers or Purchaser, as the assignee of such Assigned Contract or Assigned Lease, as the case may be, thereunder. If, notwithstanding the provisions of Sections 363 and 365 of the Bankruptcy Code, such consent or approval is required but not obtained, Sellers will cooperate with Purchaser in any reasonable arrangement designed to both (a) provide Purchaser with the benefits of or under any such Assigned Contract or Assigned Lease, and (b) cause Purchaser to bear all costs and obligations of or under any such Assigned Contract or Assigned Lease. Further, notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Account Receivable the assignment of which is either prohibited by law or by the terms of any contract with a payor without the consent of such payor.

10.4 General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute "Excluded Assets" shall be paid to and received by Sellers, with any payments that constitute "Assets" transferred to Purchaser pursuant to Section 1.7 or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective Date ("**Turnover Period**"), the Parties shall, within ten (10) business days of receipt, copy and send to the other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Receivables, from whatever payor or source of funds, that are received on and after the Effective Time. In the event that payments that constitute a transferred Asset are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) days of notice of the receipt of such payments shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within ten (10) days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the requesting Party's sole expense, of the bank records and remittance advices of the other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or and underpayment of funds due, the Party owning funds shall, within ten (10) business days, make a payment of such funds to whom they are owed.

10.5 Closing of Financials. Provided that Purchaser shall not incur any out of pocket costs, Purchaser shall cause the individual acting as the chief financial officer of the Hospital after the Effective Time (the "**Post-Effective Time CFO**") to cooperate with Sellers' representatives in order to complete the standardized closing of Sellers' financial records through the Licensure Date including, without limitation, the closing of general ledger account reconciliations (collectively, the "**Closing of Financials**"). Purchaser shall cause the Post-Effective Time CFO to use their good faith efforts to cooperate with Sellers' representatives



in order to complete the Closing of Financials by no later than the date which is sixty (60) calendar days after the Closing Date. The Post-Effective Time CFO and other appropriate personnel shall be reasonably available to Sellers for a period of no less than one hundred eighty (180) calendar days after the Closing Date to assist Sellers in the completion of Sellers' post-Closing audit, such assistance not to interfere unreasonably with such Post-Effective Time CFO's other duties.

10.6 Medical Staff. To ensure continuity of care in the community, Purchaser agrees that the Hospital's medical staff members in good standing as of the Licensure Date shall maintain medical staff privileges at the Hospital as of the Licensure Date. On and after the Licensure Date, the medical staff will be subject to the Hospital's Medical Staff Bylaws then currently in effect, provided that such Bylaws are in compliance with all applicable laws and regulations and contain customary obligations.

10.7 Shared Intangible Assets. In the event and to the extent that certain intangible Assets transferred by Sellers have been used to operate businesses of Verity or Verity Holdings or their affiliates ("**Shared Intangible Assets**") and such Shared Intangible Assets continue to be used by Verity or Verity Holdings or their affiliates to operate such businesses after Closing, Verity and Verity Holdings retain the rights to continue to use such Assets notwithstanding their sale to Purchaser. Purchaser shall reasonably cooperate with Verity and Verity Holdings and their affiliates to give effect to such rights and shall provide Verity and Verity Holdings and their affiliates such documentation, records and information and reasonable access to such systems as necessary for Verity and Verity Holdings and their affiliates to continue to operate such businesses; all in such manner as not to reasonably interfere with the operations of the Hospitals; *provided, however*, Purchaser shall not be required to incur any out-of-pocket costs in association therewith unless reimbursed by Verity and Verity Holdings and their affiliates.

## ARTICLE 11 DEFAULT, TAXES AND COST REPORTS

11.1 Purchaser Default. If the Agreement is terminated pursuant to Section 9.1(b), Sellers shall be entitled to retain the Deposit, and Sellers may, in addition thereto, pursue any rights or remedies that Sellers may have under this Agreement or applicable law, including the right to sue for damages or specific performance.

11.2 Sellers Default. If the Agreement is terminated pursuant to Section 9.1(c), Purchaser shall have the right to demand and receive a refund of the Deposit, and Purchaser may, in addition thereto, pursue any rights or remedies that Purchaser may have under applicable law, including the right to sue for damages or specific performance.

### 11.3 Tax Matters; Allocation of Purchase Price.

(a) After the Licensure Date, the Parties shall cooperate fully with each other and shall make available to each other, as reasonably requested, all information, records or documents relating to tax liabilities or potential tax liabilities attributable to Sellers with respect to the operation of the Hospital for all periods prior to the Licensure Date and shall preserve all such information, records and documents at least until the expiration of any applicable statute of

limitations or extensions thereof. The Parties shall also make available to each other to the extent reasonably required, and at the reasonable cost of the requesting Party (for out-of-pocket costs and expenses only), personnel responsible for preparing or maintaining information, records and documents in connection with tax matters and as Sellers reasonably may request in connection with the completion of any post-Closing audits of the Hospital.

(b) Solely for purposes of tax reporting, Schedule 11.3 sets forth the allocation of the Purchase Price (including any liabilities that are considered to be an increase to the Purchase Price for United States federal income tax purposes) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the “**Allocation Schedule**”). The Allocation Schedule shall be final and binding upon Sellers and Purchaser with respect to matters relating to required tax reporting by each such Party. The Parties shall refrain from taking any position that is inconsistent with the Allocation Schedule with respect to tax reporting.

#### 11.4 Cost Report Matters.

(a) Consistent with Section 4.4, Sellers shall, at Purchaser’s expense, prepare and timely file all cost reports relating to the periods ending prior to the Licensure Date or required as a result of the consummation of the transactions described in this Agreement, including, without limitation, those relating to Medicare, Medicaid, and other third party payors which settle on a cost report basis (the “**Seller Cost Reports**”).

(b) Upon reasonable notice and during normal business office hours, Purchaser will cooperate reasonably with Sellers in regard to Sellers’ preparation and filing of the Seller Cost Reports. Such cooperation shall include, at no cost to Sellers, obtaining access to files at the Hospital and Purchaser’s provision to Sellers of data and statistics, and the coordination with Sellers pursuant to reasonable notice of Medicare and Medicaid exit conferences or meetings. Sellers shall have no obligations after the Licensure Date with respect to Seller Cost Reports except for preparation and filing thereof.

## ARTICLE 12 MISCELLANEOUS PROVISIONS

12.1 Further Assurances and Cooperation. Each Party shall execute, acknowledge and deliver to the other Party any and all other assignments, consents, approvals, conveyances, assurances, documents and instruments reasonably requested by such Party at any time and shall take any and all other actions reasonably requested by such Party at any time for the purpose of consummating the transactions hereunder and fulfilling such Party’s obligations hereunder. After consummation of the transactions contemplated in this Agreement, the Parties agree to cooperate with each other and take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement, the documents referred to in this Agreement and the transactions contemplated hereby.

12.2 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the respective successors and assigns of the Parties hereto; *provided, however*, that no Party hereto may assign any of its

rights or delegate any of its duties under this Agreement without the prior written consent of the other Parties which consent shall not be unreasonably withheld or delayed, except that Purchaser may, without the prior written consent of Sellers, assign all or any portion of its rights under this Agreement to one or more of its affiliates prior to the Closing Date so long as such affiliate was described and was part of the Attorney General application under Section ~~5.9~~5.8(c) and provided that any such assignment shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

12.3 Governing Law; Venue. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law. For so long as Sellers are subject to the jurisdiction of the Bankruptcy Court, the Parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Bankruptcy Court. The Parties hereby consent to the jurisdiction of such court and waive their right to challenge any proceeding involving or relating to this Agreement on the basis of lack of jurisdiction over the Person or forum non conveniens.

12.4 Amendments. This Agreement may not be amended other than by written instrument signed by the Parties.

12.5 Exhibits, Schedules and Disclosure Schedule. The Disclosure Schedule and all exhibits and schedules referred to in this Agreement shall be attached hereto and are incorporated by reference herein. From the Signing Date until the Closing, the Parties agree that Sellers may update the Disclosure Schedule as necessary upon written notice to Purchaser, and the applicable representation and warranty shall thereafter be deemed amended for all purposes by such updated Disclosure Schedule. Notwithstanding the foregoing, should any exhibit or schedule not be completed and attached hereto as of the Signing Date, Sellers and Purchaser shall promptly negotiate in good faith any such exhibit or schedule, which exhibit or schedule must be acceptable to each of Sellers and Purchaser in their reasonable discretion prior to being attached hereto. Any matter disclosed in this Agreement or in the Disclosure Schedule with reference to any Section of this Agreement shall be deemed a disclosure in respect of all sections to which such disclosure may apply. The headings, if any, of the individual sections of the Disclosure Schedule are provided for convenience only and are not intended to affect the construction or interpretation of this Agreement. The Disclosure Schedule is arranged in sections and paragraphs corresponding to the numbered and lettered sections and paragraphs of this Agreement merely for convenience, and the disclosure of an item in one section of the Disclosure Schedule as an exception to a particular obligation, representation or warranty shall be deemed adequately disclosed as an exception with respect to all other obligations, representations or warranties, notwithstanding the presence or absence of an appropriate section of the Disclosure Schedule with respect to such other obligation, representations or warranties or an appropriate cross reference thereto.

12.6 Notices. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder shall be deemed effectively given when either personally delivered, or when received by telegraphic or other electronic means (including facsimile) or

overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Sellers: Verity Health System of California, Inc.  
601 South Figueroa St., Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With a copies to: Dentons US LLP  
(which copies shall 601 South Figueroa St., Suite 2500  
not constitute notice) Los Angeles, CA 90017-5704  
Attention: Tania Moyron, Esq.  
Telephone: 213-243-6101

If to Purchaser: Prime Healthcare Services, Inc.  
3480 East Guasti Road, 2<sup>nd</sup> Floor  
Ontario, California 91761  
Attention: General Counsel  
Facsimile: 909-235-4316

With a copy to: McDermott Will & Emery LLP  
(which copies shall 2049 Century Park East, Suite 3200  
not constitute notice) Los Angeles, California 90067  
Attention: Jeffrey Reisner, Esq.  
Facsimile: 310-277-4730

or at such other address as one Party may designate by notice hereunder to the other Parties.

12.7 Headings. The section and other headings contained in this Agreement and in the Disclosure Schedule, exhibits and schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Disclosure Schedule, exhibits and schedules hereto.

12.8 Publicity. Prior to the Closing Date, Sellers and Purchaser shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby and each shall have the right to review and comment on the other's press releases at least forty-eight (48) hours prior to issuance; *provided, however*, that nothing in this Section 12.8 shall be deemed to prohibit either Sellers or Purchaser from making any disclosure that its counsel deems necessary or advisable in order to satisfy either Party's disclosure obligations imposed by law subject to reasonable prior notice to the other Party thereof.

12.9 Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

12.10 Gender and Number; Construction; Affiliates. All references to the neuter gender shall include the feminine or masculine gender and vice versa, where applicable, and all references to the singular shall include the plural and vice versa, where applicable. Unless otherwise expressly provided, the word “including” followed by a listing does not limit the preceding words or terms and shall mean “including, without limitation.” Any reference in this Agreement to an “affiliate” shall mean any Person directly or indirectly controlling, controlled by or under common control with a second Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. A “Person” shall mean any natural person, partnership, corporation, limited liability company, association, trust or other legal entity.

12.11 Third Party Beneficiary. None of the provisions contained in this Agreement are intended by the Parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement, except for the Parties’ successors and permitted assigns, and except for any liquidating trustee or plan administrator for Sellers’ estate.

12.12 Expenses and Attorneys’ Fees. Except as otherwise provided in this Agreement, each Party shall bear and pay its own costs and expenses relating to the preparation of this Agreement and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, this Agreement, including without limitation, the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of this Agreement, whether or not the transactions contemplated hereby are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges and the like in connection with the sale of the Assets shall be borne by Purchaser. If any action is brought by any Party to enforce any provision of this Agreement, the prevailing Party shall be entitled to recover its court costs and reasonable attorneys’ fees.

12.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement, binding on all of the Parties hereto. The Parties agree that facsimile copies of signatures shall be deemed originals for all purposes hereof and that a Party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder.

12.14 Entire Agreement. This Agreement, the Disclosure Schedule, the exhibits and schedules, and the documents referred to in this Agreement contain the entire understanding between the Parties with respect to the transactions contemplated hereby and supersede all prior or contemporaneous agreements, understandings, representations and statements, oral or written, between the Parties on the subject matter hereof (the “**Superseded Agreements**”), which Superseded Agreements shall be of no further force or effect.

12.15 No Waiver. Any term, covenant or condition of this Agreement may be waived at any time by the Party which is entitled to the benefit thereof but only by a written notice signed by the Party expressly waiving such term or condition. The subsequent acceptance of



performance hereunder by a Party shall not be deemed to be a waiver of any preceding breach by any other Party of any term, covenant or condition of this Agreement, other than the failure of such other Party to perform the particular duties so accepted, regardless of the accepting Party's knowledge of such preceding breach at the time of acceptance of such performance. The waiver of any term, covenant or condition shall not be construed as a waiver of any other term, covenant or condition of this Agreement.

12.16 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstance shall be held to be invalid or unenforceable to any extent in any jurisdiction, then the remainder of this Agreement and the application of such term, provision, condition or covenant in any other jurisdiction or to persons or circumstances other than those as to whom or which it is held to be invalid or unenforceable, shall not be affected thereby, and each term, provision, condition and covenant of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.17 Time is of the Essence. Time is of the essence for all dates and time periods set forth in this Agreement and each performance called for in this Agreement.

12.18 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.18. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[REMAINDER OF PAGE IS BLANK]*



**IN WITNESS WHEREOF**, this Agreement has been entered into as of the day and year first above written.

**PURCHASER:**

**Prime Healthcare Services, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**SELLERS:**

**Verity Health System of California, Inc.**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Verity Holdings, LLC**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**St. Francis Medical Center**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Schedule 1.4(c)**  
**St. Francis Medical Center**

<b>Description</b>	<b>Owner</b>	<b>Address</b>	<b>APN</b>
Hospital Campus (including Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park MOB	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood MOB	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

**Exhibit 1.3(a) to APA**  
**Form of Leaseback Agreement**

*See attached.*

## **SALE LEASEBACK AGREEMENT**

*[Note: This agreement is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This structure is not required.]*

This Sale Leaseback Agreement (the “**Leaseback Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (“**Hospital Newco**,” and collectively with Parent Company, the “**Parent Company Parties**”) on the other hand. The Corporation, Parent Company, and Hospital Newco may be referred to herein individually as a “**Party**,” and collectively as the “**Parties**.”

## **RECITALS**

**A.** On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

**B.** The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

**C.** Parent Company and the Corporation have entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of the assets of the Corporation and related assets (collectively, the “**Assets**”). Capitalized terms not defined in this Leaseback Agreement shall have the meanings given to such terms in the APA.

**D.** The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital’s services are provided (collectively, the “**Hospital Premises**”).

**E.** Parent Company designated its affiliate, Hospital Newco, as the owner of the Corporation’s Assets purchased by Parent Company under the APA (the “**Designation**”), and its affiliate \_\_\_\_\_ (the “**Manager**”) as the operator of the Hospital.

**F.** Pursuant to Section 1.3 of the APA, the Corporation, Parent Company, and the Manager, are entering into that certain Interim Management Agreement (“**IMA**”) of even date herewith, and commencing at the Effective Time, to enable the Manager to manage the day-to-day operations of the Hospital following the Closing until the Manager is issued the Licenses necessary to operate the Hospital (for the avoidance of doubt, that date will occur when the Manager is issued both a license to operate the Hospital as an acute care hospital by the California Department of Public Health, and a permit to operate a hospital-based pharmacy by the California Board of Pharmacy (collectively, the “**New Licenses**”)).

**A.** Pursuant to the APA, at the Effective Time, Parent Company will purchase the Corporation’s Assets, except for the Excluded Assets (as set forth in the APA). Also pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the

Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Parent Company (or its affiliate) as of the Licensure Date.

**B.** Immediately following the Closing, and until the Manager obtains the New Licenses, the Parent Company Parties desire to lease back or license to the Corporation all of the then-acquired Corporation’s Assets used in the operation of the Hospital, and the Corporation desires to so lease or license such Corporation’s Assets from the Parent Company Parties on the terms and conditions set forth herein. The Corporation’s Assets shall exclude the Licensure Date Assets, which the Corporation shall own until the New Licenses are issued.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

**1. Definitions.** Any capitalized term appearing herein that is not defined shall have the same definition ascribed to it under the IMA or the APA (as designated when such term first appears herein).

**2. Description of The Leased or Licensed Assets.**

**2.1 Leased or Licensed Assets.** The Parent Company Parties hereby lease or license to the Corporation, and the Corporation leases or licenses from the Parent Company Parties, all of the Corporation’s Assets used in the operation of the Hospital, except for the Licensure Date Assets, which the Corporation shall continue to own until the Licensure Date (as defined in the APA) (collectively, the “**Leased or Licensed Assets**”). Specifically, the Leased or Licensed Assets shall include: (a) the Hospital Premises (which shall be leased); (b) tangible personal property, including, but not limited to, fixtures, furnishings, hard copy medical and financial records and equipment (including, but not limited to, hardware to operate and run the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems) (which shall be leased); and (c) intangible intellectual property saved or embodied in the electronic health record systems, hospital operating systems, laboratory information systems, and financial reporting systems (which shall be licensed for use by the Corporation).

**2.2 Management of Pharmacy and Use of Pharmacy Assets.**

(a) The Corporation shall at all times during the term of this Leaseback Agreement be the owner of the Pharmacy Assets. The Parties acknowledge, however, that under the IMA, the Manager will be managing the Corporation’s pharmacy during the Management Period (as defined in the IMA), and the Corporation therefore grants the Manager (i) access to and authority to use the drugs, dangerous drug delivery devices, or other tangible pharmacy assets, and (ii) a license to use the intangible intellectual property saved or embodied in the pharmacy systems, in each case to the extent necessary for the Manager to fulfill its obligations under the IMA.

(b) Pursuant to the IMA, the Corporation shall be responsible for purchasing drugs and dangerous devices identified by the Manager as necessary for the operations of the Hospital, and the Manager shall reimburse the Corporation for all costs and expenses incurred for such purchases.

3. Term; Termination. This Leaseback Agreement shall have a term coextensive with the Management Period (as defined in the IMA) and shall automatically terminate upon the termination of the IMA.

4. Payments by the Parent Company Parties.

4.1 Utilities. The Parent Company Parties shall pay all utilities and services supplied to the Hospital during the term hereof, including but not limited to water, gas, air conditioning, heat, light, power, telephone service, and waste removal services.

4.2 Taxes. The Parent Company Parties shall pay all taxes, assessments, and levies of any kind or nature whatsoever, including real property taxes, personal property taxes, income taxes, employment taxes, and sales or use taxes, that are taxed, assessed, levied, invoiced or imposed upon or against the Leased or Licensed Assets, the Hospital, and/or the Corporation, after the Effective Time.

4.3 Insurance. The Parent Company Parties shall pay for all insurance coverages, including premiums, deductibles, stop-loss, and any other insurance covering the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation during the term hereof. The Parent Company Parties covenant and agree that the Leased or Licensed Assets, the Licensure Date Assets, the Hospital, and the Corporation are covered as of the date hereof and will be covered at all times by general liability, fire, theft, business interruption, cyber, professional liability, directors and officers insurance, employment practices liability, terrorism, workers' compensation & employers' liability, directors and officers, fiduciary, crime, punitive damages excess liability, physical damage, property liability, automobile, storage tank, helipad and non-owned aviation, sexual misconduct and molestation, medical provider professional liability, and provider capitation stop loss (managed care excess loss) insurance. All such insurance shall name the Parent Company Parties and the Corporation as insureds as their respective interests may appear.

4.4 Repairs and Maintenance: Alterations. During the term of this Leaseback Agreement, the Parent Company Parties shall pay all costs of repairing (including replacement of) and maintaining the Leased or Licensed Assets and Hospital and every part thereof in good and sanitary order, condition and repair during the term hereof, reasonable wear and tear excepted, including, without limitation, all costs of all repairs, replacements and maintenance required by any applicable governmental law, statute, ordinance, rule or regulation, including the California Office of Statewide Health Planning and Development ("OSHPD"). The Corporation shall not make any alterations or changes to the Leased or Licensed Assets without prior written approval of the Parent Company Parties, which may be given or withheld in the Parent Company Parties' sole discretion.



**4.5** Payment. Nothing in this Section 4 shall in any way limit, reduce, or otherwise affect Parent Company's payment obligations under the IMA or the APA.

**5.** Use. The Leased or Licensed Assets shall be used for the operation of the Hospital, subject to the terms of the APA and the IMA.

**6.** Risk of Loss.

**6.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Leased or Licensed Assets or Hospital during the term of this Leaseback Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, accident or any other casualty (collectively, "**Casualty**"), and the Parent Company Parties shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.

**6.2** If, during the term of this Leaseback Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain or condemnation proceedings, exercise of state authority under an executive order or by deed in lieu thereof (collectively, "**Condemnation**"), the Parent Company Parties, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**6.3** In the event of a Casualty or Condemnation, neither the Parent Company Parties nor the Corporation may terminate this Leaseback Agreement.

**7.** Continued Access. Following termination of this Leaseback Agreement, and until the entry of final decrees closing the Bankruptcy Cases, the Patient Care Ombudsman, appointed by the United States Trustee pursuant to Bankruptcy Code § 333 and approved by the Bankruptcy Court [*see* Docket No. 430], shall have continuing access to the Leased or Licensed Assets and related personnel during normal business hours and upon at least one (1) business day's prior written notice to the Parent Company Parties, for the purpose of winding down the Corporation's affairs, in connection with any litigation or adversary proceedings, and to effectuate the chapter 11 plan as approved by the Bankruptcy Court.

**8.** Miscellaneous.

**8.1** Further Assurances. Each of the Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Leaseback Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

**8.2** Notices and Demands. All notices and demands, requests, consents, approvals, and other similar communications under this Leaseback Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation:

St. Francis Medical Center

c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to:  
(which copy shall not  
constitute notice)

Tania Moyron, Esq.  
Dentons US LLP  
601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to the Parent Company  
Parties:

With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Parties in accordance with this Section 8.2.

**8.3** Payment of Expenses. Except for the Parent Company Parties' obligation to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Leaseback Agreement, each Party hereto shall bear its own legal, accounting, and other expenses incurred in connection with the preparation and negotiation of this Leaseback Agreement and the consummation of the transactions contemplated hereby, whether or not the transaction is consummated.

**8.4** Rent. The Corporation has prepaid the sum of One Thousand Dollars (\$1,000.00), the receipt of which is hereby acknowledged by the Parent Company Parties, and the Corporation shall not be required to pay the Parent Company Parties any additional rent under this Leaseback Agreement.

**8.5** Entire Agreement; Amendment; Waiver. This Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and

thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Leaseback Agreement, the IMA, and those provisions of the APA expressly identified in this Leaseback Agreement. Nothing in this Leaseback Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court. This Leaseback Agreement may not be modified or amended except in writing signed by the Parties. No waiver of any term, provision or condition of this Leaseback Agreement in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition of this Leaseback Agreement. No failure to act shall be construed as a waiver of any term, provision, condition or rights granted hereunder.

**8.6 Assignment.** Neither this Leaseback Agreement nor the rights, duties or obligations arising hereunder shall be assignable or delegable by the Corporation or the Parent Company Parties without the prior written consent of the other Parties, which may be granted, denied or conditioned in such Party's absolute discretion except that the Parent Company Parties may assign this Leaseback Agreement in connection with any permitted assignment under the IMA. Subject to the foregoing, this Leaseback Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties.

**8.7 Joint Venture; No Third Party Beneficiaries.** Nothing contained herein shall be construed as forming a joint venture or partnership among the Parties with respect to the subject matter hereof. The Parties do not intend that any third party shall have any rights under this Leaseback Agreement.

**8.8 Captions.** The section headings contained herein are for convenience only and shall not be considered or referred to in resolving questions of interpretation.

**8.9 Governing Law.** This Leaseback Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**8.10 Jurisdiction.** The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Leaseback Agreement, and any of the documents or transactions contained in or contemplated by this Leaseback Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Leaseback Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such

Party in any such action or proceeding shall be effective if notice is given in accordance with Section 8.2 hereof

**8.11 Conditions to Effectiveness.** The Parties acknowledge that this Leaseback Agreement is subject to and contingent upon the occurrence of the Closing under the APA. This Leaseback Agreement shall not be effective, nor shall any Party have any obligations hereunder, unless and until the Closing under the APA has occurred.

**8.12 Cooperation on Regulatory Compliance Matters.** The Parent Company Parties understand and acknowledges that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance, as well as the requirements or recommendations of any accrediting agencies. In the event the terms of this Leaseback Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Leaseback Agreement, the Parent Company Parties shall cooperate with such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request, recommendation or directive.

**8.13 Transition Services Agreement.** Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will enter into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

**8.14 Fair Meaning.** This Leaseback Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

**8.15 Counterparts.** This Leaseback Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Leaseback Agreement may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**8.16 WAIVER OF JURY TRIAL.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY

**UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.16. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).**

*[Signature Page Follows.]*

**IN WITNESS WHEREOF**, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**Parent Company Parties:**

NAME

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Corporation:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



**Exhibit 1.3(b) to APA**

**Form of Interim Management Agreement**

*See attached.*

## INTERIM MANAGEMENT AGREEMENT

*[Note: This IMA is drafted for 3 Purchaser parties: Purchaser/Parent Company, Hospital Newco and Manager. This IMA is drafted assuming Purchaser is buying hospital's accounts receivable. This structure is not required.]*

This Interim Management Agreement (the “**Agreement**”) is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among St. Francis Medical Center, a California nonprofit public benefit corporation (the “**Corporation**”) on the one hand, and \_\_\_\_\_ (“**Parent Company**”) and \_\_\_\_\_ (the “**Manager**,” and collectively with the Corporation and Parent Company, the “**Parties**” and each individually a “**Party**”) on the other hand.

### RECITALS

**A.** On August 31, 2018, the Corporation and certain of its affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

**B.** The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

**C.** Parent Company, as purchaser, and the Corporation and certain of its affiliates (collectively, the “**Sellers**” as defined in the APA), as seller, entered into that certain Asset Purchase Agreement, dated of even date herewith (the “**APA**”), which provides for the sale of certain assets of the Sellers (collectively, the “**Assets**”). All terms not otherwise defined herein shall have the meaning ascribed to them in the APA.

**D.** The Corporation operates St. Francis Medical Center as a 384-bed general acute care hospital (the “**Hospital**”), with its primary location at 3630 East Hospital Newco Highway, Lynwood, California 90262, and such other locations where the Hospital's services are provided (collectively, the “**Hospital Premises**”).

**E.** Pursuant to the APA, Parent Company agreed to purchase the Assets, which include certain assets of the Corporation (the “**Corporation's Assets**”).

**F.** Parent Company designated its affiliate, \_\_\_\_\_ (“**Hospital Newco**”) as the owner of the Corporation's Assets, and the Manager as the operator of the Hospital.

**G.** Parent Company and the Manager have requested this Agreement to afford the Manager additional time to obtain its general acute care hospital license from the California Department of Public Health (“**CDPH**”), and its hospital pharmacy permit from the California

Board of Pharmacy (together, the “**New Licenses**,” and the date on which the New Licenses are issued is the “**Licensure Date**”).

**H.** Pursuant to the APA, that portion of the Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets (the “**Pharmacy Assets**”), the Medicare/Medi-Cal Agreements, the Lockboxes, the Transferred Managed Care Agreements and the Transferred Private Payor Agreements (collectively, the “**Licensure Date Assets**”) shall transfer to Hospital Newco as of the Licensure Date.

**I.** The Corporation shall maintain a possessory interest in the Hospital and the Hospital Premises, and Parent Company and Hospital Newco on the one hand as lessor, and the Corporation, on the other hand as lessee, are entering into that certain Sale Leaseback Agreement of even date herewith, pursuant to which certain of the Corporation’s Assets will be leased back to the Corporation (the “**Leaseback Agreement**”).

**J.** Until Hospital Newco obtains the New Licenses, the Manager desires to assume the management of the Hospital, including its pharmacy, on behalf of the Corporation, and the Corporation desires to avail itself of such management services, upon the terms and conditions set forth in this Agreement.

## **TERMS OF AGREEMENT**

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

### **1. Term.**

**1.1** The term of this Agreement (the “**Management Period**”) shall commence as of the Effective Time (as defined in the APA) and shall continue until the earlier of the Licensure Date or [June 30, 2021]. The Parties acknowledge that, during the Management Period, the Corporation shall remain the licensee of the Hospital, and in that capacity, and during such period, shall retain statutory and regulatory authority and responsibility for the Hospital and for oversight of the Manager.

### **2. Acknowledgements and Covenants.**

**2.1** As of the Effective Time, Parent Company shall have acquired all of the Corporation’s Assets as set forth in the APA (other than the Licensure Date Assets), which shall be leased back to the Corporation pursuant to the terms of the Leaseback Agreement during the term of this Agreement.

**2.2** Pursuant to Section 1.3 of the APA, contemporaneously with the date the New Licenses are issued and the termination of the Leaseback Agreement, ownership of the Licensure Date Assets shall be transferred to Hospital Newco. Parent Company and the Manager acknowledge that this Agreement and the foregoing subsequent transfer of the Licensure Date Assets are made at the request of Parent Company and the Manager, to provide more time for the

Manager to obtain its New Licenses. As such, Parent Company acknowledges, covenants, and agrees that the total Purchase Price (as defined in the APA) shall be paid to the Sellers under the APA as if the Licensure Date Assets were transferred as of the Effective Time.

**2.3** As of the Effective Time, the Corporation shall have ended the employment or engagement of all employees and contractors and, to the extent they received offers of employment or engagement from the Manager (or its affiliates) and accepted such offers, shall have been transferred to the Manager (or its affiliate) as employees or contractors of the Manager (collectively, the **“Hired Employees”**).

**2.4** During the Management Period, the Corporation will (a) assign an individual to oversee the operation of the Hospital and serve as the president of the Corporation, as required by the Centers for Medicare & Medicaid Services, CDPH, and applicable California laws and regulations (the **“Responsible Officer”**), and (b) maintain proper oversight by a board of directors.

### **3. Appointment of Manager.**

**3.1** During the Management Period, the Corporation hereby appoints the Manager as the sole and exclusive provider of the Services (defined below) and hereby grants to the Manager the exclusive right to manage the Hospital under the Corporation’s Licenses (as defined in the APA) as a general acute care hospital, including without limitation, the right to undertake those certain management responsibilities and permitted activities described in Section 4 below. The Manager hereby accepts such appointment for all purposes with respect to the Corporation’s rights, duties, and responsibilities under the Licenses for the Hospital, to the fullest extent permitted by law, and agrees, to the fullest extent permitted by law, to provide management services to the Hospital on behalf of the Corporation (the **“Services”**).

**3.2** The Manager’s Services hereunder shall include management and operation of the Hospital’s pharmacy on behalf of the Hospital, even though the Pharmacy Assets will not be transferred to Hospital Newco pursuant to the APA until the Licensure Date.

**3.3** Upon the Licensure Date, the Manager’s Services provided to the Hospital under the Corporation’s Licenses shall terminate and, thereafter, Hospital Newco (and its affiliates) will be operating the Hospital as the licensee holding its own New Licenses.

**3.4** During the Management Period, the Manager shall submit claims for services rendered by the Hospital to various governmental and non-governmental entities, patients, and other third parties pursuant to the Corporation’s provider agreements, payor contracts, and NPI numbers as set forth in Schedule 3.4, attached hereto (collectively, the **“Corporation’s Billing Credentials”**). Because all billing and collecting shall be under the Corporation’s Billing Credentials, payments shall be made in the Corporation’s name and deposited in the Corporation’s bank accounts. The Parties acknowledge and agree that during the Management Period, the Corporation’s bank accounts and lockboxes shall remain under the Corporation’s name and in the Corporation’s control. Consistent with Section 4.5(b), the Manager may transfer the Manager Compensation to its accounts. To the extent the Manager is unable to make such transfers to its own accounts, upon request by the Manager, the Corporation will, at the

Manager's cost, forward to the Manager any payment or reimbursement received during the Management Period.

**3.5** To the extent the Corporation's lenders continue to have ~~liens, claims, charges, mortgages, security interests, rights of setoff, recoupment, netting and deductions, rights of first offer, first refusal and any other similar contractual property, legal or equitable rights, and any successor or successor-in-interest liability theories, or any other encumbrances whatsoever (collectively, "Encumbrances")~~ Encumbrances on the Corporation's bank accounts or lockboxes as of the Effective Time, the Corporation, Parent Company, and the Manager shall work cooperatively to facilitate termination and release of such Encumbrances.

**3.6** The Corporation shall retain and, upon the Licensure Date, the Manager shall assume, any contracts necessary for the Corporation to continue to be the holder of the Licenses and to bill for Hospital services during the Management Period, in accordance with the APA. Such contracts shall be as set forth in Schedule 3.6, attached hereto (the "**Retained Contracts**"). Parent Company hereby designates each Retained Contract as an Assigned Contract under Section 1.11 of the APA.

#### **4. Management Responsibility.**

**4.1** During the Management Period, the Manager shall, subject to all applicable legal and regulatory requirements and the Corporation's ultimate oversight and control, have responsibility for the management of the Hospital, and agrees to assume and discharge all responsibilities, duties, liabilities, payments, and obligations in connection with properly maintaining the Hospital in full compliance with all regulations and standards required of a general acute care hospital facility so licensed. In furtherance thereof, the Manager's Services shall include, but not be limited to, the following duties, which duties shall be performed at the Manager's sole cost and expense:

(a) Managing the operations of the Hospital as a general acute care hospital in compliance with all applicable laws, regulations, provider agreements, payor contracts, CDPH requirements for maintenance of the Licenses in good standing, Medicare conditions of participation and requirements for payment with respect to governmental programs, and the requirements for maintenance of the Hospital's accreditations;

(b) Employing and managing the Hired Employees and any other non-clinical and clinical personnel (i) deemed necessary by the Corporation for the operation of the Hospital as a general acute care hospital, or (ii) required by law so as to meet all applicable labor laws and regulations, and consistent with orders of the Bankruptcy Court;

(c) Ensuring that the Corporation is able to pay itself out of the Hospital Revenues for the costs and expenses set forth in Sections 4.5(b);

(d) Maintaining and repairing, as needed, the Hospital Premises so as to ensure material compliance with all applicable local, state and federal law, and construction timelines imposed by OSHPD.

(e) Providing security services reasonably necessary to prevent unlawful entry or damage to the Hospital Premises;

(f) Affording the Responsible Officer or his or her designee access, during normal business hours, to the Hospital Premises, the books and records at the Hospital Premises or in Manager's possession, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, and such other access and assistance as reasonably requested by the Responsible Officer;

(g) Upon at least one (1) day's prior written notice to the Manager, providing access, during normal business hours, to the Hospital Premises to lessors of equipment at the Hospital Premises, if any, who have been authorized by order of the Bankruptcy Court to remove their equipment from the Hospital Premises, provided that the Manager shall have full power and authority to require that the removal of such equipment by such lessors does not damage the Hospital Premises;

(h) Providing access, during normal business hours, to the Hospital, the Hospital Premises, the Hospital's books and records, electronic health records, financial information systems, operating systems, laboratory systems, the Hired Employees and any other personnel of Manager or otherwise who are providing services associated with the operation of the Hospital, to the Corporation, the Corporation's directors, officers and representatives, and the Corporation's successors in interest, including, but not limited to, any plan administrator, liquidating trustee or similar representatives appointed or approved by the Bankruptcy Court, as well as the Patient Care Ombudsman appointed in the Bankruptcy Cases under Section 333 of the Bankruptcy Code (the "PCO") [see Docket No. 430], for the purpose of winding down the Corporation's affairs, pursuing litigation and adversary proceedings, and to effectuate a plan of liquidation, as approved by the Bankruptcy Court (the "Plan"), *provided, however*, that such access does not unreasonably disrupt the Hospital's operations;

(i) Maintaining, all licenses, permits consents, approvals, accreditations, and certifications currently held by the Corporation in good standing, in active status, and in compliance with all applicable local, state, and federal laws, including the timely payment of all applicable fees to support or renew these approvals;

(j) Maintaining and obtaining all insurance coverages, from and after the Effective Time, for the Hospital that a prudent hospital operator or owner would maintain, including directors and officers insurance with no less coverage than was maintained for directors and officers just prior to the Effective Time;

(k) Maintaining and obtaining those insurance coverages required under the Leaseback Agreement, for its own account, with the Corporation included as a named insured, and paying all amounts required under the Leaseback Agreement in a timely manner, including rent, utilities, taxes, and insurance premiums;

(l) Opening and forwarding all mail relating to the financial or business affairs of the Corporation to the notice address below;



(m) Periodically reporting to the Corporation (or its designee), either in person or telephonically, the condition of the Hospital and the Hospital Premises;

(n) Coordinating with the governing board and the organized medical staff (each, as established by the Corporation and the Sellers) on the appropriateness and quality of medical care and all medical staff issues requiring governing board oversight;

(o) Paying all costs and expenses in connection with and incidental to ownership of the Corporation's Assets and management and operation of the Hospital hereunder, including but not limited to, all the Hospital operating costs, employee-related costs, and taxes, whether or not identified, described, or referenced in this Agreement;

(p) Cooperating with the Corporation in facilitating termination and release of any Encumbrances on the Corporation's bank accounts and lockboxes; and

(q) Performing such other duties and activities as are reasonably necessary for the Manager to fulfill its responsibilities under this Agreement and the APA.

**4.2 Permitted Manager Activities.** During the Management Period, the Manager may do any of the following, in consultation with the Corporation and subject to the requirements of applicable local, state, and federal law, which activities may be performed by the Manager at the Manager's sole cost and expense:

(a) Make alterations, improvements, and repairs to the interior or exterior of the Hospital Premises, including structural alterations, improvements, and repairs;

(b) Remove and dispose of furniture, fixtures, equipment (other than equipment owned by equipment lessors), and supplies at the Hospital Premises;

(c) Move into and install furniture, fixtures, equipment, and supplies at the Hospital Premises;

(d) Prepare the Hospital for a name change, except that no such name change may take effect, and no signage reflecting such change shall be installed, during the Management Period; and

(e) Perform, or permit to be performed, any other activities at the Hospital Premises that are not inconsistent with operating the Hospital under the Licenses, and receiving and retaining for the Manager's own account all revenues and proceeds of any such activities, to the extent they comprise the Manager Compensation.

#### **4.3 Prohibited Manager Activities.**

(a) Notwithstanding anything to the contrary in this Agreement, the Manager shall have no authority to take and shall not take any action with respect to any Excluded Assets or Excluded Liabilities (as such terms are defined in the APA) of the Corporation.

(b) The Manager's authority to manage and operate the Hospital is limited to those actions that Manager is expressly required or permitted to do hereunder.

(c) The Manager shall not (i) take any action that interferes with the Corporation's transfer of funds to pay itself out of the Hospital Revenues as set forth in Section 4.5(b); or (ii) remove, withdraw, or authorize removal or withdrawal of funds from the Corporation's bank accounts or lockboxes to the extent that the Corporation would be unable to fully pay itself as set forth in Section 4.5(b).

#### **4.4 APA Provisions; Transition Services Agreement.**

(a) Nothing herein shall modify the prorations of expenses and utilities set forth in the APA, including specifically as set forth in Section 1.6 of the APA.

(b) None of the information accessed, learned or obtained by Parent Company or the Manager or any of their affiliates in the course of performing their duties hereunder may serve as the basis for payment of less than the full Purchase Price or to otherwise assert a claim against the Sellers.

(c) Nothing herein shall modify the transfer of the Assets from the Sellers to Parent Company as contemplated in the APA, including specifically as set forth in Section 1.7 of the APA.

(d) Nothing herein shall modify the APA in respect of the exclusion from purchase by Parent Company of the Excluded Assets, including specifically as set forth in Section 1.8 of the APA.

(e) Pursuant to Section 1.4(f) and Section 1.5(d) of the APA, the Sellers and Parent Company will be entering into a Transition Services Agreement to facilitate the winding down of the Sellers' businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. The Parties shall cooperate with each other to enable the Corporation and Parent Company to carry out their obligations under, and give effect to the terms of, the Transition Services Agreement.

#### **4.5 Manager Compensation; Distribution of Revenue.**

(a) As used in this Agreement, the term "**Hospital Revenues**" shall mean all revenues and reimbursement received by the Corporation after the Effective Time, including, but not limited to, cash, accounts, notes, or other accounts receivable, disproportionate share payments, quality assurance fee payments, Seller Cost Report (as defined in the APA) settlements, and capitation premiums, whether payable by Medicare, Medi-Cal or any other commercial or governmental payor, or any health maintenance organization or any other managed care program or any private pay patients, but only to the extent they are not Excluded Assets (as defined in the APA).

(b) As full and complete payment for the Manager's Services, the Manager shall be entitled to receive an amount equal to the Hospital Revenues less the following amounts that will be paid to the Corporation by Manager (the "**Manager Compensation**"):

(i) All costs and expenses incurred by the Corporation for the Corporation's purchase of drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital;

(ii) All salaries, stipends, costs and expenses associated with the employment or engagement of the board of directors of the Corporation and its parent organization, VHS, the Responsible Officer and any other retained employees or contractors of the Corporation primarily or exclusively providing services necessary for the operation of the Hospital and compliance with applicable laws, if any; and

(iii) All other costs and expenses associated with keeping the Corporation in good standing, maintaining its Licenses and maintaining the Retained Contracts, including, but not limited to, filings with the secretary of state, filing tax returns, board of directors expenses, directors and officers insurance, employment practices liability insurance, compensation, benefits, and such other costs and expenses incurred by a hospital corporation in the normal course of business.

(c) Corporation shall instruct the financial institutions that service its bank accounts or lockboxes to, immediately following the Effective Time and during the Management Period, sweep all Hospital Revenues from the Corporation's bank accounts or lockboxes on a daily basis into an account designated in writing by Manager, and Corporation shall not revise such written instructions without obtaining the prior written consent of Manager.

(d) Under no circumstance shall the Manager seek payment for the Manager's Services from the liquidating trustee, the Corporation, any of the Corporation's officers, directors, agents, contractors, personnel, affiliates or subsidiaries, Verity Health System of California, Inc. ("**VHS**"), or any of VHS' officers, directors, agents, contractors, personnel, affiliates or subsidiaries.

(e) The Corporation shall issue invoices to the Manager on a weekly basis for the items described in Section 4.5(b) (i), (ii) and (iii), with reasonable supporting detail therefor. The Manager shall pay such invoices within ten (10) business days of receipt of such invoices. If the Manager does not remit payment in respect of such invoices in accordance with the immediately preceding sentence, the unpaid amount of such invoices shall bear interest at the Prime Rate in effect on the calendar day upon which such payment was required to be made to the Corporation (the "**Invoice Payment Due Date**") plus five percent (5%) (or the maximum rate allowed by law, whichever is less), such interest accruing on each calendar day after the Invoice Payment Due Date until payment of such invoices and all interest thereon is made to the Corporation.

#### **4.6 Liabilities and Losses.**

(a) Parent Company shall be responsible for all the Hospital liabilities and losses incurred or accrued during the Management Period.

(b) Nothing hereunder shall, or is intended to, modify or supersede Parent Company's responsibility for the Transferred Obligations (as defined in the APA) or the Corporation's responsibility for the Excluded Liabilities (as defined in the APA).

(c) Specifically, with respect to any and all quality assurance fee ("QAF") liabilities owed by the Corporation, Parent Company shall pay all QAF fees that become due and owing or are overdue during the Management Period, even though such fees may have been calculated based on data prior to the Effective Time.

(d) If Parent Company (or its affiliate) has designated any health plan capitation agreements to be assigned to Hospital Newco, then Parent Company hereby assumes all liabilities and responsibilities related to managing the members covered by such health plan capitation agreements, including arranging for services from and payment under all related risk pool arrangements, all related arrangements with independent physician associations (IPAs), all downstream provider agreements, and all out-of-network provider arrangements or services, without regard to whether the member services were rendered prior to or after the Effective Time.

**4.7 The Corporation's Ultimate Control.** Notwithstanding anything to the contrary in this Section 4 or in this Agreement more generally, the Corporation, as holder of the Licenses, shall remain ultimately responsible for the operation of the Hospital, and may, at any time and from time-to-time during the Management Period, take any action (at Parent Company's or the Manager's sole cost and expense) necessary to ensure the Corporation's compliance with applicable laws and regulations, even if such action requires the Corporation to intervene in the Manager's performance of the Manager's duties or permitted activities pursuant to this Section 4.

#### **5. Continued Responsibility of the Corporation.**

**5.1** During the Management Period, the Corporation shall maintain (at Parent Company's or the Manager's sole cost and expense), and shall not take or voluntarily permit any actions which may adversely affect, the Corporation's corporate existence and its full rights as the licensee under the Licenses. In addition, during the Management Period, the Corporation and its officers shall reasonably cooperate with the Manager (at Parent Company's or the Manager's sole cost and expense) in the Manager's provision of the Services.

**5.2** Notwithstanding the statutory and regulatory authority and responsibility of the Corporation for the continued management of the Hospital during the Management Period, the Parties recognize and acknowledge that under this Agreement, the Manager shall, subject to the ultimate oversight by and approval of the Corporation, be responsible for the day-to-day operation and maintenance of the Hospital as a general acute care hospital. In the event that any violation or alleged violation of or non-compliance with any statute or regulation applicable to the operation or maintenance of the Hospital as a general acute care hospital certified by the

Medicare and Medi-Cal programs occurs during the Management Period, then without regard to legal or statutory fault on the part of the Manager or of the Corporation, the Manager shall immediately notify the Corporation of such violation or alleged violation or non-compliance and take reasonable efforts to avoid or minimize any related adverse consequences. Parent Company and the Manager shall be responsible for the costs of any penalty, fine or remediation identified during the Management Period arising out of or relating to any act, omission, event or occurrence connected with the operation of the Hospital after the Effective Time, including, without limitation, the cost of engaging third party consultants or experts to help address or resolve the violation, alleged violation or non-compliance, and shall indemnify and hold the Corporation harmless for the same in accordance with Section 9.2. The Corporation retains the right to join the Manager in contesting said violations upon providing the Manager with notice of its intent to do so.

**5.3** The Corporation shall be responsible for purchasing drugs and dangerous devices that the Manager determines are necessary for the operation of the Hospital at the Manager's sole cost and expense, as set forth in Section 4.5(b)(i).

**5.4** The Corporation agrees to execute and deliver to the Manager such documents as the Manager may reasonably request to maintain the hospital license active and in good standing with CDPH and the other Licenses necessary or appropriate to maintain the Hospital as a general acute care hospital and to facilitate the Manager's obtaining of the New Licenses.

**6. The Parties' Cooperation with Regulatory Agencies.** The Manager shall use its best efforts to obtain the New Licenses as expeditiously as possible. The Manager shall provide updates to the Corporation weekly, and as requested by the Corporation, on the status of the Manager's efforts to obtain the New Licenses. To the extent not already submitted prior to the Effective Time, the Manager shall provide a copy of all such initial and supplementary or amended license applications for the New Licenses to Corporation at least two (2) business days prior to submission. The Manager and the Corporation shall cooperate with each other in the event the Corporation requests revisions to a license application for a New License. The Corporation shall, at Parent Company's or the Manager's cost, reasonably cooperate with the Manager's efforts to obtain the New Licenses, and may communicate and coordinate with licensing agencies as necessary in connection with obtaining the New Licenses. Notwithstanding the foregoing, obtaining all governmental consents, approvals, assignments, authorizations, and clearances necessary to obtain the New Licenses shall be solely Parent Company's and the Manager's (and not the Corporation's) responsibility, including payment of any fees, expenses, filing costs or other amounts related thereto.

**7. Risk of Loss.**

**7.1** The Corporation assumes no risks or liability for damage to or injury occurring to the Hospital Premises, Assets or the Hospital during the term of this Agreement by any means whatsoever, including fire, storm, earthquake, vandalism, strike, cyberattack, accident or any other casualty (collectively, "**Casualty**"), and Parent Company shall have all right, title, and interest in and to the proceeds of any insurance it obtained and paid for covering such Casualty.



**7.2** If, during the term of this Agreement, action is initiated to take the Hospital Premises or any portion thereof by eminent domain proceedings or by deed in lieu thereof (collectively, “**Condemnation**”), Parent Company, and not the Corporation, shall have all right, title, and interest in and to the award from the Condemnation.

**7.3** In the event of a Casualty or Condemnation, neither Parent Company nor the Corporation may terminate this Agreement.

**8. Continued Access.** Following the expiration or termination of this Agreement and until the entry of final decrees closing the Bankruptcy Cases, if expressly authorized or directed by the Bankruptcy Court, and only to the extent so authorized or directed, the PCO shall have continuing access to the Corporation’s Assets and related personnel during normal business hours and upon at least one (1) business day’s prior written notice to Parent Company or the Manager, for the purpose of winding down the Corporation’s affairs, in connection with any litigation or adversary proceedings, and to effectuate the Plan.

**9. Exculpation; Indemnification.**

**9.1** The Corporation and the Corporation’s affiliates, members, officers, directors, employees, attorneys, accountants, consultants, agents, representatives, successors and assigns, including the liquidating trustee and responsible officer (collectively the “**Corporation Indemnified Parties**”) shall have no liability in contract, tort or otherwise unless and until a Chosen Court finds in a final, non-appealable judgment that any Damages result solely from a Corporation Indemnified Party’s gross negligence or willful misconduct.

**9.2** Parent Company and the Manager shall promptly and fully keep and hold the Corporation Indemnified Parties forever harmless from, and shall indemnify and defend the Corporation Indemnified Parties from and against, without regard to materiality, any and all obligations, judgments, fines, civil money penalties, sanctions, awards, liabilities, losses, penalties, claims, costs, demands, damages, expenses, liens, and encumbrances, including investigation costs, time spent in depositions and reasonable attorneys’ fees and expenses (collectively, “**Damages**”), whether civil or criminal, direct, indirect or consequential and no matter how arising, in any way related to, connected with, arising or resulting from, or under this Agreement, the APA, the Hired Employees (as defined in the APA), the Manager’s performance of the Services, or the operation or management of the Hospital or the Corporation’s Assets, in each instance after the Effective Time. Notwithstanding the foregoing, the Parties understand that except as otherwise specifically provided for in the APA, Parent Company and the Manager are not, by virtue of this Agreement or any term or provision herein, assuming any claim, liability, expense, debt or other obligation of the Corporation that both relates to the operation or management of the Hospital or the Corporation’s Assets prior to the Effective Time and constitutes an Excluded Liability under the APA.

**10. HIPAA Compliance.** The Manager agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the “**Privacy Laws**”) with respect to the Hospital and its operations, and the Corporation agrees not to take or voluntarily permit any actions which



violate Privacy Laws with respect to the Hospital or its operations. Toward this end, Parent Company, the Manager, and the Corporation agree to execute and deliver that certain Business Associate Agreement, attached hereto as Exhibit A and incorporated by reference herein, upon execution of this Agreement.

**11. Further Assurances.** Each of the Parties hereto agree to execute and deliver any and all further agreements, documents or instruments necessary to effectuate this Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by any other Party hereto to perfect or evidence their rights hereunder.

**12. Relationship of Parties.** In performing their duties and permitted activities under this Agreement, Parent Company, the Manager, and the Corporation shall, at all times be acting and performing as independent contractors. Parent Company, the Manager, and the Corporation are not partners or joint venturers with each other and nothing herein shall be construed as making them partners or joint venturers or imposing upon any of them any liability as partners or joint venturers.

**13. Notices and Demands.** All notices and demands, requests, consents, approvals, and other similar communications under this Agreement shall be in writing and shall be sent by personal delivery or by either (a) United States certified or registered mail, return receipt requested, postage prepaid, or (b) Federal Express or similar generally recognized overnight carrier regularly providing proof of delivery, addressed as follows:

If to the Corporation: St. Francis Medical Center  
c/o Verity Health System of California, Inc.  
601 South Figueroa Street, Suite 4050  
Los Angeles, CA 90017-5704  
Attention: Chief Executive Officer

With copies to: Tania Moyron, Esq.  
(which copy shall not Dentons US LLP  
constitute notice) 601 South Figueroa St., Suite 2500  
Los Angeles, CA 90017-5704

and

Hope Levy-Biehl, Esq.  
Davis Wright Tremaine LLP  
865 S Figueroa St,  
Los Angeles, CA 90017

If to Parent Company  
and/or  
the Manager:

With copies to:  
(which copies shall not  
constitute notice)

Any notice so given by mail shall be deemed to have been given as of the date of delivery (whether accepted or refused) established by U.S. Post Office return receipt or the overnight carrier's proof of delivery, as the case may be, whether accepted or refused. Any such notice not so given shall be deemed given upon receipt of the same by the Party to whom the same is to be given. Any Party hereto may designate a different address for itself by notice to the other Party in accordance with this Section 13.

**14. Expenses.** Except for Parent Company's and the Manager's obligations to be responsible for certain costs, fees, and expenses as set forth elsewhere in this Agreement, each Party to this Agreement shall pay its own expenses in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby, including the fees of any attorneys, accountants, financial advisors, investment bankers or other professionals engaged by such Party.

**15. Entire Agreement.** This Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement, contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, arrangements, and understandings relating to the subject matter hereof and thereof. There are no written or oral agreements, understandings, representations, or warranties among the Parties other than those set forth in this Agreement, the Leaseback Agreement, and those provisions of the APA expressly identified in this Agreement. Nothing in this Agreement modifies or shall be construed as modifying any orders entered by the Bankruptcy Court.

**16. Amendment.** This Agreement may not be modified, amended, altered or supplemented except by a written agreement executed by all the Parties.

**17. Waiver.** Waiver by any Party of any breach or failure to comply with any provision of this Agreement by any other Party shall not be construed as or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement. No waiver of any such breach or failure or of any term or condition of this Agreement shall be effective unless in a written notice signed by the waiving Party and delivered, in the manner required for notices generally, to each affected Party.

**18. Severability.** In case any provision of this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

**19. Successors and Assigns.** This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective permitted successors and assigns. The Corporation shall not be permitted to assign its rights or its obligations under this Agreement without the

prior consent of Parent Company and the Manager. The Parties further acknowledge and agree that the Manager may subcontract for any of the goods or services required to be provided by the Manager pursuant to this Agreement, and the Manager may assign any of its rights hereunder and/or delegate any of its obligations hereunder, so long as in each case the Manager remains responsible for such subcontracted goods or services and for any of such Manager obligations hereunder.

**20. Attorneys' Fees.** In the event of any litigation or arbitration between the Parties arising out of this Agreement, the prevailing Party therein shall be allowed to recover from the other Party all court costs and reasonable attorneys' fees which shall be fixed by the court or arbitrator.

**21. Headings.** The descriptive headings of sections and subsections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of laws principles or decisions, except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**23. Jurisdiction.** The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; provided, however, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "**Chosen Courts**") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 13 hereof.

**24. Commencement.** The Parties acknowledge that commencement of the Manager's Services under this Agreement is subject to and contingent upon the occurrence of the Closing (as defined in the APA). The Management Period shall not commence, and the Parties' obligations during the Management Period shall not commence, unless and until the Closing has occurred.

**25. Cooperation on Regulatory Compliance Matters.** Parent Company and the Manager understand and acknowledge that the Corporation intends to comply with applicable federal and state laws, regulations, and guidance. In the event the terms of this Agreement need to be amended or supplemented based on guidance from or at the request or direction of a regulator made during the term of this Agreement, Parent Company and the Manager shall cooperate with

such amendment and/or supplement to ensure the Corporation's ability to comply with such guidance, request or directive.

**26. Counterparts.** This Agreement may be executed by one or more of the Parties on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. It may be delivered by facsimile or electronic transmission, including by e-mail as a PDF, and facsimile or PDF copies of executed signature pages, which shall be binding as originals.

**27. WAIVER OF JURY TRIAL.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

*[Signature page follows.]*

**IN WITNESS WHEREOF**, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Signing Date.

**MANAGER:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CORPORATION:**

ST. FRANCIS MEDICAL CENTER,  
a California non-profit public benefit  
corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PARENT COMPANY:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HOSPITAL NEWCO:**

NAME

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit A to IMA**

**Business Associate Agreement**



**Schedule 3.4 to IMA**  
**Corporation's Billing Credentials**

**Schedule 3.6 to IMA**

**Retained Contracts**

**Exhibit 1.4(a) to APA**

**Form of Bill of Sale**

*See attached.*

**Exhibit 1.4(b) to APA**

**Form of Real Estate Assignment Agreements**

*See attached.*

**Exhibit 1.4(c) to APA**  
**Form of Quitclaim Deed**

*See attached.*

**Exhibit 1.4(d) to APA**  
**Form of Transfer Agreement**

*See attached.*



**Exhibit 1.4(f) to APA**  
**Form of Transition Services Agreements**

*See attached.*

### **TRANSITION SERVICES AGREEMENT**

This Transition Services Agreement (the “**Agreement**”), is made and entered into as of \_\_\_\_\_, 2020 (the “**Signing Date**”), by and among Verity Health System of California, Inc., a California nonprofit public benefit corporation (“**Verity**”), Verity Holdings, LLC, a California limited liability company (“**Verity Holdings**”), St. Francis Medical Center, a California nonprofit public benefit corporation (“**St. Francis**” and together with Verity and Verity Holdings, collectively the “**Sellers**” and each individually a “**Seller**”) and \_\_\_\_\_ (“**Purchaser**”). The Sellers, the Liquidating Trust, and Purchaser may each be referred to herein as a “**Party**” and collectively as the “**Parties**.”

This Agreement is being entered into in connection with the Asset APA, dated of even date herewith among Sellers and Purchaser (the “**APA**”). Capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in the APA. The Parties have agreed to provide or cause one or more of their respective direct or indirect subsidiaries or affiliates to provide certain services as set forth below. The Party providing services hereunder (together with those of its direct and indirect subsidiaries and affiliates providing services hereunder) is referred to herein as the “**Service Provider**” and the Party receiving services hereunder (together with those of its direct and indirect subsidiaries and affiliates receiving services hereunder) is referred to herein as the “**Service Recipient**”. The Parties agree that this Agreement will be amended to include the Liquidating Trust (as defined below) after its creation, pursuant to the effective date set forth in the plan of liquidation (the “**Plan**”) to be confirmed by the Bankruptcy Court.

### **RECITALS**

A. On August 31, 2018, the Sellers and certain of their affiliates each filed a voluntary petition for relief (collectively, the “**Bankruptcy Cases**”) under chapter 11 of title 11 of the United State Code (the “**Bankruptcy Code**”).

B. The Bankruptcy Cases are jointly administered under Lead Case No. 18-20151 and are currently pending in the Bankruptcy Court for the Central District of California in Los Angeles (the “**Bankruptcy Court**”).

C. Purchaser and the Sellers entered into the APA, which provides for the sale of the assets of the Sellers (collectively, the “**Assets**”).

D. Sellers will file a motion with the Bankruptcy Court to approve the APA and upon approval, the Bankruptcy Court will enter a sale order (the “**Sale Order**”).

E. Sellers and certain of their affiliates will file a chapter 11 Plan, pursuant to which a liquidating trust (the “**Liquidating Trust**”) will be created on the effective date of the Plan after confirmation thereof.

F. The primary purpose of the Liquidating Trust is to, among other things, liquidate and distribute assets, which includes assets of the Sellers not sold to Purchaser pursuant to the APA.

G. Following the Closing Date, the Sellers and the Liquidating Trust need access to certain assets, systems, facilities, equipment, and personnel of Purchaser in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers, and Purchaser agrees to provide such access and services in connection therewith.

## AGREEMENT

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

### ARTICLE I SERVICES

#### **Section 1.1** Services to be Provided.

(a) Services to be Provided by the Sellers and/or the Liquidating Trust. Subject to the terms and conditions of this Agreement, the Sellers and/or the Liquidating Trust, as the Service Provider, shall provide or cause to be provided to Purchaser, as the Service Recipient, those services in support of the business of Purchaser on such terms (including payment) as may be mutually agreed upon in writing from time to time by the Sellers and/or the Liquidating Trust and Purchaser (the "**Seller Services**").

(b) Services to be Provided by Purchaser. Subject to the terms and conditions of this Agreement, Purchaser, as the Service Provider, shall provide or cause to be provided to the Sellers and the Liquidating Trust, as the Service Recipient, those services and personnel in support of the business of the Sellers and/or the wind-down and liquidation of the Sellers set forth on Schedule A attached hereto (the "**Purchaser Services**").

#### **Section 1.2** Access to and Use of Assets, Systems, Facilities, and Equipment.

(a) Access. Beginning on the Effective Time and continuing through the termination or expiration of this Agreement in accordance with its terms, Purchaser hereby grants to the Sellers and the Liquidating Trust, reasonable access to and the right to use the hospital assets, systems, facilities, and equipment to the extent reasonably required in connection with the Sellers' wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. If any third party to any lease, license or other agreement requires Sellers to sign any documents in order for Sellers to be granted access to, and the right to use, any hospital asset, system, facility or equipment under such lease, license or other agreement, Sellers agree to execute and deliver any such documents; provided, that such documents, leases, licenses or other agreements do not require Sellers to pay any money or take any action, not required by the Sale Order; and provided, further, that if Sellers do not sign such requisite documents, leases, licenses or other agreements, then Purchaser has no obligation to provide Sellers with access and

the right to use the associated hospital assets, systems, facilities and equipment provided by such third party; and provided, further, that Purchaser agrees to indemnify, defend and hold harmless each of the Sellers in connection with any obligations under any such documents, leases, licenses or other agreements other than those obligations of Sellers thereunder which are required by the Sale Order.

(b) Office Space. In order to enable the provision of the Seller Services, Purchaser hereby grants to Sellers' and their affiliates' employees and any third-party service providers or subcontractors the right to use and occupy the portion of St. Francis Medical Center identified on Schedule B attached hereto (the "**Premises**") at no cost for use exclusively as office space pursuant to the terms and conditions hereof, and until the termination of this Agreement pursuant to Article IV herein. Sellers shall keep the Premises neat, clean and sanitary and dispose of all garbage. Sellers may terminate its right to occupy the Premises at any time upon five (5) days prior written notice to Purchaser. Upon termination of Sellers' right to occupy the Premises, Sellers shall vacate the Premises in broom-clean condition. Purchaser shall make the Premises available to Sellers 24 hours a day, 7 days a week. Purchaser may access the Premises for purposes of making repairs or improvement or other reasonable purposes upon (except in the case of an emergency) reasonable prior written notice to Sellers; however, Purchaser shall at all times use its commercially reasonable efforts to prevent interference with or interruption of the Sellers' business activities on the Premises. The Sellers use of the Premises shall additionally be subject to the following terms and conditions:

(i) Purchaser shall have the right, on reasonable advance notice (which shall not be less than three (3) business days) to Sellers, to relocate the space covered by the preceding license to similar space in the same area as the original designated Premises, provided the replacement space is reasonably suitable for the same uses as contemplated herein. In the event of any such relocation, references herein to the Premises shall constitute references to such relocated space.

(ii) Sellers shall not make any material alterations, decorations, additions, or improvements in or to the Premises or the Purchaser's other property without the prior written consent of Purchaser, which may be given or withheld in Purchaser's sole discretion.

(iii) Sellers shall not do, or permit their representatives to do, anything that would: (a) unreasonably obstruct or materially interfere with the lawful operation of the Premises or other portions of the Purchaser's property by Purchaser and other tenants of the Purchaser's property; or (b) use the Premises for any illegal or unlawful purpose, including without limitation any violations of applicable laws or regulations relating to or regulating hazardous substances.

(iv) The license, occupancy and access rights granted to Sellers under this Agreement shall be effective notwithstanding any ground lease, mortgage, deed of trust, or any other hypothecation or security placed at any time upon the Premises or any of Purchaser's property of which the Premises is a part, and notwithstanding any change in ownership (including any sale and/or leaseback involving any property of which the Premises is a part) .

**Section 1.3** Subcontracting. The Service Provider may, in its sole discretion and without any written notice to the Service Recipient engage one or more parties (including third parties or

affiliates of the Service Provider) to provide the Services, whether in whole or in part or subcomponent. Without limiting the preceding, Purchaser will not be required to use the Sellers existing IT and similar systems, but shall have the right to replace IT and other systems, used to provide any of the Purchaser Services provided that the new or replacement systems provide equivalent functionality. Sellers and Purchaser agree to fully cooperate with each other, at Purchaser's sole cost and expense, in connection with any data or other transition steps required in connection moving any of the functions covered by the Purchaser Services to a new vendor or system.

**Section 1.4** Cooperation; Access. Each Party shall, at reasonable times under the circumstances, make available to any other Party properly authorized personnel for the purpose of consultation and decisions in connection with the Services.

**Section 1.5** Certain Qualifications.

(a) Provided AS-IS. By accepting the use to the Premises and other access rights provided herein, Sellers conclusively shall be deemed, subject to the representations, warranties and obligations expressly set forth in this Agreement, to have (i) accepted the Premises and access to other property of Purchaser "AS IS" and without express or implied warranty; and (ii) is fully aware of and has approved the Premises in its condition existing as of such date.

(b) Limited Representation. Except for the representations, warranties and obligations expressly set forth in this Agreement, Purchaser makes no representations and warranties of any kind, implied or expressed, with respect to the Purchaser Services, including, without limitation, no warranties of merchantability or fitness for a particular purpose, which are specifically disclaimed.

(c) Privacy and Confidentiality Protections. All access provided to Sellers, to the Premises or otherwise as provided herein, shall be permitted only in a manner which protects patient privacy and the confidentiality of patient information under applicable Privacy Laws.

(d) Limitation on Liability. In no event shall any Party have any liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, whether based on statute, contract, tort or otherwise, and whether or not arising from any other Party's sole, joint, or concurrent negligence, strict liability, criminal liability or other fault.

## ARTICLE II LICENSE GRANT

**Section 2.1** License Grant. Beginning on the Effective Time and continuing through the later of the termination or expiration of this Agreement in accordance with its term or the dissolution of the Sellers and their Businesses, the wind-down of the Liquidating Trust and the completion of the Bankruptcy Cases, Purchaser grants to the Sellers and the Liquidating Trust a royalty free, license to use the name "St. Francis Medical Center," including any trademarks, service marks, trademark and service mark registrations and registration applications, trade names, trade name registrations, logos, domain names, trade dress, copyrights, copyright registrations, website

content, know-how, trade secrets, related to the use of the preceding name, and the corporate or company names of the Sellers and the name of the Hospital, together with all rights to sue and recover damages for infringement, dilution, misappropriation or other violation or conflict associated with any of the foregoing, in all respects solely as reasonably needed in connection with the wind-down of the Businesses, the completion of the Bankruptcy Cases, and the dissolution of the Sellers. Sellers and the Liquidating Trust shall not assign, transfer or hypothecate any of the rights subject to, and pursuant to, the preceding license and shall not use any such license rights in any manner which could adversely affect Purchaser's intellectual property rights with respect to the items which are the subject of such license.

### ARTICLE III PAYMENT

**Section 3.1** Service Fees. The fee, rate or amount to be charged to the Service Recipient for the Services (the “**Service Fees**”) shall be as set forth on Schedule A hereto for the Purchaser Services and as agreed upon in writing from time to time by Sellers and/or the Liquidating Trust and Purchaser for the Purchaser Services. The Service Provider shall issue invoices on a monthly basis to the Service Recipient for the Services, with a statement of such Services and reasonable supporting detail therefor. The Service Recipient shall pay the undisputed portion of such invoices within thirty (30) days of receipt of such invoices. Any dispute relating to the Services shall be resolved in accordance with the dispute resolution procedures set forth in this Agreement.

### ARTICLE IV TERM AND TERMINATION

**Section 4.1** Term. Unless a Service is earlier terminated by the Service Recipient in accordance with Section 4.2(b), the Service Provider shall provide each Service to the Service Recipient for the period beginning at the Effective Time (as defined under the APA) and continuing through and including the applicable dates set forth in: (i) Schedule A (with respect to the Purchaser Services); and (ii) any written agreement between Sellers and/or the Liquidating Trust and Purchaser (with respect to the Seller Services) (the “**Applicable Term**”); provided, that in the event a particular Service provided by Purchaser hereunder is required by one or more Sellers to allow such Seller(s) to comply with applicable laws, rules or regulations, the Applicable Term shall be extended for so long as such Service is required to allow such Seller(s) to comply with such laws, rules and regulations; *provided, however*, that notwithstanding any other term herein any Party may, in any case, terminate this Agreement by written notice to any other Party at any time on and after the end of the 18<sup>th</sup> calendar month following the Licensure Date (as defined in the APA). In addition, upon termination or expiration of this Agreement, the Parties may mutually agree in writing to a tail period for any portion of the Services, and the terms of this Agreement shall continue to apply to such ongoing Services until performed in full.

#### **Section 4.2** Termination.

(a) Termination for Material Breach. This Agreement may be terminated by the Sellers and/or the Liquidating Trust on the one hand, or Purchaser on the other hand, upon written notice to any other Party in the event that any other Party materially breaches any



provision of this Agreement and fails to remedy such breach within thirty (30) days of its receipt of such written notice, except to the extent such remedy is prevented or not permitted by the Bankruptcy Court; and provided, further, however, that this Agreement may only be terminated under this Section 4.2(a) following approval of such termination by the Bankruptcy Court.

(b) Early Termination. The Service Recipient may terminate any particular Service early by providing not less than thirty (30) days prior written notice to the Service Provider of its intent to terminate early such particular Service. Any such partial termination notice delivered shall specify in detail (i) the Service or Services to be terminated and (ii) the effective date(s) of such termination (subject to the foregoing sentence). If any such termination of a Service prior to the expiration of its Applicable Term requires any out-of-pocket fee, cost or expense of a similar nature payable to a third party (a “**Termination Fee**”), the Service Provider shall have no obligation to terminate such Service prior to the expiration of its Applicable Term unless the Service Recipient approves in advance such Termination Fee in writing (a “**Termination Fee Approval**”). If the Termination Fee Approval is granted, the Termination Fee shall be billed to and payable by the Service Recipient.

(c) Continued Access. Notwithstanding the termination of any particular Services hereunder, Service Recipient shall continue to have the right, upon reasonable advance notice and consistent with the other provisions herein, to reasonable access data and Service Provider, personnel relating to such Services for reasonable purposes (including compliance with applicable law).

**Section 4.3** Effect of Termination. The termination of this Agreement pursuant to Section 4.2 shall not relieve any Party from liability for any willful and material breach of this Agreement prior to such termination. Further, the provisions of Article II, Article III, this Section 4.3, Article V and Article VI shall survive any termination of this Agreement pursuant to Section 4.2.

## ARTICLE V COORDINATION AND OTHER COVENANTS

**Section 5.1** Coordination. The Parties hereby appoint as of the Effective Time the following representatives responsible for coordinating and managing the provision and receipt of the Services, which representatives shall have authority to act on the applicable Party’s behalf with respect to matters relating to this Agreement:

Sellers’ Representative:

Address:

Telephone:

Facsimile:

Email:

Liquidating Trust Representative:

Address:

Telephone:

Facsimile:

Email:

Purchaser's Representative:

Address:

Telephone:

Facsimile:

Email:

In the event that the Sellers, the Liquidating Trust or Purchaser elect, in their sole discretion, to change their respective representative appointed for purposes of this Section 5.1, the Sellers, the Liquidating Trust or Purchaser (as the case may be) shall deliver written notice thereof to the other promptly following the effective date of appointment of the name and contact information of such new representative. The representatives shall work in good faith to address and attempt to resolve any dispute arising out of or relating to this Agreement or the breach, termination or validity thereof, whether sounding in contract or tort and whether arising during or after termination of this Agreement, including any pricing and other Service related matters.

**Section 5.2** General Cooperation and Turnover Obligations. The Parties shall cooperate to ensure that any and all payments that constitute Excluded Assets (as defined in the APA), shall be paid to and received by Sellers, with any payments that constitute Assets (as defined in the APA) transferred to Purchaser pursuant to Section 1.7 of the APA or that otherwise arise from services rendered by Purchaser on or after the Licensure Date be paid to and received by Purchaser. In this regard, for a period of two (2) years after the Effective Time ("**Turnover Period**"), the Parties shall, within ten (10) business days, copy and send to any other Party copies (either in hard copy or via electronic file) of all remittance advices for all deposits to all Lockboxes or other bank accounts for the Receivables (as defined in the APA), from whatever payor or source of funds, that are received on and after the Effective Time. In the event that Assets are deposited to a bank account of Sellers which is not automatically swept or transferred to Purchaser, then Sellers, within ten (10) business days of notice of the receipt of such Assets, shall turnover and pay Purchaser said funds. In the event that a deposit representing payment of any Excluded Assets is received by Purchaser, then Purchaser, within five (5) business days of notice of the receipt of funds representing any Excluded Assets, shall turnover and pay Sellers such funds. Each Party, moreover, shall have the right, within three (3) months after the expiration of the Turnover Period, to audit by an independent and competent auditor, at the

requesting Party's sole expense, of the bank records and remittance advices of any other Party. Thereafter, upon the findings of the auditor that there has either been an overpayment or an underpayment of funds due, the Party owing funds shall, within five (5) business days, make a payment of such funds to the Party to whom they are owed.

**Section 5.3** HIPAA Compliance. The Parties agrees to take such steps as are necessary to ensure compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the California Confidentiality of Medical Information Act, and other applicable federal and state privacy laws and regulations (collectively, the "**Privacy Laws**") with respect to the Hospital and its operations, and the performance by the Parties of the services and obligations provide herein.

**Section 5.4** Confidentiality.

(a) During the term of this Agreement and thereafter, the Parties shall, and shall instruct their respective Representatives (as defined below) to, maintain in confidence and not disclose any other Party's financial, technical, sales, marketing, development, personnel, and other information, records, or data, including, without limitation, customer lists, supplier lists, trade secrets, designs, product formulations, product specifications or any other proprietary or confidential information, however recorded or preserved, whether written or oral (any such information, "**Confidential Information**"). Each Party hereto shall use the same degree of care, but no less than reasonable care, to protect any other Party's Confidential Information as it uses to protect its own Confidential Information of like nature. Unless otherwise authorized in any other agreement between the Parties, any Party receiving any Confidential Information of any other Party (the "**Receiving Party**") may use Confidential Information only for the purposes of fulfilling its obligations under this Agreement (the "**Permitted Purpose**"). Any Receiving Party may disclose such Confidential Information only to its directors/managing members, managers, officers, employees, consultants, financial advisors, prospective or existing lenders, counsel, accountants and other agents of such Receiving Party (and, in addition, Sellers may disclose such Confidential Information to the creditors committee in the Bankruptcy Cases and its consultants, financial advisors, counsel, accountants and other agents, the Liquidating Trust and its trustee, consultants, financial advisors, counsel, accountants and other agents and any advisory board members and their consultants, financial advisors, counsel, accountants and other agents) ("**Representatives**") who have a need to know such information for the Permitted Purpose and who have been advised of the terms of this Section 5.5 and the Receiving Party shall be liable for any breach of these confidentiality provisions by such persons; *provided, however*, that any Receiving Party may disclose such Confidential Information to the extent such Confidential Information is required to be disclosed by a governmental agency or court order ("**Governmental Order**"), in which case the Receiving Party shall promptly notify, to the extent possible, the disclosing Party (the "**Disclosing Party**"), and take reasonable steps to assist in contesting such Governmental Order or in protecting the Disclosing Party's rights prior to disclosure, and in which case the Receiving Party shall only disclose such Confidential Information that it is advised by its counsel in writing that it is legally bound to disclose under such Governmental Order.

(b) Notwithstanding the foregoing, "Confidential Information" shall not include any information that the Receiving Party can demonstrate: (i) was publicly known at the time of

disclosure to it, or has become publicly known through no act of the Receiving Party or its Representatives in breach of this Section 5.5; (ii) was rightfully received from a third party without a duty of confidentiality; or (iii) was developed by it independently without any reliance on the Confidential Information.

(c) Upon demand by the Disclosing Party at any time, or upon expiration or termination of this Agreement with respect to any Service, the Receiving Party agrees promptly to return or destroy, at the Receiving Party's option, all Confidential Information. If such Confidential Information is destroyed, an authorized officer of the Receiving Party shall certify to such destruction in writing.

## **ARTICLE VI MISCELLANEOUS**

### **Section 6.1** Relationship of the Parties.

(a) The Parties and their respective representatives shall be deemed independent contractors for all purposes under this Agreement.

(b) This Agreement shall not be deemed or construed to create the relationship of employer or employee, partnership or any type of joint venture relationship among the Parties.

(c) The Parties acknowledge and agree that the Parties are not providing legal, accounting or tax advice under this Agreement. The Parties further acknowledge and agree that no fiduciary or other similar relationship is being created among the Parties relating to the Services or otherwise under this Agreement.

(d) Except as expressly set forth herein, neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser or any of its representatives or affiliates, on the other hand, shall have the authority to contract for or assume obligations of any nature in the name of any other Party, as the case may be, without the other's prior written consent.

**Section 6.2** No Set-off. Neither the Sellers, the Liquidating Trust, nor any of their respective representatives or affiliates, on the one hand, nor Purchaser nor any of its representatives or affiliates, on the other hand, shall have any set-off or other similar rights pursuant to this Agreement.

**Section 6.3** Notices. All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the Party for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation if sent by facsimile; in each case to the Party at the address set forth in Section 5.1, or such other address as may be designated in writing hereafter, in the same manner, by such Party.

**Section 6.4** Amendment, Modification and Waiver. Any provision of this Agreement may be amended, modified or waived if, and only if, such amendment, modification or waiver is in writing and signed, in the case of an amendment, by the Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

**Section 6.5** Assignment. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, hypothecated, sublicensed, subleased or transferred by any of the Parties, in whole or in part, to any other person without the prior written consent of the non-assigning Party, and any attempted or purported assignment in violation of this Section 6.5 will be null and void; provided, that Sellers may assign their rights hereunder to the Liquidating Trust. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns. Notwithstanding the preceding, however, Purchaser may assign its rights or obligations hereunder to its any of its affiliates and may subcontract with third parties to provide any of the Purchaser Services as provided elsewhere in this Agreement, provided that any such assignment or subcontracting shall not relieve Purchaser of or reduce Purchaser's obligations under this Agreement.

**Section 6.6** Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

**Section 6.7** Third Party Beneficiaries. Nothing expressed or implied in this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person other than the Parties and their respective successors and permitted assigns.

**Section 6.8** Expenses. In the event of litigation arising from or relating to this Agreement, the non-prevailing Party as determined by a court of competent jurisdiction in a final non-appealable order shall be liable and pay to the prevailing Party the reasonable attorney's fees and expenses incurred in connection with such litigation.

**Section 6.9** Governing Law. This Agreement shall be construed, performed, and enforced in accordance with, and governed by, the laws of the State of California (without giving effect to the principles of conflicts of laws thereof), except to the extent that the laws of such State are superseded by the Bankruptcy Code or other applicable federal law.

**Section 6.10** WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY



CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.10. THIS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW ON THE SIGNATURE LINES, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2).

**Section 6.11 Jurisdiction; Mediation.** The Parties agree that the Bankruptcy Court shall have exclusive personal and subject matter jurisdiction over any action or proceeding with respect to any claim arising out of or related to this Agreement, and any of the documents or transactions contained in or contemplated by this Agreement; *provided, however*, that the Parties agree that the United States District Court for the Central District of California (together with the Bankruptcy Court, the "Chosen Courts") shall have exclusive jurisdiction over such claim if (i) the Bankruptcy Cases are closed and if the Bankruptcy Cases are not reopened to adjudicate such claim after request by the Party bringing such claim or (ii) the Bankruptcy Court determines that it does not have jurisdiction over such claim. Solely in connection with claims arising under this Agreement, or any of the documents or transactions contemplated hereby, the Parties (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party hereto, and (d) agree that service of process upon such Party in any such action or proceeding shall be effective if notice is given in accordance with Section 6.3 hereof.

**Section 6.12 Mediation.** If a dispute arises out of or relates to this contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the Parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation in accordance with the terms of this Agreement. Any such mediation shall take place in Los Angeles, California and be subject to the governing law as set forth in this Agreement.

**Section 6.13 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to constitute an original, but all of which shall constitute one and the same agreement, and may be delivered by facsimile or other electronic means intended to preserve the original graphic or pictorial appearance of a document.

**Section 6.14 Ownership of Intellectual Property.** Subject to the provisions of the APA, each of the Parties shall retain all right, title and interest in and to their respective intellectual property and data and other proprietary and other assets.



**Section 6.15** Service Standards. Service Provider shall use commercially reasonable efforts to provide the Services to be provided by it in accordance with all applicable laws, rules and regulations and in a professional, competent, workman-like and timely manner.

**Section 6.16** Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any circumstance, is found by a court or other governmental authority of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

**Section 6.17** Force Majeure. No Party shall be liable for nonperformance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, or late performance is due to reasons outside such Party's control (~~excluding~~including any arising from the SARS-CoV-2 virus or mutations therefrom or in connection with the disease COVID-19), including acts of God, war (declared or undeclared), riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, failure of utilities, (or similar nonperformance or late performance of suppliers or subcontractors). In the event of any such nonperformance or late performance, the Service Provider shall use commercially reasonable efforts to restore or resume the Services within a reasonable period of time.

**Section 6.18** Fair Meaning. This Agreement shall be construed according to its fair meaning and as if prepared by all Parties.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the Signing Date.

NAME

VERITY HEALTH SYSTEM OF  
CALIFORNIA, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

NAME

VERITY HOLDINGS, LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

NAME

ST. FRANCIS MEDICAL CENTER

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**Schedule A**  
**to TSA**

**Services to be Provided by Purchaser to Sellers**

- I. Phase One: [from closing date to 6-9 months thereafter]
  - A. Description of Services: Purchaser will assist in activities related to the Debtors' efforts in support of its winding down activities, including accounting for monthly transactions, assisting in materials management and purchasing, facilitating voucher and payment of accounts payable and financial reporting. Purchaser will assist Debtors' in additional winding down activities, including facilitating the Debtors' efforts in claims reconciliation, contracts rejections/assumptions, preparing W2s and 1099s, and preparing tax returns.
  - B. Accounting - TBD
  - C. Accounts Payable / Supply Chain - TBD
  - D. Human Resources / Payroll - TBD
  - E. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD
- II. Phase Two: [from end of Phase I to two years thereafter]
  - A. Description of Services: Purchaser will continue to archive and provide access to select data.
  - B. Accounting / Finance - TBD
  - C. Human Resources / Payroll - TBD
  - D. Information Technology: Provide application and infrastructure support; maintain licensing; maintain user access and perform required application and operating system upgrades as needed to perform services for all applications. List of applications: - TBD

**Schedule B**  
**to TSA**

**Office Space for Use by Sellers**

Exhibit ~~5.9~~5.8(c) to APA

**Accepted Conditions (Attorney General)**

*See attached.*

**Conditions to the Sale of St. Francis Medical Center<sup>1</sup> and Approval of the Asset Purchase Agreement by and among Verity Health System of California, Inc., Verity Holdings, LLC, St. Francis Medical Center and Prime Healthcare Services, Inc. (“Purchaser”)**

These Conditions shall be legally binding on Verity Health System of California, Inc., a California nonprofit public benefit corporation, Verity Holdings, LLC, a California limited liability company, St. Francis Medical Center, a California nonprofit public benefit corporation, and St. Francis Medical Center Foundation, a nonprofit public benefit corporation and Purchaser, a Delaware corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities including, but not limited to, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of St. Francis Medical Center, or the real property on which St. Francis Medical Center is located, any and all current and future owners, lessees, licensees, or operators of St. Francis Medical Center, and any and all current and future lessees and owners of the real property on which St. Francis Medical Center is located.

The transaction conditionally approved by the Attorney General consists of \_\_\_\_\_.

All the entities listed in Condition I, and any other parties referenced in the above agreements shall fulfill the terms of these agreements or documents and shall notify and obtain the Attorney General’s approval in writing of any proposed modification or rescission of any of the terms of these agreements or documents. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917 and obtain the Attorney General’s approval.

For ten years from the closing date of the Asset Purchase Agreement, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and all future owners, managers, lessees, licensees, or operators of St. Francis Medical Center shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of St. Francis Medical Center;

Transfer control, responsibility, management, or governance of St. Francis Medical Center. The substitution, merger or addition of a new member or members of the governing body of Purchaser that transfers the control of, responsibility for or governance of St. Francis Medical Center, shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body of Purchaser, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Purchaser shall also be deemed a transfer for purposes of this Condition.

<sup>1</sup> Throughout this document, the term “St. Francis Medical Center” shall mean the general acute care hospital located at 3630 East Imperial Highway, Lynwood, CA 90262, and any other clinics, laboratories, units, services, or beds included on the license issued to St. Francis Medical Center by the California Department of Public Health, effective January 1, 2019, unless otherwise indicated.



For ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide 24-hour emergency and trauma medical services at no less than current<sup>2</sup> licensure and designation with the same types and/or levels of services, including the following:

- 46 emergency treatment stations at a minimum;
- Designation as a Level II Trauma Center;
- Designation as a 5150 Receiving Facility, as defined by the Welfare and Institutions Code, section 5150, for behavioral health patients under involuntary evaluation;
- Psychiatric evaluation team;
- Designation as an Emergency Department Approved for Pediatrics (EDAP);
- Designation as a Paramedic Base Station; and
- Certification as a Primary Stroke Center.

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

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical shall maintain on-call coverage contracts and/or comparable coverage arrangements with physicians that are necessary to retain its qualification as a Level II trauma center. The following on-call coverage contracts and/or comparable coverage arrangements are required to retain St. Francis Medical Center's status as a Level II trauma center:

- Neurology;
- Obstetrics/gynecology;
- Ophthalmology;
- Oral or maxillofacial or head and neck;
- Orthopedic
- Plastic surgery;
- Reimplantation/microsurgery capability (this surgical service may be provided through a written transfer agreement); and
- Urology.

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

- Cardiac services, including three cardiac catheterization labs and the designation as a STEMI Receiving Center;
- Critical care services, including a minimum of 36 intensive care unit beds or 24 intensive care beds and 12 definitive observation beds;
- Neonatal intensive care services, including a minimum of 29 neonatal intensive care beds, and at minimum, maintaining a Level II NICU;
- Women's health services, including women's imaging services;

<sup>2</sup> The term "current" or "currently" throughout this document means as of January 1, 2019.

Pediatric services, including a designated area with at least five general acute care beds for pediatric services;  
Orthopedic and rehabilitation services;  
Wound care services;  
Behavioral health services, including a minimum of 40 distinct part inpatient acute psychiatric beds; and  
Perinatal services, including a minimum of 50 perinatal beds.

Purchaser shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.

For at least ten years from the closing date of the Asset Purchase Agreement, St. Francis Medical Center shall maintain the same types and/or levels of women's healthcare services currently provided at the location below or a location within three miles of St. Francis Medical Center:

Family Life Center at St. Francis Medical Center, located at 3630 E Imperial Highway, Lynwood, California.

For at least five years from the closing date of the Asset Purchase Agreement, Purchaser shall either: (1) operate clinics (listed below) with the same number of physicians and mid-level provider full-time equivalents in the same or similar alignment structures, or (2) sell the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the purchaser(s) to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein, or (3) ensure that a third party is operating the clinics (listed below) with the same number of physician and mid-level provider full-time equivalents and require the third party to maintain such services for 5 years from the closing date of the Asset Purchase Agreement and to participate in the Medi-Cal and Medicare programs as required in the conditions herein. For any of these options, each clinic can be moved to a different location within a three-mile radius of each clinic's current location, and St. Francis Medical Center can utilize an alternative structure in providing such services. The following clinic is subject to this condition:

Orthopedic services at 3628 E. Imperial Highway, Suite 300, Lynwood, California.

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall:

Be certified to participate in the Medi-Cal program at St. Francis Medical Center;

Maintain and have Medi-Cal Managed Care contracts with the below listed Medi-Cal Managed Care Plans to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions, on the same terms and conditions as other similarly situated hospitals offering substantially the same services, without any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage, unless the contract is terminated for cause or not extended or renewed by the Medi-Cal Managed Care Plan:

Local Initiative: L.A. Care Health Plan or its successor; and

Commercial Plan: Health Net Community Solutions, Inc. or its successor.

If Purchaser questions whether it is being reimbursed on the same terms and conditions as other similarly situated hospitals offering substantially the same services, it shall notify the Attorney General's Office with at least 120 days' notice prior to taking any action that would effectuate any loss, interruption of service or diminution in quality, or gap in contracted hospital coverage or prior to giving any required notice of taking such action.

Be certified to participate in the Medicare program by maintaining a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at St. Francis Medical Center to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care), on the same terms and conditions as other similarly situated hospitals, as required in these Conditions.

For six fiscal years from the closing date of the Asset Purchase Agreement, Purchaser shall provide an annual amount of Charity Care (as defined below) at St. Francis Medical Center equal to or greater than \$8,000,000 (the Minimum Charity Care Amount). For purposes hereof, the term "charity care" shall mean the amount of charity care costs (not charges) incurred by Purchaser in connection with the operation and provision of services at St. Francis Medical Center. The definition and methodology for calculating "charity care" and the methodology for calculating "costs" shall be the same as that used by Office of Statewide Health Planning Development (OSHPD) for annual hospital reporting purposes.<sup>3</sup>

Purchaser's obligation under this Condition shall be prorated on a daily basis if the closing date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

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

If the actual amount of charity care provided at St. Francis Medical Center for any fiscal year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide direct healthcare services to residents in the St. Francis Medical Center's service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For six fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall provide an annual amount of Community Benefit Services at St. Francis Medical Center equal to or greater than \$1,139,301 (the "Minimum Community Benefit Services Amount") exclusive of

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

any funds from grants. For six fiscal years, the following community benefit programs and services shall continue to be offered at its current or equivalent location:

Southern California Crossroads Program;  
Health Benefit Resource Center;  
Welcome Baby Program;  
Healthy Community Initiatives;  
American Career College access for onsite training;  
Paramedic Training and Education; and  
Patient Transportation support.

The planning of, and any subsequent changes to, the community benefit services provided at St. Francis Medical Center shall be decided after consultation with the Local Governing Board of Directors.

Purchaser's obligation under this Condition shall be prorated on a daily basis if the effective date of the Asset Purchase Agreement is a date other than the first day of Verity Health System of California, Inc.'s fiscal year.

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

If the actual amount of community benefit services provided at St. Francis Medical Center for any fiscal year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such fiscal year, Purchaser shall pay an amount equal to the deficiency to one or more tax-exempt entities that provide community benefit services for residents in St. Francis Medical Center's service area (31 ZIP codes), as defined on as described on page 54 in the Healthcare Impact

Report authored by JD Healthcare dated August 16, 2019. (Exhibit 1.) Such payment(s) shall be made within six months following the end of such fiscal year.

For at least ten years from the closing date of the Asset Purchase Agreement unless otherwise indicated, Purchaser shall maintain its contracts and any amendments and exhibits thereto with the City and/or County of Los Angeles for services, including the following:

Participation in the Hospital Preparedness Program between the Hospital and Los Angeles County;  
Department of Mental Health Legal Entity Contract between the Hospital and Los Angeles County;  
Paramedic Base Hospital Services between the Hospital and Los Angeles County;  
Radiation Therapy Services between the Hospital and Los Angeles County;

Designation Agreement between the County of Los Angeles Department of Mental Health (LAC-DMH) and the Hospital and approved as a 72-hour Evaluation and Intensive Treatment facility;  
Trauma Center Service Agreement between the Hospital and Los Angeles County;  
and  
Paramedic Training Institute Students between the Hospital and Los Angeles County.

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

For ten years from the closing date of the Asset Purchase Agreement, Purchaser shall have at St. Francis Medical Center a Local Governing Board of Directors. Purchaser shall consult with the Local Governing Board of Directors prior to making changes to medical services, community benefit programs, making capital expenditures, including making changes to the charity care and collection policies, and making changes to charity care services provided at St. Francis Medical Center. The members of the Local Governing Board shall include physicians from St. Francis Medical Center's medical staff, St. Francis Medical Center's Chief of Staff, one member designated by the Los Angeles County Board of Supervisors, and community representatives from St. Francis Medical Center's primary service area (31 ZIP codes), as described on page 54 in the Healthcare Impact Report authored by JD Healthcare dated August 16, 2019 attached hereto as Exhibit 1, including at least one member from a local healthcare advocacy group. Such consultation shall occur at least sixty days prior to the effective date of such changes or actions unless done so on an emergency basis. The Local Governing Board's approval is required of all reports submitted to the Attorney General regarding compliance with these Conditions.

Purchaser shall commit to reserve or expend for St. Francis Medical Center for capital improvements to the hospital over the five-year period from the closing of the Asset Purchase Agreement, the amount of capital that remains unexpended from the \$180 million commitment required of Blue Mountain Capital Management, LLC as part of the Attorney General Conditions approved on December 3, 2015 but this amount can be no less than \$5.8 million among St. Francis Medical Center, Seton Medical Center and St. Vincent Medical Center. Purchaser understands that such condition has previously been satisfied but will still commit to expend approximately \$35 million on St. Francis Medical Center over the five-year period from the closing of the Asset Purchase Agreement.

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



Purchaser shall maintain privileges for current medical staff who are in good standing as of the closing date of the Asset Purchase Agreement. Further, the closing of the Asset Purchase Agreement shall not change the independence of the medical staff.

There shall be no discrimination against lesbian, gay, bisexual, or transgender individuals at St. Francis Medical Center, and no restriction or limitation on providing or making reproductive health services available at St. Francis Medical Center, its medical office buildings, or at any of its facilities. Both of these prohibitions shall be set forth in Purchaser's written policies, adhered to, and strictly enforced.

For eleven fiscal years from the closing date of the Asset Purchase Agreement Purchaser shall submit to the Attorney General, no later than four months after the conclusion of each fiscal year, a report describing in detail compliance with each Condition set forth herein. The Chairman of the Board of Directors of Purchaser shall certify that the report is true, accurate, and complete and provide documentation of the review and approval of the report by the Local Governing Board.

At the request of the Attorney General, all parties listed in Condition I, Verity Health System of California, Inc., Verity Holdings, LLC, Purchaser, and any other parties referenced in the agreements listed in Condition II shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with these Conditions and the terms of the transaction as set forth herein. The Attorney General shall, at the request of a Party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

Once the Asset Purchase Agreement is closed, and so long as such actions are consistent with the Asset Purchase Agreement, all parties listed in Condition I, and any other parties referenced in the agreements listed in Condition II are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

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



## Analysis of the Hospital's Service Area

### Service Area Definition

Based upon the Hospital's CY 2017 inpatient discharges, the Hospital's service area is comprised of 31 ZIP Codes from which 75% of the Hospital's inpatient discharges came from. Approximately 51% of the Hospital's discharges originated from the top eight ZIP Codes, located in Lynwood, South Gate, Los Angeles, Bell, Compton, Bell Gardens, and Huntington Park. In CY 2017, the Hospital's market share in the service area was approximately 11% based on total area discharges.

PATIENT ORIGIN, CY 2017						
ZIP Code	Community	Discharges	Percentage of Discharges	Cumulative Percentage	Market Share	Total Discharges
90262	Lynwood	2,490	11.1%	11.1%	38.1%	6,538
90280	South Gate	2,187	9.8%	20.9%	29.0%	7,554
90221	Compton	1,400	6.3%	27.2%	24.1%	5,812
90201	Bell	1,359	6.1%	33.3%	16.3%	8,363
90002	Los Angeles	1,066	4.8%	38.0%	18.4%	5,797
90255	Huntington Park	956	4.3%	42.3%	15.5%	6,172
90059	Los Angeles	948	4.2%	46.6%	17.2%	5,527
90001	Los Angeles	922	4.1%	50.7%	15.6%	5,901
90220	Compton	708	3.2%	53.9%	12.7%	5,554
90222	Compton	700	3.1%	57.0%	18.1%	3,868
90003	Los Angeles	625	2.8%	59.8%	7.6%	8,209
90044	Los Angeles	542	2.4%	62.2%	4.5%	11,994
90723	Paramount	525	2.3%	64.6%	11.7%	4,483
90061	Los Angeles	358	1.6%	66.2%	9.5%	3,764
90650	Norwalk	344	1.5%	67.7%	3.3%	10,373
90270	Maywood	282	1.3%	69.0%	12.2%	2,309
90805	Long Beach	267	1.2%	70.2%	2.7%	9,940
90706	Bellflower	263	1.2%	71.3%	3.6%	7,223
90242	Downey	252	1.1%	72.5%	6.2%	4,038
90241	Downey	224	1.0%	73.5%	6.0%	3,726
90660	Pico Rivera	91	0.4%	73.9%	1.4%	6,608
90240	Downey	69	0.3%	74.2%	3.3%	2,073
90670	Santa Fe Springs	46	0.2%	74.4%	2.7%	1,703
90605	Whittier	44	0.2%	74.6%	1.1%	4,082
90606	Whittier	44	0.2%	74.8%	1.4%	3,244
90703	Cerritos	37	0.2%	74.9%	0.9%	4,026
90604	Whittier	32	0.1%	75.1%	0.9%	3,698
90701	Artesia	31	0.1%	75.2%	1.7%	1,813
90638	La Mirada	30	0.1%	75.4%	0.7%	4,274
90603	Whittier	3	0.0%	75.4%	0.1%	2,152
90639	La Mirada	0	0.0%	75.4%	0.0%	10
<b>Sub-Total</b>		<b>16,845</b>	<b>75.4%</b>	<b>75.4%</b>	<b>10.5%</b>	<b>160,828</b>
<b>All Other</b>		<b>5,504</b>	<b>24.6%</b>	<b>100%</b>		
<b>Grand Total</b>		<b>22,349</b>	<b>100%</b>			

Source: OSHPD Discharge Database, CY 2017

**DISCLOSURE SCHEDULES**

**To**

**ASSET PURCHASE AGREEMENT**

**By and Among**

**ST. FRANCIS MEDICAL CENTER, VERITY HOLDINGS, LLC,**

**and VERITY HEALTH SYSTEM OF CALIFORNIA, INC.**

**(as “Sellers”)**

**and**

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**(as “Purchaser”)**

**Dated [\_\_\_\_\_, 2020]**

**Schedule 1.4.3 - Owned Real Property**

**St. Francis Medical Center**

<b>Description</b>	<b>Owner</b>	<b>Address</b>	<b>APN</b>
Hospital Campus (including Hospital Patient Tower, Health Services Pavilion, Progressive Care Unit, Family Life Center, Power Plant and Parking Structure #1)	St. Francis Medical Center	3630 East Imperial Highway, Lynwood, CA 90262	6173-021-008
Huntington Park Medical Office Building	St. Francis Medical Center	2700 East Slauson Avenue, Huntington Park, CA 90255	6320-006-069
Maywood Medical Office Building	St. Francis Medical Center	5953 South Atlantic Boulevard 5, Maywood, CA 90270	6313-013-028
Parking lot (St. Francis Medical Center)	Verity Holdings, LLC	3633 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-047
Ministry Services Building (St. Francis Medical Center)	Verity Holdings, LLC	3663 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-019-022
Parking Lot (St. Francis Medical Center)	Verity Holdings, LLC	3621 Martin Luther King Jr., Boulevard, Lynwood, CA 90262	6173-015-048
Five Unit Apartment (St. Francis Medical Center)	Verity Holdings, LLC	3570 Brenton Avenue, Lynwood, CA 90057	6191-016-008

**Schedule 1.7(b) – Licenses**

St Francis Medical Center - Accreditation/Certifications/Licenses		
License/Permit/Certificate	License/Permit Number	Expiration date <sup>4</sup>
AABB - Certificate of Accreditation for Transfusion Activities		9/30/2021
ACR - for Adult Patients - Revolution EVO - 5		7/7/2020
ACR - for Adult Patients - Revolution EVO - 4		7/7/2020
ACR - ADAC Laboratories TRANSCAM 1994-Accreditation		10/12/2021
ACR - ADAC Laboratories VERTEX 1998 for Planer - Accreditation		10/12/2021
ACR - MRI Siemens AVANTO 2005 -Accreditation		5/19/2021
ACR - Siemens SYMBIA T 2011 for Planar, SPECT, Nuclear Cardiology		10/12/2021
ACR - Mammography - Lorad Medical Systems Dimensions 2012	MAP# 07026-05	8/4/2022
ACR - Mammography - Lorad Medical Systems Dimensions 2012 DBT	MAP# 07026-06	8/4/2022
Hospital Pharmacy Permit	HSP 45706	2/1/2021
California Department of Health – Processing Reportable Sources of Radiation	FAC00007446	6/30/2020
Sterile Compounding License	LSC 100267	2/1/2021
City of Lynwood - Business License - 4 Units	2301342	12/31/2020
City of Lynwood - Business License	2301756	12/31/2020
City of South Gate - Business License	3201	6/30/2020
CLIA Certificate of Waiver	05D0548351	2/27/2021
CLIA Certificate of Waiver	05D0949548	11/1/2021
County of LA Public Health - Public Health Permit - Cafeteria	PR0038667	6/30/2020
Department of Health & Human Services -Mammography Facility	138560	8/4/2022
Clinical Laboratory Certificate of Deemed Status	CDF00000291	12/28/2020
Department of Public Health – Mammography X-Ray Equipment and Facility 2 Dimension	20668	8/4/2022
Department of Public Health – Mammography X-Ray Equipment and	20669	8/4/2022

<sup>4</sup> Expiration date is subject to being updated.

Facility 3 Dimension		
Department of Public Health - Medical Waste Generator Small Quantity	SQG37254	4/16/2020
Department of Public Health - Medical Waste Large Quantity Management Program	No. 289	11/16/2020
Hospital License	930000157	12/31/2020
Tissue Bank License - FLC	CTB 00080570	12/12/2020
Tissue Bank License - Hospital OR	CTB 00080568	12/12/2020
Department of Transportation Division Aeronautics - Heliport(TLOF) Permit	LA-179(H)	
DEA Controlled Substance Registration	BS7805609	2/28/2023
Institute for Medical Quality – Continuing Medical Education Certificate	N/A	12/31/2021
South Coast Air Quality Management District - Rule 2202-On Road Motor Vehicle Mitigation Options	14924	7/15/2020
Conveyance Permit	107436	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	107437	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	107438	2/7/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113252	6/21/2020
Conveyance Permit	113372	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113373	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected

		in April 2020.
Conveyance Permit	113374	6/21/2020
Conveyance Permit	113375	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	113401	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121533	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121535	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	121557	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	36304	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	36305	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	90171	2/7/2020 Renewal in process,



		inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99368	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99562	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99563	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99564	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Conveyance Permit	99565	2/8/2020 Renewal in process, inspection occurred February 17-19, 2020. New permits expected in April 2020.
Radioactive Material License	0488-19	6/28/2024
The College of America Pathologists Laboratory Certification	2273801	8/22/2021
The Joint Commission - Hospital Accreditation Program	9953	10/27/2021
The Joint Commission - Primary Stroke	9953	6/21/2020
Federal Communications Commission Private Radio Licenses	KUX246	2/9/2024
Federal Communications Commission Private Radio Licenses	KWK570	3/21/2024
Federal Communications Commission Private Radio Licenses	WQHA434	6/11/2027

Federal Communications Commission Private Radio Licenses	WQIG242	1/30/2028
California Department of Tax and Fee Administration Seller's Permit	097962355-10000	
Los Angeles County Department of Mental Health Consolidated Medi-Cal Re-Certification Approval for St. Francis Medical Center Children's Center	N/A	N/A
Baby-Friendly USA Designation as Baby-Friendly Hospital	N/A	12/8/2024
American College of Surgeons VRC Committee on Trauma Verification as Level II Trauma Center	N/A	11/20/2021

Provider Number Listing	
Medicare	Hospital
05-0104	St Francis Medical Center
55-5238	St Francis Medical Center - SNF

Medi-Cal	Hospital
	St Francis Medical Center
HSC30104G	Acute Inpatient Contract
ZZT30104G	Acute Inpatient Non-Contract
ZZT40104G	Outpatient Contract
LTC55238G	SNF Inpatient

OSHPD	Hospital
106190754	St Francis Medical Center

**Schedule 1.7(c)(ii) - Leased Real Property**

<b>St. Francis Medical Center as Tenant</b>	
1.	Lease Agreement, dated May 1, 2018 between St. Francis Medical and Hopevale Properties, L.P. c/o Reliable Properties for the premises located at 4390 Tweedy Blvd., South Gate, CA 90280 (Expires May 31, 2020).
2.	St. Francis Medical Plaza Office Space Lease, dated January 1, 2006, between St. Francis Medical Center (as Tenant) and St. Francis-Lynwood Medical Plaza L.P. (as Landlord) for the premises located at 3628 E. Imperial Highway, Lynwood, CA 90262, as amended by that certain First Amendment to Lease, dated May 1, 2006, the Second Amendment to Lease, dated February 7, 2007, the Third Amendment to Lease, dated November 29, 2007, the Fourth Amendment to Lease, dated January 1, 2010, between St. Francis Medical Center (as Tenant) and NHP/PMB St. Francis-Lynwood Medical Plaza LLC (as Landlord), the Fifth Amendment to Lease, dated December 31, 2010, the Sixth Amendment to Office Lease and Agreement Regarding Property Tax Protection, dated May 27, 2011, the Seventh Amendment to Lease, dated March 27, 2012, the Eighth Amendment to Lease, dated May 1, 2013, the Ninth Amendment to Lease, dated September 9, 2013, the Consent of Prime Landlord to Sublease, dated April 1, 2014 by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Tenth Amendment to Lease, dated November 20, 2015, the Consent of Prime Landlord to Sublease, dated January 15, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC, the Eleventh Amendment to Lease, dated September 27, 2016, and the Consent of Prime Landlord to Sublease, dated December 1, 2016, by NHP/PMB St. Francis Lynwood Medical Plaza, LLC (Expires December 31, 2021).
3.	Standard Multi-Tenant Office Lease-Gross, dated March 1, 2006, between St. Francis Medical Center (as Lessee) and Sunshine Capital Group, LLC (as Lessor) for the premises located at 3680 E. Imperial Hwy Suites 450, 525 and 550, Lynwood, CA 90262, as amended by that certain First Amendment to Office Lease, dated October 23, 2007, the Second Amendment to Lease, dated December 5, 2012, the Third Amendment to Lease, dated June 25, 2013, and the Fourth Amendment to Lease, dated September 17, 2013 (Expired September 30, 2018). <sup>5</sup>

<sup>5</sup> Within the Lease Schedules “\*” indicates the lease is currently month-to-month.

**Schedule 1.7(c)(iii) - Tenant Leases**

<b>St. Francis Medical Center as Landlord</b>	
1.	Parking Space Lease, dated on or about January 7, 2018 between St. Francis Medical Center (as Landlord) and Davita Medical Management (as Tenant) for the premises located at 2700 E. Slauson Avenue, Huntington Park, CA 90255 as amended by that certain First Amendment, dated January 10, 2019 (Expires October 28, 2019).*
2.	Medical Office Building Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain First Amendment to Medical Office Building Ground Lease, dated February 1, 1993, the Second Amendment to Medical Office Building Ground Lease, dated May 1, 1993, the Assignment and Assumption of Leases and Subleases dated, June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee), and the Grant and Reservation of Easements and Parking Covenants by St. Francis Medical Center, dated January 1, 1993 (Expires January 1, 2048).
3.	Parking Garage Ground Lease, dated January 1, 1993 between St. Francis Medical Center (as Landlord) and Pacific Medical Buildings, L.P. (as Tenant) for the premises located in Lynwood, CA, as amended by that certain Assignment and Assumption of Leases and Subleases, dated June 4, 1993 between Pacific Medical Buildings, L.P. (as Assignor) and St. Francis-Lynwood Medical Plaza, L.P. (as Assignee) (Expires January 1, 2048).
4.	Sublease, dated December 1, 2016, between St. Francis Medical Center (as Sublessor) and Verity Medical Foundation (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 408, Lynwood, CA 90262 (Expires December 31, 2020).
5.	Sublease, dated January 15, 2016, between St. Francis Medical Center (as Sublessor) and St. Francis Multispecialty Medical Group, Inc. (as Sublessee) for the premises located at 3628 East Imperial Highway Suite 303, Lynwood, CA 90262, as amended by that certain First Amendment to Sublease between St. Francis Medical Center (Sublessor) and St. Francis Multispecialty Medical Group, Inc. (Sublessee), dated December 24, 2019. (Expires December 31, 2020).

Verity Holdings, LLC as Landlord	
1.	Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Diane Clark (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. B, Lynwood, CA 90262 *
2.	Apartment Lease, dated July 10, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Gregory Slack (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. A, Lynwood, CA 90262 *
3.	Apartment Lease, dated September 1, 2015, between Verity Holdings, LLC, successor-in-interest to St. Francis Medical Center (as Landlord) and Marco Monteon (as Tenant) for the premises located at 3570 Brenton Avenue, Apt. D, Lynwood, CA 90262 *

**Schedule 1.7(d) - Assigned Contracts and Assigned Leases**

Ref #	Debtor	Contract Counterparty	Nature of Contact / Lease	Termination Date	Cure Amount
57	St. Francis Medical Center	AMEDA INC	BREAST PUMP AND ACCESSORIES	10/31/2020	\$1,965.25
65	St. Francis Medical Center	AMERICAN RED CROSS	BLOOD PRODUCTS	11/11/2018	\$247,033.00
94	St. Francis Medical Center	ARJO INC	PATIENT LIFTS	7/31/2021	\$20,516.56
95	St. Francis Medical Center	ARROW INTERNATIONAL INC	HEMODYNAMIC MONITORING PRODUCT	6/30/2020	\$24,438.28
100	St. Francis Medical Center	ASAHI INTECC USA INC	DIC PRODUCTS	6/30/2019	\$3,417.77
136	St. Francis Medical Center	BAUSCH AND LOMB	OPHTHALMOLOGY PRODUCTS	6/30/2020	\$3,316.97
142	St. Francis Medical Center	BAYER MEDICAL CARE LLC	CM INJECTORS AND DISPOSABLES	12/31/2020	\$46,138.51
143	St. Francis Medical Center	BAYER MEDICAL CARE LLC	CONTRAST MEDIA MR	12/31/2020	
157	St. Francis Medical Center	BIO RAD LABORATORIES DIAGNOSTICS	BLOOD BANK ANALYZERS REAGENTS	1/31/2019	\$9,387.74
163	St. Francis Medical Center	BIOVENTUS LLC	BONE AND BONE SUBSTITUTE PRODUCTS	6/30/2021	\$15,189.80
164	St. Francis Medical Center	BIOVENTUS LLC	SYNTHETIC IMPLANTABLE PRODUCTS	6/30/2021	
190	St. Francis Medical Center	BRASSELER USA MEDICAL LLC	ORTHOPEDIC POWER TOOLS	4/30/2019	\$1,224.86
338	St. Francis Medical Center	CAREFUSION	CHLOROHEXADINE GLUCONATE (CHG)	7/31/2020	\$730.96
396	St. Francis Medical Center	COOK MEDICAL INC	SPECIALTY UROLOGY PRODUCTS	12/31/2020	\$60,694.99
397	St. Francis Medical Center	COOK MEDICAL INC	GASTROINTESTINAL ENDOSCOPY	1/31/2019	
398	St. Francis Medical Center	COOK MEDICAL INC	PERIPHERAL AND BILIARY STENTS	1/31/2020	
399	St. Francis Medical Center	COOK MEDICAL INC	DIR PRODUCTS	1/31/2020	
400	St. Francis Medical Center	COOK MEDICAL INC	CARDIAC RHYTHM MANAGEMENT	3/31/2020	
401	St. Francis Medical Center	COOK MEDICAL INC	VENA CAVA FILTERS	7/31/2020	
402	St. Francis Medical Center	COOK MEDICAL INC	HIGH RISK OBGYN PRODS MED/SURG	12/31/2019	
403	St. Francis	COOK MEDICAL INC	HIGH RISK OBGYN PROD	12/31/2019	

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	Medical Center		SPECIALTY		
449	St. Francis Medical Center	DAVITA MEDICAL MANAGEMENT LLC	LEASE-AS LANDLORD	2/28/2019	\$0.00
519	St. Francis Medical Center	GRACE MEDICAL	ENT IMPLANTS AND INSTRUMENTS	10/31/2019	\$180.86
525	St. Francis Medical Center	HARDY DIAGNOSTICS	MANUAL MICROBIOLOGY	12/31/2019	\$7,043.31
539	St. Francis Medical Center	HELMER SCIENTIFIC	GENERAL LABORATORY PRODUCTS	3/31/2021	\$131.75
550	St. Francis Medical Center	HOPEVALE PROPERTIES LP (RELIABLE PROPERTIES) FKA CHUNG SUK PU FKA WIN PROPERTY MANAGEMENT	LEASE-AS TENANT	4/30/2019	\$0.00
556	St. Francis Medical Center	HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)	LEASE-AS TENANT	4/30/2019	\$0.00
557	St. Francis Medical Center	HUFFBURT PROPERTY LLC (FKA JAMES H. DEWALD TRUST)	LEASE-AS TENANT	4/30/2019	
625	St. Francis Medical Center	LEICA MICROSYSTEMS INC	HISTOLOGY AND CYTOLOGY	3/31/2021	\$445.41
631	St. Francis Medical Center	LIVANOVA USA INC	PERFUSION PRODUCTS	1/31/2021	\$2,075.00
647	St. Francis Medical Center	Maintex Inc	HOUSEKEEPING SUPPLIES	12/31/2019	\$2,500.00
670	St. Francis Medical Center	MEDCOMP	DIALYSIS PRODUCTS	10/31/2020	\$4,623.00
830	St. Francis Medical Center	MERCEDES MEDICAL INC	HISTOLOGY AND CYTOLOGY	1/31/2021	\$910.00
838	St. Francis Medical Center	MICROTEK MEDICAL (ECOLAB)	OR EQUIPMENT DRAPES	3/31/2019	\$21,008.98
871	St. Francis Medical Center	NEUROSTRUCTURES INC	SPINAL IMPLANTS AND PRODUCTS	6/22/2019	\$3,307.50
896	St. Francis Medical Center	ORASURE TECHNOLOGIES INC	RAPID DIAGNOSTIC TEST KITS	10/31/2021	\$7,270.80
906	St. Francis Medical Center	PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)	LEASE-AS LANDLORD	12/31/2047	\$0.00
907	St. Francis Medical Center	PACIFIC MEDICAL BUILDINGS L.P. (ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC)	LEASE-AS LANDLORD	12/31/2047	
919	St. Francis Medical Center	PENUMBRA INC	DIR PRODUCTS	1/31/2020	\$7,985.48
920	St. Francis Medical Center	PENUMBRA INC	NEUROVASCULAR INT RADIOLOGY	8/31/2020	
992	St. Francis Medical Center	SMITH & NEPHEW INC ENDOSCOPY DIV	ARTHROSCOPY SUPPLIES	4/30/2019	\$223,752.45

993	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SKIN INTEGRITY: WOUND CARE	3/31/2020	
994	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SKIN INTEGRITY: SKIN CLENSER	3/31/2020	
995	St. Francis Medical Center	SMITH & NEPHEW INC WOUND MANAGEMENT DIV	SURGICAL WOUND DEBRIDEMENT	5/31/2020	
996	St. Francis Medical Center	SMITH & NEPHEW ORTHOPEDIC	ORTHO TOTAL JOINT IMPLANTS	9/30/2019	
997	St. Francis Medical Center	SMITHS MEDICAL ASD INC	ARTERIAL BLOOD GAS KITS	11/30/2020	\$6,818.23
998	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY HUBER NEEDLES	2/28/2021	
999	St. Francis Medical Center	SMITHS MEDICAL ASD INC	INFUSION DEVICES	1/31/2020	
1000	St. Francis Medical Center	SMITHS MEDICAL ASD INC	PULSE OXIMETRY AND CAPNOGRAPHY	4/30/2021	
1001	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY HYPODERMIC PRODUCTS	9/30/2019	
1002	St. Francis Medical Center	SMITHS MEDICAL ASD INC	SAFETY IV CATHETERS	9/30/2019	
1003	St. Francis Medical Center	SMITHS MEDICAL ASD INC	TRACHEOSTOMY TUBES	9/30/2021	
1004	St. Francis Medical Center	SMITHS MEDICAL ASD INC	TEMPERATURE MONITORING PRODUCTS	12/31/2018	
1005	St. Francis Medical Center	SMITHS MEDICAL ASD INC	REGIONAL ANESTHESIA TRAYS	1/31/2019	\$567.79
1018	St. Francis Medical Center	ST JUDE MEDICAL	DIC PRODUCTS	6/30/2019	
1019	St. Francis Medical Center	ST JUDE MEDICAL	CARDIAC RHYTHM MANAGEMENT	11/14/2020	
1021	St. Francis Medical Center	ST. FRANCIS LYNWOOD MEDICAL PLAZA, LLC	LEASE-AS TENANT	12/31/2021	\$97,282.52
1022	St. Francis Medical Center	St. Francis Multispecialty Clinic	SUBLEASE AGREEMENT	1/31/2018	\$0.00
1059	St. Francis Medical Center	STRYKER ORTHOPEDICS	ORTHOPEDIC TOTAL JOINT PRODUCTS	5/31/2020	\$398,744.58
1060	St. Francis Medical Center	STRYKER ORTHOPEDICS	GENERAL ORTHO TRAUMA PRODUCTS	10/31/2019	
1129	St. Francis Medical Center	Verity Medical Foundation	SUBLEASE AGREEMENT	12/31/2020	\$7,700.00

Ref #	Debtor	Contract Counterparty	Nature of Contact / Lease	Termination Date	Seton Medical Center & Coastside	St. Francis Medical Center	Verity Health System
93	V Hold.	Campus Physical Therapy	Lease-as Landlord	7/31/2027	\$0.00	\$0.00	\$0.00
138	V Hold.	Dave, Rajan, MD	Lease-as Tenant	9/30/2017	\$0.00	\$0.00	\$0.00
201	V Hold.	Hsiao, Michael	Lease-other	5/10/2017	\$0.00	\$0.00	\$0.00
244	V Hold.	Lee, Shu May MD, Inc.	Lease-as Landlord	2/28/2022	\$0.00	\$0.00	\$0.00
257	V Hold.	Longar, Susan MD	Lease-as Landlord	3/31/2022	\$0.00	\$0.00	\$0.00
266	VHS	Mariposa 2040 LLC	Lease-as Tenant	6/30/2047	\$0.00	\$0.00	\$0.00
289	V Hold.	Medicus Integrated Health Services, Inc.	Lease-as Landlord	2/28/2022	\$0.00	\$0.00	\$0.00
323	V Hold.	Mulligan, Timothy, MD	Lease-as Landlord	4/30/2022	\$0.00	\$0.00	\$0.00
329	V Hold.	Nantworks, LLC	Lease-office space	3/31/2019	\$0.00	\$0.00	\$34,722.48
362	V Hold.	Order of Malta Los Angeles, Free Clinic	Lease-as Landlord	6/30/2022	\$0.00	\$0.00	\$0.00
419	V Hold.	Rajan Davie, M.D.	Lease-as Landlord	9/30/2017	\$0.00	\$0.00	\$0.00
420	V Hold.	Ranavat, Amritlal MD	Lease-as Landlord	12/31/2017	\$0.00	\$0.00	\$0.00
421	V Hold.	Raymond Dugan Velasco, MD, Inc.	Lease-as Landlord	4/30/2022	\$0.00	\$0.00	\$0.00
472	V Hold.	Stefan, Michael R., M. D.	Lease-as Landlord	4/14/2022	\$0.00	\$0.00	\$0.00

527	V Hold.	Uy, Santos MD	Lease-as Landlord	11/30/2021	\$0.00	\$0.00	\$0.00
538	V Hold.	Verity Medical Foundation	Lease-as Tenant	7/31/2022	\$0.00	\$0.00	\$0.00
561	V Hold.	Yamamoto, Kenneth MD	Lease-as Landlord	5/31/2019	\$0.00	\$0.00	\$0.00
Added	V Hold.	House Ear Institute	Tenant Lease	2/28/2021	\$0.00	\$0.00	\$0.00
Added	V Hold.	Rolando Mercader, M.D.	Tenant Lease	7/31/2020	\$0.00	\$0.00	\$0.00
Added	V Hold.	Diane Clark	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00
Added	V Hold.	Gregory Slack	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00
Added	V Hold.	Marco Monteon	Tenant Lease	Monthly	\$0.00	\$0.00	\$0.00

**Schedule 1.7(I) - Permitted Exceptions**

None.

**Schedule 1.8(bb) - Other Excluded Assets**

None.



**Schedule 1.9(i) - Other Obligations**

None.

**Schedule 2.4 – Seller’s Knowledge of Breach or Default**

None.

**Schedule 2.5 - Brokers and Finders (Sellers)**

Cain Brothers, a division of KeyBanc Capital Markets.

**Schedule 2.7 - Compliance (Sellers)**

*See Confidential Side Disclosure Letter, dated of even date herewith.*

**Schedule 2.8 - Required Consents (Sellers)**

None, other than those consents required under §365 of the Bankruptcy Code.

**Schedule 2.9(b) - Environmental Matters (Sellers)**

Underground storage tank non-compliance notice issued by Los Angeles Department of Water and Power (LADWP) in September 2016 to Saint Francis Medical Center. Seller removed tank per closure permit issued to Saint Francis Medical Center by LADWP. There was no soil contamination or clean up necessary.



**Schedule 2.11 - Missing Material Licenses (Sellers)**

SFMC timely submitted the laboratory license for renewal and has received confirmation that CDPH Laboratory Field Services has received the renewal, is processing it, and the hospital may continue testing without penalty.

**Schedule 2.13 - Non-Bankruptcy Court Legal Proceedings (Sellers)**

*See attached folder* "Schedule 2.13 - Non-Bankruptcy Court Legal Proceedings"

**Schedule 2.19 - List of Excluded Individuals (Sellers)**

None.

**Schedule 3.4 - No Violation (Purchaser)**

None.

**Schedule 3.7 - Legal Proceedings (Purchaser)**

None.

**Schedule 5.3 - Hospital Employees**

*See attached folder "Schedule 5.3 Hospital Employees"*

**Schedule 11.3(b) - Tax Allocation Schedule**

The Parties agree that within sixty (60) days subsequent to the Closing Date (the “**Allocation Date**”), the Purchase Price shall be allocated to the Assets using the residual method and based upon the agreed fair market value of the various Classes of the Assets set forth below, as reasonably determined by the Purchaser and Seller, consistent with Section 1060 of the Internal Revenue Code. In particular, the Parties shall mutually agree upon the tax allocation associated with the Assets of Verity Holdings.

<b>Class of Assets</b>
Class I Assets (cash and general deposit accounts)
Class II Assets (Publicly traded stock; U.S. Government Securities)
Class III Assets (Accounts Receivable)
Class IV Assets (Inventory)
Class V Assets (Property, Plant and Equipment)
Class VI Assets (Intangibles other than Goodwill)
Class VII Assets (Goodwill)



Employment Practices Liability Litigation		
Plaintiff/Grievant	Venue	Case Number(s)
Ahinasi, Sonnia	San Bernardino County Superior Court	CIVDS1822881
Aliazis, Tricia	EEOC Charge DFEH Charge	37A-2019-03433-C; 201903-05587626
Aragon, Jasmine	Los Angeles County Superior Court	BC717447
Brown, Star		Complaint Not Yet Filed
Capizzi, Renee		Mediation
Carcamo, Rosa	Los Angeles County Superior Court	TC029195
Carter, Margena		Right To Sue Letter
Dolmo, Norma	EEOC Charge DFEH Charge	480-2019-01625
Engelman, Ivonne *settlement in process	Los Angeles County Superior Court	BC704524
Harris, Leonard	Los Angeles County Superior Court	19STVC38595
Martin, Joan	EEOC Charge	37A-2018-02446
Nguyen, Diane	Los Angeles County Superior Court	BC713041
Nguyen, Natalie	Los Angeles County Superior Court; EEOC Charge	Small Claims 19CMSC01398; 480-2019-00050
Raj, Aaron		Notice Of Intent
Rapp, Dwight		Lawsuit Not Yet Filed - SOL of 4/17/20
Sorto, Cynthia	Los Angeles County Superior Court	20STCV04718
Waheed, Wahidi, Ernesto Madrgil, et al	San Mateo Superior Court	18-CIV-03214
Xue, Baoru		Demand Letter
General Liability Litigation		
Plaintiff	Venue	Case Number(s)
Arreola, Maria		Notice Of Intent
Burell, Lisa		Request For Payment (auto-related)
Cortes, Synthia	Los Angeles County Superior	BC659504

	Court	
Hernandez, Iris	Los Angeles County Superior Court	BC681228
Khajekarrameddin, Frangis	Los Angeles County Superior Court	BC712663
Woolum, Dale		Notice Of Intent
Medical Malpractice (Professional Liability) Litigation		
Plaintiff	Venue	Case Number(s)
Aguirre Huerta, Rafael	Los Angeles County Superior Court	19STCV29922
Allen, III, LeRoy & Perkins, LaTrice		Notice Of Intent
Ancira, Mateo, by and through guardian ad litem Yolanda Frias	Los Angeles County Superior Court	19STCV23682
Arencibia, Vivian	Los Angeles County Superior Court	BC673423
Birdsong, Erica		Notice Of Intent
Braun, Brian	Los Angeles County Superior Court	19STCV13074
Bustamante, Marvela	Los Angeles County Superior Court	19STCV22710
Childress, Alberta	Los Angeles County Superior Court	20STCV00666
Correa, Maximino	Los Angeles County Superior Court	BC625271
De Los Angeles, Maria		Notice Of Intent
Durham, Breta	Los Angeles County Superior Court	BC680199
Ferguson, William	Los Angeles County Superior Court	19STCV08618
Flores, Luz	Los Angeles County Superior Court	19STCV38243
Fuentes, Federico	Los Angeles County Superior Court	19STCV08306
Hernandez, Daniel	Los Angeles County Superior Court	BC687878
Iniguez, Aida	Los Angeles County Superior Court	BC616038
Lopez, Monique	Potentially Compensable Incident	No Complaint, Demand Letter, Or Notice Of Intent At This Time

Mitchell, Alice		Letter To Preserve Record
Morataya, Jessica	Los Angeles County Superior Court	BC712998
Navarro, Richard	Los Angeles County Superior Court	BC669695
Ramirez, Guadalupe		Notice Of Intent
Robles, Josefina	Los Angeles County Superior Court	8C697012
Rodriguez, Yolanda by and through, Successor-in-Interest Corinna Jimenez, et al	Los Angeles County Superior Court	Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29707
Rojas, John	Los Angeles County Superior Court	Notice Of Intent And Unserved Complaint Filed, Case No. 19STCV29868 (SFMC not named or served)
Rubio, Alicia, by and through, guardian ad litem Cariola Rubio	Los Angeles County Superior Court	18STCV04410
Saleh, Ebtissam	Los Angeles County Superior Court	BC718838
Sanchez, Isabel		Notice Of Intent
Sprownson, Tammy	Los Angeles County Superior Court	5C724114
Vazquez, Eduardo, by and through biological mother, Denia Carolina Alvarado	Los Angeles County Superior Court	BC609128
Zavala, Adamari, by and through, guardian ad litem, All Adanesne Quiñones	Los Angeles County Superior Court	BC691431

Workers' Compensation Cases		
Grievant	Date of Loss	Case Number(s)

Acosta, Leslie	5/24/2018	ADJ12476569
Navarro Gutierrez, Giselle	10/23/2018	ADJ12149342
Sanders, Valencia	11/17/2016	ADJ10754107
Haith, Leilani	11/17/2016	ADJ1066160
Sutton, Tina	3/5/2013	ADJ11216966
Jean, Marlene	3/2/2010	ADJ7610324
Ponce, Diana	10/19/2015	
Balderas-St. Pierre, Luz	10/17/2015	
Balderas-St. Pierre, Luz	11/18/2016	
Monteon, Marco	9/20/2016	ADJ12088746
Padilla, Rebecca	1/25/2009	
Werner, Wendie	10/17/2010	ADJ7620832
Monteon, Angie	9/5/2012	ADJ9223401
Gardea, Richard	4/26/2004	ADJ11072161
Casey, Rochelle	11/7/2015	ADJ11332260
Bombay, Maura	9/16/2006	ADJ5815856
Anaya, Gloria	3/21/2009	ADJ7228730
Jones, Lisa	1/6/2004	ADJ772382
Herrera, Martha	1/31/2012	ADJ8485301
Gardea, Richard	5/8/2014	ADJ11073773
Silva, Marcelina	1/14/2015	
Silva, Marcelina	4/6/2016	
Anaya, Gloria	8/14/2009	ADJ7228730
Lee, Belinda	1/13/2015	ADJ12991056
Mendez, Maria	4/20/2015	ADJ12209*530
Quiñonez, Maria	7/10/2015	
Hernandez, Lorena	4/8/2013	ADJ8942433
Reed, Charotta	2/18/2010	ADJ7309641
Wang, Xiaoling	1/11/2012	ADJ8180221
Ganzon, Nancy	3/20/2012	ADJ8391108
Martinez, Marina C	2/6/2015	ADJ11955687
Mendez, Maria	2/8/2016	ADJ12209530
Infante, Elida	5/14/2006	ADJ4439918
Harris, Gloria	7/27/1984	ADJ1323480
Wills, Ora	8/17/1989	ADJ2755470
McCoy, Virginia	1/24/2017	ADJ10802194
Maravilla, Fernando	2/15/2017	ADJ10772424
Sears, Andrea	2/28/2017	
Giannelli, Michelle	3/2/2017	
Jornacion, Wilfredo	5/18/2017	ADJ12475946

Martirosyan, Alik	6/6/2017	
Epps, Cleveland	6/23/2017	ADJ11035557
Plaza, Caroline	6/27/2017	ADJ12089432
Elizalde Maria	6/27/2017	ADJ11186591
Harris, Stanley	11/22/2017	ADJ11498006
Espinoza, Ramon	10/10/2017	
Harris, Stanley	5/15/2018	ADJ11498006
Diaz, Gabriela	6/9/2018	
Malone, Veronica	12/21/2017	ADJ12557870
Medal, Sonia	1/9/2018	ADJ11664975
Gardea, Richard	6/30/2016	ADJ11072161
Torres-Olivares, Maria	1/11/2018	ADJ11799845
Dacio, Joicelyne	12/31/2017	
Roots Chandra	1/26/2018	ADJ12964974
King, LaVonda	2/1/2018	
Monteon Marco	2/8/2018	ADJ12088798
Zavala, Mayra	2/28/2018	
Jones, Leatrice	4/5/2018	
Casey, Rochelle	7/18/2018	ADJ11395500
Ramirez, Teresita	8/22/2018	
Smith, Rita	10/1/2018	
Meza, Maria	10/4/2018	ADJ11906361
Scrubb, Jacqueline	11/16/2018	
Chavez, Sandra	12/4/2018	
Boub, Theodore	2/13/2018	ADJ11965517
Armstrong, Gary	2/1/2019	ADJ2488567
Rodriguez, Isaac	2/27/2019	ADJ2050556
Ricketts, Chanel	3/9/2019	ADJ12129607
Cariaso, Sylvester	7/3/2014	
Monteon, Marco Jr	2/25/2019	ADJ12092140
Duffy, Earl	5/23/2019	
Jadraque-Olmos, Anna	6/10/2019	ADJ1271881
Dominguez, Cassidy	5/21/2019	ADJ12411106
Williams, Linda	7/15/2019	
Hill, Larry	5/17/2019	
Palomares, Reyna	7/31/2019	
Pham, Patty	7/26/2019	ADJ12566853
Duran, Monica	8/2/2019	ADJ12795212
Giannelli, Michelle	8/27/2019	
Santos, Grace Mary	9/6/2019	
Morales Silva, Angelita	8/14/2019	ADJ12504328

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DM-US 165807051-13.079742.0063  
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Morales Silva, Angelita	8/21/2019	ADJ2505618
Duronslet, Devine	9/21/2019	
Alonza, Kathryn	9/20/2019	
Malone, Veronica	4/19/2019	ADJ12557869
Partida, Aurelio	10/1/2019	
Washington, Shirlee	10/6/2019	ADJ12640087
Plaza, Caroline	5/30/2019	ADJ12748038
Harris, Stanley	11/8/2019	ADJ12983668
Yepez, Consuelo	11/12/2019	
Acosta, Amber	11/1/2019	
Pinks Jeannene	9/11/2019	ADJ12675128
Marin, Solita	12/18/2019	
Marinoble, Tawny	12/31/2019	
Roots, Chandra	10/15/2019	ADJ12964974
Roots, Chandra	2/26/2018	ADJ13012642
<b>Appeals</b>		
Certain Medicare and Medicaid Group Appeals Handled By Two Law Firms: Stephenson, Aquisto & Coleman; And Hooper, Lundy and Bookman		
<b>Union</b>	<b>Grievant/Case Name</b>	<b>Grievance Number</b>
United Nurses Associations of CA/Union of Health Care Professionals	Carcamo, Rosa	SM 04-18
<b>Labor Grievances</b>		
<b>Union</b>	<b>Grievant/Case Name</b>	<b>Grievant Number</b>
SEIU	Class Action - for SEIU Bargaining Unit	
SEIU	Class Action - for SEIU Bargaining Unit	
UNAC	Employee given Corrective Action Plan (CAP) without union representative	SFMC SB 01-20
UNAC	Union grieved and written/verbal warning given to employee	SM 04-20
UNAC	Union grieved disciplinary action and employee received written warning. Union position is that written warning should have been a	SM 07-20

	CAP	
UNAC v. SFMC	National Labor Relations Board - Region 21	ULP-21-CA-231856
UNAC	Union grieved and CAP	SM 06-20



**Esposito, Zach**

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**Subject:** RE: EXTERNAL: FW: Prime/St. Francis- Revised APA

**From:** Garms, R. Matthew <[matthew.garms@dentons.com](mailto:matthew.garms@dentons.com)>

**Sent:** Friday, April 3, 2020 12:23 PM

**To:** Joel Richlin (PHMI) <[JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)>; Moyron, Tania M. <[tania.moyron@dentons.com](mailto:tania.moyron@dentons.com)>; Paul, Elspeth <[ElspethPaul@verity.org](mailto:ElspethPaul@verity.org)>; David Galfus <[dgalfus@thinkbrg.com](mailto:dgalfus@thinkbrg.com)>; Chadwick, Peter (VHS) <[pchadwick@thinkbrg.com](mailto:pchadwick@thinkbrg.com)>; Moloney, Jim ([JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)) <[JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)>; John Schlant [ThinkBRG] <[jschlant@thinkbrg.com](mailto:jschlant@thinkbrg.com)>; Koffroth, Nick <[nick.koffroth@dentons.com](mailto:nick.koffroth@dentons.com)>; Montgomery, Claude D. <[claudemontgomery@dentons.com](mailto:claudemontgomery@dentons.com)>; Maizel, Samuel R. <[samuel.maizel@dentons.com](mailto:samuel.maizel@dentons.com)>; Adcock, Rich <[RichAdcock@verity.org](mailto:RichAdcock@verity.org)>; Beith, Carsten <[cbeith@cainbrothers.com](mailto:cbeith@cainbrothers.com)>; Project Phoenix ([project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)) <[project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com)>

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**Subject:** RE: Prime/St. Francis- Revised APA

**[ External Email ]**

All, please see attached revised clean and redlined drafts of the Asset Purchase Agreement, along with a draft of the purchase price adjustment schedule.

 R. Matthew Garms

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**From:** Joel Richlin (PHMI)

**Sent:** Friday, April 03, 2020 12:01 AM

**To:** Moyron, Tania M. ; Paul, Elspeth ; David Galfus ; Chadwick, Peter (VHS) ; Garms, R. Matthew ; Moloney, Jim ([JMoloney@cainbrothers.com](mailto:JMoloney@cainbrothers.com)) ; John Schlant [ThinkBRG] ; Koffroth, Nick ; Montgomery, Claude D. ; Maizel, Samuel R. ; Adcock, Rich ; Beith, Carsten ; Project Phoenix ([project\\_phoenix@keybank.com](mailto:project_phoenix@keybank.com))

**Cc:** [ggertler@mwe.com](mailto:ggertler@mwe.com); [Colson@mwe.com](mailto:Colson@mwe.com); [Jreisner@mwe.com](mailto:Jreisner@mwe.com); Steve Aleman (PHMI)

**Subject:** Prime/St. Francis- Redline of Sale Order

## [External Sender]

Hi All,

Attached is a clean and redline of the template Sale Order. My understanding is that Dentons is working on a redline that reflects the parties' negotiations and agreements today. I reviewed the AR language with Elspeth and that should be good to go. I also sent Elspeth the language for the structure of the MAE provision and my understanding is that Cain has agreed on the calculation methodology with Steve and Cain is drafting that. So we are waiting in Cain's draft of that calculation and otherwise waiting on Dentons to turn a redline of the rest.

Please let me know if anything is in our court. We are otherwise prepared for the wire transfer and will be ready to review and finalize the redline in the morning. We can also review tonight if available.

Joel

**A. Joel Richlin, Esq.**

*Vice President, Deputy General Counsel, & Chief Litigation Counsel*

3480 E. Guasti Road, Ontario, CA 91761

Direct: 909-235-4235 | Facsimile: 909-235-4316

Email: [JRichlin@primehealthcare.com](mailto:JRichlin@primehealthcare.com)



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\*\*\*\*\*

Please visit <http://www.mwe.com/> for more information about our Firm.

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James W. Kapp, III (admitted *pro hac vice*)  
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E-mail: jkapp@mwe.com

*Attorneys for Prime Healthcare Services, Inc.*

**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

In re:

VERITY HEALTH SYSTEM OF,  
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

Possession.

- ☒ Affects All Debtors  
☐ Affects Verity Health System of California, Inc.  
☐ Affects O'Connor Hospital  
☐ Affects Saint Louise Regional Hospital  
☒ Affects St. Francis Medical Center  
☐ Affects St. Vincent Medical Center  
☐ Affects Seton Medical Center  
☐ Affects O'Connor Hospital Foundation  
☐ Affects Saint Louise Regional Hospital Foundation  
☐ Affects St. Francis Medical Center of Lynwood Foundation  
☐ Affects St. Vincent Foundation  
☐ Affects St. Vincent Dialysis Center, Inc.  
☐ Affects Seton Medical Center Foundation  
☐ Affects Verity Business Services  
☐ Affects Verity Medical Foundation  
☐ Affects Verity Holdings, LLC  
☐ Affects De Paul Ventures, LLC

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

Case No. 2:18-bk-20162-ER  
Case No. 2:18-bk-20163-ER  
Case No. 2:18-bk-20164-ER  
Case No. 2:18-bk-20165-ER  
Case No. 2:18-bk-20167-ER  
Case No. 2:18-bk-20168-ER  
Case No. 2:18-bk-20169-ER  
Case No. 2:18-bk-20171-ER  
Case No. 2:18-bk-20172-ER  
Case No. 2:18-bk-20173-ER  
Case No. 2:18-bk-20175-ER  
Case No. 2:18-bk-20176-ER  
Case No. 2:18-bk-20178-ER  
Case No. 2:18-bk-20179-ER  
Case No. 2:18-bk-20180-ER  
Case No. 2:18-bk-20181-ER

Hon. Ernest M. Robles

**PRIME HEALTHCARE SERVICES, INC.'S  
EVIDENTIARY OBJECTIONS**

**Relates to Docket Nos. 6645 and 6662**

**Hearing Date and Time:**

**Date: October 6 2021**

**Time: 10:00 a.m.**

☐ Affects De Paul Ventures - San Jose  
Dialysis, LLC

**Location:** 255 E. Temple St.,  
Courtroom 1568  
Los Angeles, CA 90012

Debtors and Debtors In  
Possession.

Prime Healthcare Services, Inc. (“Prime”) hereby submits its evidentiary objections to the Declaration of Peter Chadwick (the “Chadwick Decl.”) or submitted in support of the *Post-Effective Date Debtors and Liquidating Trustee’s Memorandum in Opposition to Prime Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment; Declaration of Peter Chadwick* [Docket No. 6662] (the “Objection” filed by the “Debtors”) filed in response to *Prime Healthcare Services, Inc.’s Motion to Enforce Provisions of the Asset Purchase Agreement Pertaining to Accounts Receivable Adjustment; Declaration of A. Joel Richlin in Support Thereof; Declaration of Ken Wheeler in Support Thereof; Declaration of Steve Aleman in Support Thereof* [Docket No. 6645] (the “Motion”), as follows:

<u>Material Objected To:</u>	<u>Specific Objections:</u>
1. <u>Chadwick Decl., ¶ 11, Ins. 22:23-26.</u> “[T]he schedule exchanged during that review plainly shows that ‘S-9 COUNTY TRAMA’ was considered and explicitly included in calculating the A/R Target Amount.”	1. <u>Best Evidence Rule</u> (Fed. R. Evid. 1008 (“[a]n original writing, recording, or photograph is required in order to prove its content unless these rules or a federal statute provides otherwise”); <u>Lack of Personal Knowledge</u> (Fed. R. Evid. 602) (“A witness may testify to a matter only if evidence is introduced sufficient to support a finding that the witness has personal knowledge of the matter”); <u>Hearsay</u> (Fed. R. Evid. 801); <u>Relevance</u> ((Fed. R. Evid. 402) (“Irrelevant evidence is not admissible”); <u>Prejudice</u> ((Fed. R. Evid. 403) (“[t]he court may exclude relevant evidence if its probative value is substantially

<u>Material Objected To:</u>	<u>Specific Objections:</u>
	<p>outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence”); <u>Improper Opinion Testimony</u> (Fed. R. Evid. 702); <u>Improper Testimony Regarding Legal Matter</u> (<i>United States v. Boulware</i>, 558 F.3d 971, 975 (9<sup>th</sup> Cir. 2009); <u>Incomplete / Misstates Contents of Referenced Document</u>; <u>Failure to Authenticate</u> (Fed. R. Evid. 901; <i>Orr v. Bank of America, NT &amp; SA</i>, 285 F.3d 764, 773 (“[a]uthentication is a condition precedent to admissibility”).</p> <p>Through this testimony, Mr. Chadwick seeks to describe the schedule exchanged during due diligence review, but he provides no insight as to whether he personally prepared the schedule, the timing of such preparation, how the Parties allegedly considered the schedule, or whether he personally negotiated with Prime pertaining to such schedule. Nonetheless, Mr. Chadwick purports to testify as to the contents and legal effect of a document that</p>

<u>Material Objected To:</u>	<u>Specific Objections:</u>
	<p>preceded entry into the relevant contracts, was superseded by multiple subsequent drafts, and which was superseded by a fully integrated written APA subject to an express merger clause. Mr. Chadwick’s characterization of this document, which is nowhere incorporated into the APA, is therefore irrelevant to the apparent purposes for which it is offered – namely, the interpretation of section 1.7(p) of the integrated APA, whether the parties intended to remove “trauma payments” from the APA. Further, even if the schedule at issue were somehow relevant, Mr. Chadwick utterly fails to authenticate the document attached as Exhibit C, and even if he had, the document speaks for itself, and Mr. Chadwick’s attempts to characterize the documents contents or legal effect are unnecessary and improper.</p>
2. <u>Exhibit C to Debtor’s Objection.</u>	2. <u>Failure to Authenticate</u> (Fed. R. Evid. 901; <i>Orr v. Bank of America, NT &amp; SA</i> , 285 F.3d 764, 773 (“[a]uthentication is a condition precedent to admissibility”); <u>Relevance</u> ((Fed. R. Evid. 402) (“Irrelevant evidence is not admissible”); <u>Prejudice</u>



<u>Material Objected To:</u>	<u>Specific Objections:</u>
	<p>((Fed. R. Evid. 403) (“[t]he court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence”).</p> <p>The sole manner in which the Debtors purport to authenticate the schedule attached as Exhibit C to their Opposition is through the testimony of Peter Chadwick referenced in Objection No. 1 set forth herein. As noted in that objection, Mr. Chadwick provides no insight as to whether he personally prepared the schedule, the timing of such preparation, how the Parties allegedly considered the schedule, or whether he personally negotiated with Prime pertaining to such schedule. For that reason and the reasons set forth more fully in Objection No. 1, the Debtors therefore fail to properly authenticate Exhibit C. Because Exhibit C is not properly authenticated, it is legally irrelevant and references to it are</p>

<u><b>Material Objected To:</b></u>	<u><b>Specific Objections:</b></u>
	unduly prejudicial. Exhibit C should be stricken.
3. <u>Chadwick Decl., ¶ 17, Ins. 24:24-25:4.</u> “But conversations with Prime’s head of collections affirmed the deliberate reduction in collection efforts. Prime’s PFS Director, Ana Goff, stated on November 17, 2020 that there were systems issues preventing her team’s ordinary-course follow up, without explaining what type of issues. In addition, Ms. Goff indicated that collections people had been pulled away from Verity A/R to focus on a Prime audit. She stated that the impact was effectively two collectors working five days a week. Ms. Goff also stated that she had staffing issues and had insufficient staff to assist her with the legacy accounts.”	3. <u>Lack of Personal Knowledge</u> (Fed. R. Evid. 602) (“A witness may testify to a matter only if evidence is introduced sufficient to support a finding that the witness has personal knowledge of the matter”); <u>Relevance</u> ((Fed. R. Evid. 402) (“Irrelevant evidence is not admissible”); <u>Prejudice</u> ((Fed. R. Evid. 403) (“[t]he court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence”).  Through this testimony, Mr. Chadwick purports to characterize the contents of certain alleged statements by Ana Goff. Mr. Chadwick does not provide the date upon which such comments occurred, through what medium, who was present, nor any other details from which to conclude that Mr. Chadwick was actually

<u>Material Objected To:</u>	<u>Specific Objections:</u>
	<p>present with or personally witnessed any such conversations. This is for good reason, as described in the Declaration of Ana Goff being filed concurrently with these objections, Ms. Goff has never spoken with Mr. Chadwick. Mr. Chadwick likewise does not even describe where he heard about these alleged statements, under what circumstances, or from who. The declaration is utterly devoid of any basis from which to conclude that he is in any respect competent to testify to alleged statements as to which he was plainly nowhere in the room. This evidence is therefore utterly unreliable. Accordingly, Mr. Chadwick lacks personal knowledge of the purported statements described in this testimony. In addition, because Mr. Chadwick's testimony is without personal knowledge, it is irrelevant and the admission of such testimony is unduly prejudicial. Accordingly, this testimony should be stricken and disregarded. Finally, Mr. Chadwick's statements here are</p>

<u><b>Material Objected To:</b></u>	<u><b>Specific Objections:</b></u>
	impermissible double hearsay, as to which no exception applies.
<p>4. <u>Chadwick Decl., ¶ 14, lns: 23:20-25.</u></p> <p>“In negotiations between the parties to resolve this dispute, a telephone conversation that Prime indicates occurred on February 18, 2021, Steve Aleman, Prime’s CFO conceded that if LA County Trauma payments were included in the A/R Target Amount then that should be dispositive of whether they should be included in the Final A/R Collected. Afterwards, Prime and its counsel have denied that Aleman made such a representation, but I stand by what I heard him say in that telephone conversation.”</p>	<p>4. <u>Settlement Privilege</u> ((Fed. R. Evid. 408) (“[e]vidence of (1)...offering...or (2) accepting...a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible.”)).</p> <p>By its express terms, the entirety of this testimony relates to statements allegedly made “[i]n negotiations between the parties to resolve this dispute...” While flatly wrong, this testimony is therefore by Mr. Chadwick’s own express admissions, “evidence of . . . conduct or a statement made during compromise negotiations...” and squarely within the scope of Section 408’s protections.<sup>1</sup> This testimony should therefore be stricken, and the Debtors should be cautioned against further</p>

<sup>1</sup>The Debtors concede that the statements were made “in settlement discussions. . .” *See* Objection p.10, fn 32.

<u>Material Objected To:</u>	<u>Specific Objections:</u>
	reference to or attempts to introduce settlement privileged material.

1 Dated: September 28, 2021  
2 Los Angeles, California

3 **McDermott Will & Emery, LLP**

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8 - and -

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